

MINNESOTA • REVENUE

VARIOUS TAXES Professional Sports Facilities

March 8, 2002

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings	X	

PRELIMINARY ANALYSIS

Department of Revenue

Analysis of S.F. 1857 (Johnson, Dean) / H.F. 2214 (Mares) – **Tax Provisions Only – As Proposed to be Amended -- Revised to Recognize Administrative Costs**

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>
	(000's)			

General Fund

Construction Materials Exemptions

Undetermined

Special Revenue Fund / Sports Facilities Account

13% Sports Memorabilia Wholesale Tax	\$0	\$12,100	\$12,300	\$12,600
Automobile Rental Surcharge \$1 per day	\$300	\$1,700	\$1,800	\$1,800
Metrodome Additional Tax of 5%	\$0	\$3,200	\$3,200	\$3,200
10% Admissions Tax	\$0	\$0	\$0	\$0
\$2 Ticket Surcharge	\$0	\$0	\$0	\$0
\$2 Parking Surcharge	\$0	\$0	\$0	\$0
6.5% Gross Revenues Tax (Metrodome)	\$0	\$1,200	\$1,200	\$1,200
Broadcasting Rental / Fee	\$0	\$3,000	\$3,000	\$3,000
Total	\$300	\$21,200	\$21,500	\$21,800

Various effective dates.

EXPLANATION OF THE BILL

Current Law: Local governments can not impose a sales tax without specific legislative authorization.

Proposed Law: Taxes would be imposed and transferred to a sports facilities account. The revenue sources would be: 1) a wholesale sports memorabilia tax of 13%, 2) an automobile rental surcharge,

EXPLANATION OF THE BILL

Proposed Law (cont.):

3) an admission tax (an additional 5%) at the Metrodome with terms for the subsequent disposition of the Metrodome included, 4) an admissions tax of 10% to events at the baseball park and football stadium, 5) a ticket surcharge of at least \$2 per ticket with the owner assuring that this surcharge produces \$5,000,000 per year, 6) a parking tax of not less than \$2 per vehicle for game days at the baseball park and football stadium, 7) a gross revenues tax of 6.5% on all retail sales, except sports memorabilia, at the Metrodome, the baseball park, and the football stadium, 8) rent or fee in lieu of rent, in sum not to exceed \$3,000,000 per year, to entities broadcasting or reporting professional and collegiate sports or entertainment events at sports facilities constructed with state assistance, and 9) personal seat licenses and commemorative bricks.

The bill includes a construction materials exemption for materials and supplies used to construct the park or stadium. Provisions for a ballpark/stadium commission are included.

REVENUE ANALYSIS DETAIL

- The wholesale sports memorabilia tax of 13% was estimated based on information from the Sporting Goods Manufacturers Association. It is assumed that the initial wholesale price is 50% of the final retail price and that 2% of national licensed merchandise is sold at retail in Minnesota. The fiscal impact of the sale of University of Minnesota licensed sports products is excluded pending information from the University. It is assumed that this tax would be effective June 1, 2002.
- The estimate for the automobile rental surcharge (metropolitan area) is based on collections information from the current 6.2% additional tax on rental cars. One-half of the receipts are deposited in the sports facilities account. Somewhat more than two months of collections are assumed for fiscal year 2002.
- The admission tax (an additional 5%) at the Metrodome is estimated based on ticket sales information from the Metropolitan Sports Facilities Commission. Terms for the subsequent disposition of the Metrodome are included in the bill. It is assumed that this tax would be effective June 1, 2002.
- The admissions tax is proposed to be 10% for events at the baseball park and football stadium, neither of which is expected to be in operation during the forecast period.

REVENUE ANALYSIS DETAIL (cont.)

- A ticket surcharge of at least \$2 per ticket at the baseball park (only) is proposed. The owner would assure that this surcharge produces \$5,000,000 per year once the park is operating, which is assumed to be after the forecast period.
- A parking tax of not less than \$2 per vehicle for game days at the baseball park and football stadium is proposed. Again, the fiscal impact is expected to be beyond the forecast period.
- The gross revenues tax of 6.5% on all retail sales, excluding sports memorabilia, at the Metrodome, the baseball park, and the football stadium is estimated based on current revenues at the Metrodome with revenues from the baseball park and football stadium outside the forecast period. It is assumed that the language intends to exclude admissions. The Metropolitan Sports Facilities Commission provided information on current sales of food and liquor at the Metrodome. The baseball park and football stadium revenues would be expected to replace, and potentially expand, the Metrodome revenues.
- The rent or fee in lieu of rent (in sum not to exceed \$3,000,000 per year) to entities broadcasting or reporting professional and collegiate sports or entertainment events at sports facilities constructed with state assistance is expected to initially apply to the Metrodome, the Target Center, and the Xcel Energy Center.
- No estimate is included for personal seat licenses and commemorative bricks.

ADMINISTRATIVE/OPERATIONAL IMPACT

There will significant administrative or operational costs to DOR in administration of this bill. There will need be the need to develop a new tax type for the 13% Sports Memorabilia. Wholesale Tax that is being proposed. DOR will incur costs in the areas of forms design, printing, postage, communications, systems design and implementation, and the processing and accounting of returns for this new tax type.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>