

DEPARTMENT OF TAXATION

2018 Fiscal Impact Statement

1. **Patron** Matthew James

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax;
Public Facility Entitlement

2. **Bill Number** HB 529

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose**

This bill would add the City of Chesapeake to the list of municipalities eligible to receive certain sales tax revenues generated by qualifying public facilities in their jurisdictions to repay bonds issued to pay the costs of such facilities.

It would also expand the list of bonds used to finance public facilities that are eligible to be repaid from sales tax revenues to include bonds issued on or after July 1, 2017, but prior to July 1, 2021.

The effective date of this bill is not specified.

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.

Revenue Impact

The proposed legislation would result in an unknown General Fund loss. Due to the lack of information on the project an estimate cannot be provided.

9. Specific agency or political subdivisions affected:

Department of Taxation; the Cities of Bristol, Chesapeake, Hampton, Lynchburg, Newport News, Norfolk, Portsmouth, Richmond, Roanoke, Salem, Staunton, Suffolk, Virginia Beach, and Winchester; and the Town of Wise

10. Technical amendment necessary: No

11. Other comments:

Background

Va. 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.

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

Any municipality which has issued bonds (i) after December 31, 1991, but before January 1, 1996, (ii) on or after January 1, 1998, but before July 1, 1999, (iii) on or after January 1, 1999, but before July 1, 2001, (iv) on or after July 1, 2000, but before July 1, 2003, (v) on or after July 1, 2001, but before July 1, 2005, (vi) on or after July 1, 2004, but before July 1, 2007, (vii) on or after July 1, 2009, but before July 1, 2012, (viii) on or after January 1, 2011, but prior to July 1, 2015, or (ix) on or after January 1, 2013, but prior to July 1, 2017, to pay the cost, or portion thereof, of any public facility shall be entitled to all sales tax revenues generated by transactions taking place in such public facility.

Legislative History

As originally enacted in 1992, this transfer mechanism applied only to one facility in the City of Roanoke. The 1998 General Assembly amended the population requirements to include the City of Portsmouth, and in 1999, the population requirements were again amended to include the City of Suffolk. The General Assembly amended the population requirements in 2000 to include the City of Hampton, in 2001 to include the City of Staunton, in 2004 to include the City of Newport News and the City of Salem, in 2006 to include the City of Norfolk, in 2009 to include the City of Richmond and the Cities of Virginia Beach, in 2012 to include the Cities of Lynchburg and Winchester, and in 2013 the Town of Wise.

In 2012, the Virginia General Assembly enacted legislation that expanded the definition of “public facilities” for purposes of the sales tax entitlement to include development projects that 1) meet the requirements for a development of regional impact and 2) are located in the City of Bristol. In order to be deemed a development of regional impact, the development project must meet the following criteria: 1) the locality contributes

infrastructure or real property towards the project as part of a public-private partnership with the developer that is equal to at least 20 percent of the aggregate cost of development; 2) the facility is reasonably expected to require a capital investment of at least \$50 million; 3) sales within the development are reasonably expected to generate at least \$5 million annually; 4) the facility is reasonably expected to attract at least one million visitors annually; 5) the facility is expected to create at least 2,000 permanent jobs; 6) the facility is in a locality that had a rate of unemployment at least three percentage points higher than the statewide average in November 2011; and 7) the facility is in a locality that is adjacent to a state that has adopted a Border Region Retail Tourism Development District Act.

Proposal

This bill would add the City of Chesapeake to the list of municipalities eligible to receive certain sales tax revenues generated by qualifying public facilities in their jurisdictions to repay bonds issued to pay the costs of such facilities.

It would also expand the list of bonds used to finance public facilities that are eligible to be repaid from sales tax revenues to include bonds issued on or after July 1, 2017, but prior to July 1, 2021.

The effective date of this bill is not specified.

Similar Legislation

House Bill 179 would extend the date for bonds eligible for sales tax revenues generated by qualifying public facilities.

Senate Bill 132 is identical to this bill.

cc : Secretary of Finance

Date: 1/16/2018 SK
DLAS File Name: HB529F161