

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3509S.01I
 Bill No.: SB 1036
 Subject: Tax Credits; Entertainment, Sports and Amusements Revenue
 Type: Original
 Date: February 11, 2024

Bill Summary: This proposal modifies a tax credit relating for certain sporting events.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund*	Up to (\$3,000,000)	Up to (\$3,000,000)	Up to (\$3,989,117)
Total Estimated Net Effect on General Revenue	Up to (\$3,000,000)	Up to (\$3,000,000)	Up to (\$3,989,117)

*Oversight reflects the potential increase in tax credits for Section 67.3000 (changes in subsection 5 raises the annual limit from \$3 million to \$6 million). Additionally, Oversight reflects the changes stemming from the extension of the sunset in FY 2027 using the average redemption costs in addition to \$3 million increase in Section 67.3000. Lastly, Oversight notes the maximum cap for both Section(s) will be \$11 million annually.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

67.3000- Tax Credit for Sporting Events - Tickets

Officials from the **Department of Revenue (DOR)** note:

This section is modifying the Sporting Events tax credit program that awards tax credits based on tickets sold to an event. The current program awards a credit of \$5 per ticket sold or \$10 per registered participant. The credit is refundable and administered by the Department of Economic Development (DED). No more than \$2.7 million of the current \$3 million cap is available for events held in St. Louis or Kansas City.

For informational purposes, DOR is providing the authorizations, issuances and redemptions since it was created in 2013.

Year	Authorized	Issued	Total Redeemed
FY 2023	\$446,618.79	\$369,986.65	\$1,011,839.85
FY 2022	\$886,980.00	\$1,599,747.12	\$886,432.00
FY 2021	\$7,799,425.00	\$404,970.00	\$128,770.00
FY 2020	\$1,185,000.00	\$1,132,640.00	\$1,391,995.00
FY 2019	\$1,265,000.00	\$293,810.00	\$1,420,500.00
FY 2018	\$1,335,000.00	\$1,584,090.00	\$1,276,180.00
FY 2017	\$5,296,200.00	\$2,175,700.00	\$1,316,815.00
FY 2016	\$942,800.00	\$7,800.00	\$564,723.30
FY 2015	\$728,708.00	\$585,735.00	\$38,610.00
FY 2014	\$0.00	\$0.00	\$0.00
FY 2013	\$0.00	\$0.00	\$0.00
FY 2012	\$0.00	\$0.00	\$0.00
TOTALS	\$19,885,731.79	\$8,154,478.77	\$8,035,865.15

This proposal is increasing the amount of the credit from \$5 per ticket sold to \$6 per ticket sold. It is also increasing the credit from \$10 for every person registered to \$12 per person. This proposal is also increasing the cap on the program from \$3 million to \$6 million and increasing the amount that Kansas City and St. Louis can receive from \$2.7 million of the cap to \$5.5 million of the cap. The increase in the cap to \$6 million will result in an additional loss to general revenue of \$3 million annually.

Currently, this tax credit is a refundable credit. Applicants for the credit must submit an application with DED to be approved for the credits. This proposal adds language requiring DOR to issue those refunds within 90 days of the applicant’s submission of a valid tax credit

certificate. This proposal implies that an applicant for the tax credit will not have to file a tax return but just submit their tax certificate and DOR should refund the credit.

Officials from the **Office of Administration – Budget & Planning (B&P)** note:

Section 67.3000 - This is a current program that is due to sunset on August 28, 2025 has a cap of \$3,000,000. This proposal will increase the cap to \$6,000,000, so the TSR impact is a negative \$3M. This proposal states that a refundable tax credit is issued to the applicant for either \$6 for every admission ticket sold to such event or \$12 for every registered participant if such event was participated-based. The current program is the least of: One hundred percent of eligible costs incurred by the applicant; an amount equal to \$5 for every admission ticket sold to such event; or an amount equal to \$10 for every paid participant registration if such event was participant-based and did not sell admission tickets. Removing the cost reimbursement for the ticket sales credit may change the current utilization rates of the program.

Officials from the **Department of Economic Development (DED)** note:

This is a current program that is due to sunset on August 28, 2025 has a cap of \$3,000,000. This fiscal note will increase the cap to \$6,000,000, which means the overall TSR impact is a negative \$3M. This fiscal note states that the issued a refundable tax credit to the applicant for either \$6 for every admission ticket sold to such event or \$12 for every registered participant if such event was participated-based. The current program is the least of: One hundred percent of eligible costs incurred by the applicant; an amount equal to \$5 for every admission ticket sold to such event; or an amount equal to \$10 for every paid participant registration if such event was participant-based and did not sell admission tickets.

Oversight notes due to the high authorization in the tax credits, under this Section in FY 2017 and 2021, and anticipation of various Missouri sporting events in the future (i.e. Kansas City Chiefs repeated Super Bowl appearances, Kansas City hosting the Soccer World Cup in 2026, etc.) it is reasonable to expect tax credit issuances up to the maximum cap of \$6 million annually.

Oversight notes the proposal, subsection 5 of section 67.3000 allows for increase to the current cap of \$3 million to up to \$6 million annually beginning effective August 28, 2024 (FY 2025). Therefore, Oversight will note an impact of up to \$3 million dollars in additional tax credits, beginning FY 2025, in the fiscal note.

Oversight notes that the average redemption costs from 2019 to 2023 was \$967,907.

Oversight notes that this section sunsets in FY 2026; however, subsection 67.3005.5 allows the program to continue for another 6 years after August 28, 2025. Therefore, for purpose of this fiscal note, **Oversight** will show the average redemption totals from 2019 to 2023 as a continuance cost of this program in addition to the \$3 million maximum cap, as an ongoing cost in FY 2027 and thereafter.

Oversight notes, for informational purpose, there is a potential the various events across Missouri will be able to receive up to the maximum of \$6 million annually.

Section 67.3005 - Sporting Event Prepay Tax Credit Program

DOR notes this section modifies the provision of the Amateur Sporting Events Prepay tax credit program. The Prepay tax credit program gives a tax credit to donors who help sponsor these types of events. The current credit is equal to 50% of the donation collected. The current program does not allow this credit to be refunded and it has a \$10 million annual cap.

For informational purposes, DOR is providing the issuances and redemptions since the program was created in 2013.

Year	Authorized	Issued	Total Redeemed
FY 2023	\$31,060.00	\$0.00	\$15,000
FY 2022	\$21,700.00	\$0.00	\$22,500
FY 2021	\$25,000.00	\$50,000.00	\$27,500
FY 2020	\$25,000.00	\$0.00	\$22,500
FY 2019	\$28,549.22	\$28,549.22	\$18,549
FY 2018	\$22,500.00	\$22,500.00	\$20,000
FY 2017	\$18,750.00	\$39,250.00	\$12,500
FY 2016	\$23,000.00	\$39,250.00	\$0
FY 2015	\$14,000.00	\$14,000.00	\$0
FY 2014	\$0.00	\$0.00	\$0
FY 2013	\$0.00	\$0.00	\$0
FY 2012	\$0.00	\$0.00	\$0
TOTALS	\$209,559.22	\$193,549.22	\$138,549

This proposal lowers the cap on the program from \$10 million to \$5 million annually. It also extends the sunset date on the program from 2019 to six years after 2025. This credit is expected to result in a savings to the state and general revenue of \$5 million annually.

This proposal will result in DOR needing to modify the DOR MO-TC form, computer programs and website. These changes are estimated to cost \$8,923. DOR can handle the modifications of this program with existing staff.

Oversight notes the officials from DOR assume that DOR can handle the modifications of this program with existing staff and resources. Therefore, **Oversight** will reflect a zero impact in the fiscal note for DOR.

Oversight notes the proposal, subsection 3 of section 67.3005, allows for a decrease in the current cap of \$10 million to up to no more than \$5 million annually beginning August 28, 2024 (FY 2025).

Oversight notes in recent years the data shows that on average there was \$26,262 in Authorizations, \$15,710 in Issuances, and \$21,210 in Redemptions respectively. Therefore, Oversight will not reflect any potential savings, as the current data trends show it will not reach the estimated \$5 million amount.

Oversight notes, for information purpose, that under this Section the certified sponsor or local organizing committee applying for the tax credit will be able to receive up to the maximum amount of tax credits of \$5 million in FY 2027 and annually thereafter.

Oversight notes that this section sunsets in FY 2026; however, this proposal allows the program to continue for 6 years after August 28, 2025. Therefore, **Oversight**, for purpose of this fiscal note, will reflect the average redemption totals from 2019 to 2023 in the amount of \$21,210, as a continuance cost of this program in FY 2027 and annually thereafter.

Officials from the **Oversight Division** state they are responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight will be able to absorb the cost with the current budget authority.

Bills as whole:

Officials from the **Office of Administration – Budget & Planning (B&P)** stat this legislation will extend 67.3000 RSMo that is due to sunset in August 28, 2025. The current cap is \$3,000,000 and this fiscal note increases the cap to \$6,000,000. Additionally, this legislation decreases the current cap in 67.3005 RSMo from \$10,000,000 to \$5,000,000. The overall effect is a savings of \$2,000,000 to TSR.

Officials from the **Department of Economic Development (DED)** state this legislation will extend 67.3000 RSMo that is due to sunset in August 28, 2025. The current cap is \$3,000,000 and this fiscal note increases the cap to \$6,000,000. Additionally, this legislation decreases the current cap in 67.3005 RSMo from \$10,000,000 to \$5,000,000. The overall effect is a savings of \$2,000,000 to TSR.

Officials from the **Department of Commerce and Insurance (DCI)** note:

A potential unknown decrease of premium tax revenues (up to the tax credit limits established in the bill) in FY2025, FY2026, and FY2027 as a result of modifications to tax credits for certain sporting events. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school

district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the modified tax credit.

Oversight notes, for purposes of this fiscal note, the fiscal note does not reflect the possibility that some of the tax credits could be utilized against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Costs</u> – Section §§67.3000.5 p.4 Tax Credit for Sport Tickets Sold increase	Up to (\$3,000,000)	Up to (\$3,000,000)	Up to (\$3,000,000)
<u>Costs</u> – §67.3005.5 - Continuation of the program with new sunset (currently set to sunset 12/31/2025 – changed to 12/31/2031) p.5	\$0	\$0	Could Exceed (\$967,907)
<u>Costs</u> - §§67.3005.5 - Continuation of the program with new sunset (currently set to sunset 12/31/2025 – changed to 12/31/2031) p.6	<u>\$0</u>	<u>\$0</u>	<u>(\$21,210)</u>

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Up to</u> <u>(\$3,000,000)</u>	<u>Up to</u> <u>(\$3,000,000)</u>	<u>Up to</u> <u>(\$3,989,117)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Current law authorizes a tax credit for costs incurred relating to the conduct of amateur and collegiate sporting events. This act modifies such tax credit by requiring certified sponsors to be active members of the Sports Events and Tourism Association rather than of the National Association of Sports Commissions.

This act also removes the definition of "eligible costs" and bases the amount of the tax credit on either the number of admission tickets sold or the number of registered participants.

The act requires an applicant to submit a ticket sales or box office statement, or a list of registered participants, rather than documentation of eligible costs.

The amount of the tax credit shall be equal to either \$6 for every admission ticket sold, rather than \$5, or \$12 for every registered participant, rather than \$10. The Department of Revenue shall pay the amount of the tax credit within ninety days of the applicant's submission of a valid tax credit certificate.

Current law limits the total annual amount of tax credits to \$3 million, with a limit of \$2.7 million for events held in Jackson County or St. Louis City. This act increases such limits to \$6 million and \$5.5 million, respectively.

This act extends the sunset on the tax credit from August 28, 2025, to August 28, 2031.

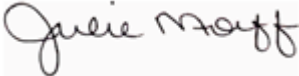
Current law also authorizes a tax credit in the amount of fifty percent of an eligible donation made to a certified sponsor or local organizing committee, with the total annual amount of such tax credits limited to \$10 million. This act reduces such allowable annual amount of tax credits

to \$5 million. This act also extends the sunset on such tax credit from August 28, 2025, to August 28, 2031.


This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Office of Administration – Budget & Planning
Office of the Secretary of State
Joint Committee on Administrative Rules
Oversight Division



Julie Morff
Director
February 11, 2024



Ross Strope
Assistant Director
February 11, 2024