

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Barry D. Knight

3. **Committee** House Finance

4. **Title** Public Facilities; Virginia Beach Sports and Entertainment Project

2. **Bill Number** HB 120

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide that the entitlement to state sales and use tax revenue of the City of Virginia Beach (the City) that is attributable to a sports or entertainment project, which under current law will expire on July 1, 2039, will instead expire on July 1 following the twentieth anniversary of the completion of construction of the sports and entertainment project.

The bill also authorizes the City to work with a community development authority established by the City to develop a sports or entertainment district, and authorizes it to use funds from the Sports or Entertainment Project Financing Fund to pay for debt maintenance costs of such authority.

If enacted during the Regular Session of the 2020 General Assembly, 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 administrative costs to Virginia Beach.

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 Virginia Beach

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.

Legislation enacted in 2013 granted the City of Virginia Beach similar authority to receive state sales and use tax revenues generated as a result of the construction or operation of a facility intended to serve as an arena for an NHL or NBA team or for the purpose of holding conferences and entertainment events. The entitlement, bond authority, and all other authority granted pursuant to the 2013 legislation expired on January 1, 2018 because the City had not executed a lease with an NHL or NBA team, or issued bonds for an arena to hold conferences and entertainment events.

Legislation enacted in 2019 granted the City certain powers relating to construction of a sports or entertainment project and any related facilities; including the authority to (i) issue bonds to construct a sports or entertainment project, (ii) receive state sales and use tax revenue that is attributable to such project, and (iii) use such revenue to repay such bonds. The legislation provided that the City of Virginia Beach's entitlement to state sales and use tax revenue would expire on July 1, 2039.

Proposal

This bill would provide that the entitlement to state sales and use tax revenue of the City of Virginia Beach (the City) that is attributable to a sports or entertainment project, which under current law will expire on July 1, 2039, will instead expire on July 1 following the twentieth anniversary of the completion of construction of the sports and entertainment project.

The bill also authorizes the City to work with a community development authority established by the City to develop a sports or entertainment district, and authorizes it to use funds from the Sports or Entertainment Project Financing Fund to pay for debt maintenance costs of such authority.

If enacted during the Regular Session of the 2020 General Assembly, this bill would become effective July 1, 2020.

Similar Legislation

Senate Bill 163 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; add “outdoor amphitheater” to the list of authorized public facilities; and extend 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.

cc: Secretary of Finance

Date: 1/11/2020 SK
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