

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0264S.01I
 Bill No.: SB 184
 Subject: Tax Credits; Entertainment, Sports and Amusements
 Type: Original
 Date: January 14, 2025

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 2026	FY 2027	FY 2028
General Revenue Fund*	Up to (\$3,000,000)	Up to (\$3,000,000)	Could exceed (\$3,989,117)
Total Estimated Net Effect on General Revenue	Up to (\$3,000,000)	Up to (\$3,000,000)	Could exceed (\$3,989,117)

*Oversight reflects the potential increase in the tax credit cap for Section 67.3000 from \$3 million to \$6 million beginning in FY 2026. Additionally, Oversight reflects a continuation in tax credits for Sections 67.3000 & 67.3005 stemming from the extension of the sunset using the average redemption costs beginning in FY 2028.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
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 2024	\$1,420,800.00	\$2,169,547.16	\$1,420,037.00
FY 2023	\$446,618.79	\$369,986.65	\$1,011,839.85
FY 2022	\$886,980.00	\$1,599,747.12	\$886,462.00
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

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 the 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 extend the sunset to August 28, 2032 and 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 participant-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.

Additionally, it requires any participant of the program who has been awarded a refund and the Department of Revenue determines the participant still owed taxes that were not paid in the year the tax credit was applied shall repay the tax credit paid to the participant.

The officials from the **Department of Economic Development** note the Amateur Sports Ticket Sales Tax Credit program is due to sunset on August 28, 2025, and the cap is \$3,000,000. This legislation extends the program and increases the cap to \$6,000,000. The legislation states that the department shall issue 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 participant-based. The current program is the least of 100% 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 tax credit cap of \$6 million annually.

Oversight notes subsection 5 of section 67.3000 allows for an increase to the current cap of \$3 million to \$6 million annually beginning effective August 28, 2025 (FY 2026). Therefore, Oversight will note an impact of up to \$3 million dollars in additional tax credits, beginning FY 2026, in the fiscal note.

Oversight notes that the average redemption cost from 2020 to 2024 was \$967,821.

Oversight notes that this section sunsets on August 28, 2026 (FY 2027); however, subsection 67.3005.5 allows the program to continue after August 28, 2026. Therefore, for purposes of this fiscal note, **Oversight** will show the average redemption totals from 2020 to 2024 as a continuance cost of this program in addition to the \$3 million increase in the cap, as an ongoing cost in FY 2028 and thereafter.

Section 67.3005 - Sporting Event Prepay Tax Credit Program

DOR notes this section modifies 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 \$500,000 annually. It also extends the sunset date on the program from 2019 to six years after 2026. This credit is expected to result in a savings to the state and general revenue of \$9.5 million annually.

This proposal will result in DOR needing to modify their MO-TC form (\$2,200), computer programs (\$1,832) and website. These changes are estimated to cost \$4,032.

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

67.3005 - Contribution tax credit will be decreasing the current cap from \$10,000,000 down to \$500,000, saving TSR \$9,500,000.

Officials from the **Department of Economic Development** note the Amateur Sports Contribution Tax Credit program is due to sunset on August 28, 2025, and the cap is \$10,000,000. This legislation extends the program and decreases the current cap from \$10,000,000 to \$500,000.

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 \$500,000 annually beginning August 28, 2025 (FY 2026).

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 \$500,000 million amount.

Oversight notes 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 \$500,000 million annually thereafter.

Oversight notes that this section sunsets on August 28, 2026 (FY 2027); however, this proposal allows the program to continue after August 28, 2026. Therefore, **Oversight** will reflect the average redemption totals from 2019 to 2024 in the amount of \$21,210, as a continuance cost of this program in FY 2028 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)** stated this legislation will extend the sunset in 67.3000 RSMo from August 28, 2025 to August 28, 2032. 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 \$500,000. The overall effect is a savings of \$6,500,000 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 \$500,000. The overall effect is a savings of \$6,500,000 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 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Costs</u> – Section §67.3000 - p.4 Tax Credit for Sport Tickets Sold cap increase	Up to (\$3,000,000)	Up to (\$3,000,000)	Up to (\$3,000,000)
<u>Costs</u> – §67.3005.5 - Continuation of §67.3000 with new sunset (currently set to sunset 08/28/2026) p.5	\$0	\$0	Could Exceed (\$967,821)
<u>Costs</u> - §67.3005.5 - Continuation of §67.3005 with new sunset (currently set to sunset 08/28/2026) p.6	\$0	\$0	<u>Could exceed</u> (\$21,210)
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>Could exceed</u> <u>(\$3,989,117)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<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

This proposal modifies a tax credit relating to a certain sporting events.

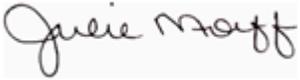
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
 Department of Revenue
 Office of Administration – Budget & Planning
 Office of the Secretary of State

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Joint Committee on Administrative Rules
Oversight Division



Julie Morff
Director
January 14, 2025



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Assistant Director
January 14, 2025