

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 907 - SB 1094

March 11, 2019

SUMMARY OF ORIGINAL BILL: Increases, from six months to one year, the time period which a county or city is prohibited from holding an election to impose a local option sales and use tax after a prior election to impose such tax was rejected.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – A delay for permissive election expenditures for any county or city electing to hold a subsequent election after 12 months, rather than after 6 months, following a previous election where the outcome was against imposition; and a delay in collection of permissive local option sales tax revenue should the election outcome favor the imposition of such tax.

SUMMARY OF AMENDMENT (004916): Deletes all language after the enacting clause. Adds franchises participating in the Major League Soccer (MLS) to the list of professional sports franchises for which a sports authority may be apportioned local sales and use tax revenue equal to the amount of local sales and use tax revenue derived from the sale of admissions to games of the MLS franchise, as well as the sale of food and drinks sold on the premises of the respective sports facility, parking charges, related services, and any sales of authorized franchise goods and products within the county in which the games take place.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – Relative to the Nashville Soccer Club, Davidson County will forgo approximately \$585,000 in recurring local sales tax revenue, currently used for general governmental purposes, to the sports authority for Davidson County. To the extent additional MLS teams locate to Tennessee in the future; there would be similar inter-governmental revenue impacts applicable to such team, the respective sports authority, and the respective local government entity. Any net impact to local government is estimated to be not significant.

Assumptions for the bill as amended:

- Public Chapter 449 of the Public Acts of 2017 established an allocation to any municipality having an MLS franchise an amount equal to the amount of state sales tax revenue derived from the sales of admissions to games, food and drinks sold on the premises, parking charges, related services any sales of authorized franchise goods and products.
- This legislation will authorize a similar allocation of local sales tax revenue to a sports authority, which is assumed to be a local municipal entity.
- The Nashville Soccer Club (Nashville SC) is prepared to exit the United Soccer League (USL) after the current 2019 season and begin play in MLS in the 2020 season that runs from March to October. It is assumed that, under current law, Nashville SC will be required to begin submitting sales tax on the applicable taxable sales once exiting the USL, and subsequently entering MLS, and such submittal of sales tax will begin in FY19-20. It is further assumed the impact in FY19-20 will be equal to the full-year impact as much of the team's goods and products will be purchased on the front end, before and at the start of the 2020 season.
- This MLS franchise is not currently established, and thus no current local sales tax revenue is attributed to such franchise; therefore, allocating future local sales tax revenue to a sports authority will represent forgone local revenue.
- Nashville SC will play approximately 20 home games each season. The average attendance is estimated to be 20,000 per game.
- The average game ticket price is estimated to be \$45; the average game day spending is estimated to be an additional \$20 per person, for total spending of \$65 per person.
- The local option sales tax rate in Davidson County is 2.25 percent.
- The recurring revenue that Davidson County will forgo to the sports authority (a Davidson County entity) is estimated to be \$585,000 (20,000 attendance x 20 games x \$65 spending x 2.25% local sales tax rate).
- To the extent additional MLS teams locate to Tennessee in the future; there would be a similar inter-governmental revenue impact applicable to such team, the respective sports authority, and the respective local government entity.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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