DEPARTMENT OF TAXATION
2023 Fiscal Impact Statement

1. **Patron** L. Louise Lucas

2. **Bill Number** SB 1258
House of Origin:
_____ **Introduced**
_____ **Substitute**
_____ **Engrossed**

Second House:
_____ **In Committee**
_____ **Substitute**
__X__ **Enrolled**

3. **Committee** Passed House and Senate

4. **Title** Sales Tax Revenues; Entertainment Arena

5. **Summary/Purpose:**

This bill would add certain entertainment arenas to the definition of “public facility” for the purpose of entitling municipalities to sales tax revenues generated by transactions at the facility, provided that the municipality owns the facility, wholly or partly, and contributes to financing its construction.

This bill would also extend the time period in which municipalities may issue bonds to finance public facilities to on or after July 1, 2023, but prior to July 1, 2026.

The provisions of this bill would not become effective unless reenacted by the 2024 Session of the General Assembly.

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

This bill could decrease the amount of General Fund revenues available for appropriation. Due to uncertainty regarding the projects that would benefit from this expansion of the public facility entitlement, the magnitude of this potential decrease is unknown.

9. **Specific agency or political subdivisions affected:**

Department of Taxation
Municipalities eligible for the public facility sales tax entitlement

10. Technical amendment necessary: No

11. Other comments:

Background

Under current law, certain sales tax revenue attributable to sales in new or substantially and significantly renovated or expanded public facilities may to be transferred to municipalities to pay the costs of the bonds issued to finance such facilities. Currently, qualifying public facilities include auditoriums, coliseums, convention centers, conference centers, and certain hotels and sports facilities. The time period in which such bonds may be issued currently ends on July 1, 2024.

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.

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

Under current law, the entitlement is limited to revenues generated from transactions taking place in such public facility once they have been completed. Accordingly, the entitlement does not extend to transactions generating revenues in connection with the development and construction of the public facility.

Also under current law, any municipality that 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, 2024, to pay the cost, or portion thereof, of any public facility is entitled to certain sales tax revenues generated by transactions taking place in such public facility.

Using the Hampton Roads Region as an example, including the 1.0 percent local option tax, the public facility sales tax entitlement is a 3.025 percent tax entitlement, as summarized in the table below.

Total Sales and Use Tax Rate	**6.0%**
Less Commonwealth Transportation Fund	(0.5%)
Less Public Education Based on School Age Population	(1.0%)
Less Regional Transportation	(0.7%)
Less Public Education SOQ	(0.25%)
Less Public Education SOQ	(0.125%)
Less Commonwealth Transportation Fund	(0.1%)
Less Commonwealth Transportation Fund	(0.3%)
Total Sales and Use Tax Entitlement	**3.025%**

Proposal

This bill would add certain entertainment arenas to the definition of “public facility” for the purpose of entitling municipalities to sales tax revenues generated by transactions at the facility, provided that the municipality owns the facility, wholly or partly, and contributes to financing its construction.

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The provisions of this bill would not become effective unless reenacted by the 2024 Session of the General Assembly.

cc : Secretary of Finance

Date: 3/8/2023 SK
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