

**DEPARTMENT OF TAXATION
2024 Fiscal Impact Statement**

1. **Patron** Angelia Williams Graves
3. **Committee** Senate Finance and Appropriations
4. **Title** Sales tax revenues; entertainment arena

2. **Bill Number** SB 523
House of Origin:
 X **Introduced**
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would add entertainment arenas to the definition of “public facility” to allow a locality to collect all sales tax revenues generated by transactions at such a facility, provided that a locality owns an interest in the facility and contributes to financing its construction. The bill would also allow a municipality to issue bonds to finance a public facility on or after July 1, 2024, but prior to July 1, 2027.

Under current law, qualifying public facilities include auditoriums, coliseums, convention centers, conference centers, and certain hotels and sports facilities. The authority for municipalities to issue bonds to finance a public facility currently expires July 1, 2024.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2024.

6. Budget amendment necessary: Yes.

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7. Fiscal Impact Estimates are: Not available. (See Line 8.)

8. Fiscal implications:

Administrative Costs

This bill would have an unknown impact on local administrative costs.

The Department of Taxation considers implementation of this bill to be routine and does not require additional funding.

Revenue Impact

This bill could decrease the amount of General Fund revenues available for appropriation. Due to uncertainty regarding the projects that would benefit from this expansion of the public

facility entitlement, the magnitude of this potential decrease is unknown. This bill would have an unknown impact to revenues in any qualifying localities that are considering construction of entertainment arenas.

9. Specific agency or political subdivisions affected:

Department of Taxation
All localities

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Current law allows sales tax revenue attributable to sales in new or substantially and significantly renovated or expanded public facilities to be transferred back to municipalities to pay the costs of the bonds issued to finance such facilities. Under current law, such authority expires on July 1, 2024.

Currently, qualifying public facilities include auditoriums, coliseums, convention centers, conference centers, and certain hotels and sports facilities located in the Cities of Chesapeake, Fredericksburg, Hampton, Lynchburg, Newport News, Norfolk, Portsmouth, Richmond, Roanoke, Salem, Staunton, Suffolk, Virginia Beach, and Winchester, and Town of Wise. Certain public facilities in the City of Bristol also qualify.

Sales tax revenue to be transferred back to municipalities would not include the revenue generated by (i) the 0.5 percent sales and use tax increase enacted by the 1986 Special Session of the General Assembly which shall be paid to the Commonwealth Transportation Fund, (ii) the 1.0 percent of the state sales and use tax revenue distributed among the counties and cities of the Commonwealth on the basis of school age population, or (iii) any sales and use tax revenues generated by increases or allocation changes imposed by the 2013 Session of the General Assembly.

Proposal

This bill would add entertainment arenas to the definition of “public facility” to allow a locality to collect all sales tax revenues generated by transactions at such a facility, provided that a locality owns an interest in the facility and contributes to financing its construction. To qualify as an entertainment arena for purposes of this bill, the primary purpose for the arena is for the display, presentation, or performance of concerts, sporting events, or other live entertainment.

The bill would also allow a municipality to issue bonds to finance a public facility on or after July 1, 2024, but prior to July 1, 2027.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2024.

cc : Secretary of Finance

Date: 1/24/2024 VB
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