

# MINNESOTA • REVENUE

## STADIUM FINANCING Memorabilia Tax Suites Tax

April 10, 2013

### Preliminary Estimate

	Yes	No
DOR Administrative Costs/Savings	x	

Department of Revenue  
Analysis of H.F. 1743 (Lenczewski)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2014</u></b>	<b><u>F.Y. 2015</u></b>	<b><u>F.Y. 2016</u></b>	<b><u>F.Y. 2017</u></b>
	(000's)			
Sports Memorabilia	\$6,800	\$9,200	\$9,300	\$9,500
Admissions to Box Suites and Seats	\$2,000	\$2,700	\$3,000	\$3,100
<b>General Fund Total</b>	<b>\$8,800</b>	<b>\$11,900</b>	<b>\$12,300</b>	<b>\$12,600</b>
Admissions to Box Suites and Seats	\$110	\$160	\$170	\$180
<b>Natural Resources and Arts Fund Total</b>	<b>\$110</b>	<b>\$160</b>	<b>\$170</b>	<b>\$180</b>
<b>Total – All Funds</b>	<b>\$8,910</b>	<b>\$12,060</b>	<b>\$12,470</b>	<b>\$12,780</b>

Effective for purchases made after June 30, 2013

### EXPLANATION OF THE BILL

The bill creates a 10% tax on the gross receipts from the wholesale sales of sports memorabilia. Sports memorabilia are items available for sale to the public that are sold under a license granted by any professional sports league or a team that is a franchise of a professional sports league, or an affiliate or subsidiary of a league or team. If the gross receipts tax is not paid at the wholesale level, a use tax is owed by the possessor of the sports memorabilia.

The bill would also expand the definition of taxable admissions to include the rental of boxes and suites at stadiums, arenas and ballparks.

### REVENUE ANALYSIS DETAIL

#### *Sports Memorabilia Gross Receipts Tax*

- This estimate is based on data from *The Licensing Letter's Sports Licensing Report 2010*.
- Data from the following sports leagues is the basis for this estimate: Major League Baseball, National Football League, National Hockey League, National Basketball Association, and Major League Soccer. This estimate does not include any sales licensed by the National Association of Stock Car Auto Racing or the Professional Golf Association.
- In calendar year 2009, there were \$12.5 billion dollars of retail sales of licensed sports merchandise in the United States and Canada. \$8.4 billion dollars of the \$12.5 billion in retail sales of licensed sports merchandise were licensed by the five sports leagues included in this estimate.

- For every league but the NHL, 90% of merchandise sales are assumed to occur in the United States. For the NHL, 58.3% of merchandise sales are assumed to occur in the United States.
- National sales of licensed merchandise are apportioned to Minnesota in two stages. In the first stage, 70% of national sales are apportioned to Minnesota based on Minnesota's share of the U.S. population, approximately 1.72%. In the second stage, the remaining 30% of national sales are divided evenly among all professional teams in each league, approximately 3.13% for the NFL and 3.33% for the other leagues. Professional sports with no teams in Minnesota are apportioned to Minnesota at 1.72%. The Minnesota total from the five professional leagues is increased by 5% to account for other professional leagues.
- Total Minnesota sales are reduced by 11% to account for sales from wholesalers that have no nexus in Minnesota. This percentage is based on sales channel data from the *Sports Licensing Report 2010*.
- To determine wholesale sales, the retail markup is assumed to be 75% of the wholesale price.
- Between 1998 and 2008 licensed merchandise sales grew at a rate of 1.5% per year. This growth rate is used for this estimate.
- Fiscal year 2014 is adjusted for nine months of collections.

#### ***Suite Admissions***

- This estimate is based on published numbers of boxes, suites, and rates for collegiate and professional sports in Minnesota.
- Admission prices are assumed to grow at 2.5% for the duration of this estimate.
- Due to uncertainty in the timing of payments for suites, fiscal year 2014 is adjusted to reflect nine months of collections.

Source: Minnesota Department of Revenue  
Tax Research Division  
[www.revenue.state.mn.us/research\\_stats/Pages/  
Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)