

# MINNESOTA • REVENUE

## SALES AND USE TAX PROPERTY TAX Major League Soccer Stadium

April 12, 2016

### *House Companion Bill Added*

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of S.F. 3241 (Pappas) / H.F. 3806 (Sanders)

	Fund Impact			
	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>	<u>F.Y. 2018</u>	<u>F.Y. 2019</u>
			(000's)	
General Fund	\$0	(\$1,300)	(\$2,000)	\$0
Natural Resources and Arts Funds	<u>\$0</u>	<u>(\$100)</u>	<u>(\$100)</u>	<u>\$0</u>
Total – All Funds	\$0	(\$1,400)	(\$2,100)	\$0

Effective for sales and purchases made after the day following final enactment.

## EXPLANATION OF THE BILL

### *Sales and Use Tax*

The bill creates a sales and use tax exemption for materials and supplies used or consumed in, and equipment incorporated into, the construction of a Major League Soccer (MLS) stadium and related infrastructure constructed in the city of St. Paul. The exemption expires one year after the date that the first MLS game is played.

### *Property Tax*

The bill provides for an exemption from property tax for the proposed soccer stadium in the city of St. Paul. Any properties with a primary purpose of providing a stadium for professional soccer are included as being exempt from ad valorem taxation by the state or any political subdivision of the state. The exemption includes property leased for stadium related purposes, including the operation of the stadium and related parking facilities.

## REVENUE ANALYSIS DETAIL

### *Sales and Use Tax*

- The total stadium cost, including infrastructure, is expected to be \$150 million. The estimates are based on construction costs and the expected timeline provided by the construction contractor.
- The infrastructure costs are estimated to be \$18.4 million. The estimates include the sales tax paid on materials for infrastructure purchases. If the city of St. Paul directly purchases the materials for the infrastructure, the estimates would be reduced.

## **REVENUE ANALYSIS DETAIL (*Cont.*)**

### *Property Tax*

- A professional soccer stadium built in St. Paul is estimated to have a project cost of \$150 million. Assuming a final stadium valuation of \$75 million and a completion date of late 2017 (prior to the start of the 2018 Major League Soccer season), the full effect on property taxes would start with payable year 2019. If the stadium were built without the exemption, property taxes would shift onto the stadium and away from neighboring property, including homesteads. The additional property tax burden on homesteads caused by the exemption of the completed facility will increase state-paid homeowner refunds by about \$110,000 beginning in fiscal year 2020.
- The exemption from the state property tax levy would have no impact on state revenues because the tax rates would be adjusted to yield the amount of revenue required by statute. The tax reduction for the stadium property would be shifted to the other commercial and industrial properties subject to the state levy.

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)