

# MINNESOTA • REVENUE

## SALES AND PROPERTY TAXES Minnesota Twins Ballpark

April 26, 2006

	Yes	No
DOR Administrative Costs/Savings		X

### *Preliminary Estimates*

Department of Revenue

Analysis of S.F. 2297 (Kelley), 1<sup>st</sup> Engrossment, As Proposed to be Amended for Updated Cost Information from 2006 Hennepin County / Minnesota Twins Ballpark Plan, Tax Provisions Only

	<b>Fund Impact</b>			
	<b><u>F.Y. 2006</u></b>	<b><u>F.Y. 2007</u></b>	<b><u>F.Y. 2008</u></b>	<b><u>F.Y. 2009</u></b>
		(000's)		
Construction Materials Sales Tax Exemption*	\$0	(\$1,300)	(\$5,100)	(\$4,400)
Property Tax Exemption**	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>General Fund Total</b>	<b>\$0</b>	<b>(\$1,300)</b>	<b>(\$5,100)</b>	<b>(\$4,400)</b>

\*An additional impact of \$3.2 million would occur in FY 2010. There could be additional costs for improvements in subsequent years.

\*\*Impact begins in FY 2013.

The local sales tax provision, which has no state impact, is effective the day after the governing body of Hennepin County and their chief clerical officer file the required documents with the Secretary of State.

All other provisions are effective the day following final enactment.

### **EXPLANATION OF THE BILL**

This analysis applies to the tax provisions only. Section 2 provides a sales tax exemption for materials, supplies, and equipment used or consumed in and incorporated into the construction or improvement of the ballpark and public infrastructure. The sales tax exemption extends to the total costs of the ballpark and does not have a sunset date.

Section 4 of the bill creates the Minnesota Ballpark Authority to determine most of the operational terms by which the stadium in Minneapolis would be constructed.

Section 5, Subdivision 3, provides for an exemption from property tax. Property held by the Minnesota Ballpark Authority created in section 4 of the bill is exempt from ad valorem taxation by the state or any political subdivision of the state.

Section 7, Subdivision 3, provides authorization to the Hennepin County Board to impose an additional sales and use tax at a rate not to exceed 0.15%. The local sales tax is exempt from the requirements for local resolutions and voter approval.

**EXPLANATION OF THE BILL (cont.)**

Section 11 specifies the application of local sales and use taxes at the ballpark site. No new or additional local sales or use taxes are allowed, except taxes generally applicable throughout the jurisdiction. Existing local sales and use taxes will apply and include local general sales and use taxes (Minneapolis 0.5% and Hennepin County 0.15%), local “downtown” taxes, and the Minneapolis admissions and amusements taxes.

**REVENUE ANALYSIS DETAIL***Section 2 – Ballpark Construction Materials Sales and Use Tax Exemption*

- Hennepin County provided information regarding expected costs and proposed construction timelines.
- As proposed to be amended, a ballpark cost limit of \$390 million, excluding site improvements and public infrastructure, is provided in the bill. The team is required to contribute \$130 million and assumes responsibility for cost overruns. Hennepin County is limited to expending the balance of \$260 million.
- The infrastructure costs, that are not limited in the bill, are estimated to be \$90 million. Hennepin County has proposed that they will pay for these items – land, surface parking, site improvements and infrastructure. The ballpark and infrastructure costs then total \$480 million.
- It is assumed that construction timeline runs from fiscal years 2007 through fiscal year 2010. Land acquisition, site prep, design, and permit approvals are expected to occur in fiscal year 2007. The construction start date is expected to be early to mid-2007. The ballpark is to be completed for the start of the 2010 baseball season.
- It is estimated that \$21 million of \$90 million public infrastructure costs would normally be subject to sales tax (i.e. excluding right of way, land acquisition, and labor costs and including materials and supplies for items such as parking lots and pedestrian bridges). It is expected that most of the infrastructure costs that have a sales tax impact will occur in fiscal year 2010.
- It is assumed that 50% of the \$390 million ballpark cost would be for materials, supplies, and incorporated equipment that would have otherwise been subject to sales tax (i.e. excluding design and labor type costs that would have not been subject to sales tax).
- Fiscal year impacts are estimated based on expected construction time lines. The total cost of the sales tax exemption, for all fiscal years, is estimated to be \$14,000,000. The ballpark costs of \$12,700,000 are expected to occur 10% in fiscal year 2007 (with some construction costs in the first half of calendar year 2007), 40% in fiscal year 2008, 35% in fiscal year 2009, and 15% in fiscal year 2010.
- The sales tax exemption does not have a sunset date which allows for additional revenue impacts in future years for improvements, equipment use, and public infrastructure related to the ballpark. The capital improvements reserve is \$2,000,000 per year.

**REVENUE ANALYSIS DETAIL (cont.)**Section 5 – Subdivision 3 – Property Tax Exemption

- Assuming a final baseball park valuation of \$480 million and a completion date of April 2010 (the start of the 2010 Major League Baseball season), the full effect on property taxes would start with payable year 2012. The additional property tax burden on homesteads caused by the exemption of the completed facility will increase state-paid homeowner refunds by about \$490,000 beginning in fiscal year 2013.
- The exemption from the state property tax levy would have no impact on state revenues because the tax rate would be adjusted to yield the amount of revenue required by statute. The tax reduction for the ballpark property would be shifted to the other properties subject to the state levy.

Section 7 – Subdivision 3 – Local Taxes

- The local sales tax of up to 0.15% authorized to be implemented by the county would not affect the General Fund or any other state fund.

Section 11 – Local Taxes

- Generally, all current local sales and use taxes will apply at the ballpark site and on admissions to ballpark events.
- The current Minneapolis 0.5% general sales and 3.0% admissions tax, the 3.0% Minneapolis “downtown” restaurant and liquor taxes, and the proposed Hennepin County 0.15% local general sales tax would be expected to apply to sales at the ballpark.
- The effect of the expected local sales taxes that would apply to admissions can be estimated by considering current and expected gross ticket revenues. For the 2005 baseball season, there were approximately 2 million fans in attendance and average ticket prices were about \$17. At a new ballpark, the admissions are expected to approach or exceed 3 million in the first year (and trending slightly downward over the next several years) with average ticket prices in the \$25-\$35 range.
- On other sales at the ballpark, estimates would consider current sales prices and volumes at the Metrodome for the 2005 season. Food sales were approximately \$9 million and liquor sales about \$4 million for Minnesota Twins games. Both volumes and prices would be expected to increase marginally at the new ballpark.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)