

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** C.E. Cliff Hayes, Jr.

2. **Bill Number** HB 906

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Public Facilities: Adds City of Chesapeake;
Modifies Definitions; and Extends Deadline

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would add the City of Chesapeake ("the City") to the list of localities that are authorized to issue bonds for the construction of public facilities and retain sales and use tax revenue generated within such facilities to pay off such bonds.

The bill also adds outdoor amphitheaters to the list of authorized public facilities and extends until July 1, 2024, the period of time during which authorized localities may issue bonds for the construction of public facilities and retain sales and use tax revenue generated within the facilities to pay off the bonds. Under current law, such authority expires on July 1, 2020.

This bill would become effective July 1, 2020.

6. **Budget amendment necessary:** No

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill as routine and does not require additional funding. This bill could result in unknown local administrative costs.

Revenue Impact

The proposed legislation would result in an unknown General Fund loss for the Commonwealth and an unknown revenue gain for the City.

9. Specific agency or political subdivisions affected:

Department of Taxation
City of Chesapeake

10. Technical amendment necessary: No

11. Other comments:

Background

Virginia Code § 58.1-608.3 (formerly the Public Facilities Act) allows sales tax revenue attributable to sales in new or substantially and significantly renovated or expanded public facilities to be transferred back to municipalities to pay the costs of the bonds issued to finance such facilities. Under current law, such authority expires on July 1, 2020.

Currently, qualifying public facilities include auditoriums, coliseums, convention centers, conference centers, and certain hotels and sports facilities located in the Cities of Fredericksburg, Hampton, Lynchburg, Newport News, Norfolk, Portsmouth, Richmond, Roanoke, Salem, Staunton, Suffolk, Virginia Beach, and Winchester, and Town of Wise. Certain public facilities in the City of Bristol also qualify.

Proposal

This bill would add the City of Chesapeake to the list of localities that are authorized to issue bonds for the construction of public facilities and retain sales and use tax revenue generated within such facilities to pay off such bonds.

The tax entitlement would not include the tax revenue generated by the one-half percent sales and use tax dedicated to the Transportation Trust Fund; the one percent of the state sales and use tax revenue distributed among the counties and cities on the basis of school-age population; and the additional sales and use tax for transportation in Northern Virginia and Tidewater.

The bill also would add any “outdoor amphitheater” to the list of authorized public facilities, provided that a locality owns, wholly or partly, and contributes to financing the construction of such amphitheater.

Further, the bill would extend from July 1, 2020 to July 1, 2024, the period of time during which authorized localities may issue bonds for the construction of public facilities and retain sales and use tax revenue generated within such facilities to pay off such bonds.

This bill would become effective July 1, 2020.

Similar Legislation

House Bill 120 would extend the sunset date for the City of Virginia Beach's entitlement to state sales and use tax revenue attributable to a sports or entertainment project, to July 1 following the twentieth anniversary of the completion of construction of the sports and entertainment project.

House Bill 1102 would create the Hampton Roads Regional Arena Authority and grant it certain powers relating to construction of an arena and facility, including the authority to (i) issue bonds to construct the arena and facility, (ii) receive state sales and use tax revenue that is attributable to the arena and facility, (iii) use such revenue to repay such bonds, and (iv) distribute any excess revenue to any Hampton Roads locality that elects to contribute to the financing of the construction of an arena and facility.

Senate Bill 163 is identical to this bill.

cc: Secretary of Finance
Date: 2/27/2020 SK
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