

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4873-02
Bill No.: HB 1438
Subject: Tax Credits, Tourism, Business and Commerce, Tax Incentives, Taxation and Revenue - Income, Entertainment, Sports and Amusement
Type: Original
Date: January 2, 2018

Bill Summary: This proposal changes the laws regarding the Sporting Event Sports Contract Tax Credit and extends its sunset date.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	\$0	(Up to \$3,000,000)	(Up to \$3,000,000)
Total Estimated Net Effect on General Revenue	\$0	(Up to \$3,000,000)	(Up to \$3,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§67.3000 Amateur Sporting Ticket Sales and the §67.3005 Amateur Sporting Contribution
Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal makes multiple changes to the sports contribution tax credit. It expands the credit to additional college level sporting events, it expands the credit to participant-based events, requires the actual number of tickets or participants to be used when determining the credit amount, and it extends the sunset date from 2018 to 2030.

In addition, B&P notes that this proposal limits the tax credits to \$300,000, per year, for all counties except Jackson County, St. Louis County, and St. Louis City. These three localities are to remain at the existing \$3 million per year cap. This could increase Total State Revenue and General Revenue if a majority of the tax credits goes to localities outside of Jackson County, St. Louis County, and/or St. Louis City.

This proposal may increase Total State Revenue. This proposal may impact the calculation under Article X, Section 18(e).

Officials at the **Department of Economic Development (DED)** assume that it amends the Sporting Event Tax Credit to include “collegiate” events. It makes other changes but leaves the cap on the program at \$3 million annually. It extends the sunset from 2018 to 2030. The impact will be \$3 million annually starting FY 2019. DED will need to hire one Economic Development Incentive Specialist III (\$53,136) to administer the program.

Oversight notes this is an extension of an existing program and therefore, DED should be able to absorb the duties of the proposal with existing resources.

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal.

ASSUMPTION (continued)

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Amateur Sporting Ticket Sales tax credit program (§67.3000) had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Certificates Issued	6	3	15	10	10
Projects	8	3	15	10	10
Amount Authorized	\$728,708	\$942,800	\$5,296,200	\$2,200,000	\$1,800,000
Amount Issued	\$585,735	\$237,050	\$2,175,700	\$2,035,825	\$1,500,000
Amount Redeemed	\$38,610	\$17,800	\$1,316,815	\$500,000	\$500,000

Amount Outstanding - \$1,078,135 Amount Authorized but Unissued - \$3,918,305

Oversight notes this proposal would extend this tax credit from August 28, 2019 to August 28, 2030. This credit is given for 100% of eligible costs or \$5 per admission ticket. This tax credit has a \$3 million annual cap. Per Oversight fiscal note policy, the fiscal note will reflect the extension of this tax credit starting in FY 2020.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Amateur Sporting Contribution tax credit (§67.3005) program had the following activity;

	FY 2015	FY 2016	FY 2017	FY 2018 (projected)	FY 2019 (projected)
Certificates Issued	7	0	13	7	7
Projects	7	0	13	7	7
Amount Authorized	\$14,000	\$20,000	\$18,750	\$20,000	\$20,000
Amount Issued	\$14,000	\$0	\$39,250	\$20,000	\$20,000
Amount Redeemed	\$0	\$0	\$12,500	\$15,000	\$15,000

Amount Outstanding - \$40,750 Amount Authorized but Unissued - \$110,000

Oversight notes this tax credit is a prepay credit. A person makes a donation to an eligible organization and half the payment is sent to the state by the organization. Upon receipt of the payment by the State, the tax credit is issued. Oversight notes that since the payment is received in advance of the issuance of the tax credit, extending this credit would not fiscally impact the State.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE			
<u>Revenue Reduction</u> - extension of the Amateur Sporting Ticket Sales tax credit sunset date §67.3000	<u>\$0</u>	(Up to <u>\$3,000,000</u>)	(Up to <u>\$3,000,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	(Up to <u>\$3,000,000</u>)	(Up to <u>\$3,000,000</u>)

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill re-authorizes the Amateur Sporting Events Tax Credit until August 28, 2030, while making various other changes. Bid fees and financial guarantees are added to the definition of "eligible costs" used to determine the amount of a tax credit authorized, and extends the deadline for a tax credit applicant to submit eligible costs and proper documentation from 30 to 90 days following the conclusion of a sporting event. The bill also adds the Amateur Athletic Union, the National Christian College Athletic Association, the National Junior College Athletic Association, the United States Sports Specialty Association, and rights holder members of the National Association of Sports Commissions to the list of "site selection organizations" that determine tax credit qualifying sporting events. The definition of "sporting events" is then expanded to include collegiate competitions.

The bill further provides that the tax credit authorized by the Amateur Sporting Events Tax Credit program for the hosting of a qualifying sporting event shall be the least of 100% of eligible costs, an amount equal to \$5 for every admission ticket, or an amount equal to \$10 for every paid participant registration if the sporting event did not sell admission tickets. The latter two values shall be calculated using the actual number of tickets sold or registrations paid, not estimates.

FISCAL DESCRIPTION (continued)

Furthermore, for purposes of having a certified support contract necessary for receiving a tax credit, site selection organizations need not use a competitive bid process when organizing collegiate football bowl games or other neutral-site games with at least one out-of-state team. However, in no event shall the tax credit for coordinating a sporting event exceed \$300,000 in any fiscal year for sporting events not located in Jackson County, St. Louis County, or St. Louis City.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Office of Administration
Division of Budget and Planning

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Acting Director
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