



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H.4009 Introduced on March 21, 2017
Author: Lucas
Subject: Motorsports Entertainment Complex Investment Act
Requestor: House Ways and Means
RFA Analyst(s): R. Martin
Impact Date: March 21, 2018

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	(\$4,227,028)	(\$174,056)
Other and Federal	(\$120,000)	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill would reduce sales and use tax revenue by an estimated \$360,000 in FY2017-18. Of this amount, General Fund sales and use tax revenue would be reduced by \$240,000, the EIA Fund would be reduced by \$60,000, and the Homestead Exemption Fund would be reduced by \$60,000 in FY2017-18. This bill would also reduce General Fund admissions tax revenue by an estimated \$87,028 in FY2017-18 and by \$174,056 in FY2018-19. This bill would also reduce General Fund individual income tax, corporate income tax, bank tax, saving and loan tax, and/or corporate license tax revenue by an estimated \$3,500,000 in FY2017-18.

Explanation of Fiscal Impact

Introduced on March 21, 2017

State Expenditure

The Department of Revenue indicates that there will be no expenditure impact to the General Fund, Federal Funds, or Other Funds from this bill. The Department can administer the legislative changes with existing resources.

State Revenue

This bill would add Chapter 69 to Title 12 and may be cited as the “Motorsports Entertainment Complex Investment Act”. A motorsports entertainment complex means a motorsports facility, and its ancillary grounds and facilities, that is

- A NASCAR-sanctioned motor speedway or racetrack that hosted at least one NASCAR Sprint Cup Series race in 2012, or any successor race

- Has at least three days of scheduled days of motorsports events each calendar year that are sanctioned by a nationally or internationally recognized governing body of motorsports
- Engages in tourism promotion

This bill makes several changes to statutory tax law. They include,

- A sales and use tax exemption on building materials, supplies, fixtures, and equipment for the construction, repair, or improvement of or that become a part of a motorsports entertainment complex
- There is created in the State Treasury the Motorsports Tourism Incentive Fund to be used by the Department of Parks, Recreation, and Tourism (PRT) for awarding grants or loans to attract and expand tourism and hospitality projects at events at motorsports entertainment complexes
- Allows a taxpayer a nonrefundable investment tax credit of twenty-five percent of the costs to install equipment or technology that allows information to be transmitted through a wireless local area network (LAN) at a motorsports entertainment complex. The tax credit amount may be increased based upon the county designation as determined by the South Carolina Department of Revenue
- Any company subject to a corporate license tax may claim a credit against its license tax liability for amounts paid in cash to provide infrastructure for an eligible project at a motorsports entertainment complex
- A taxpayer may retain the total amount of admissions license tax paid at a motorsports entertainment complex to be used on marketing for events at the complex

The following analysis is based upon a capital investment of \$10,000,000 in a motorsports entertainment complex at the Darlington Speedway in Darlington, SC.

Section 1. This section would enact the Motorsports Entertainment Complex Investment Act to include the following provisions.

This section adds Section 12-69-30 to exempt from state and local sales tax on building materials, supplies, fixtures, and equipment for the construction, repair, or improvement of or that become a part of a motorsports entertainment complex. A qualified company must submit an application to the Department of Parks, Recreation, and Tourism (PRT) for a plan to invest at least \$10,000,000 in any motorsport entertainment complex in the State within a five-year period immediately following the approval of the application. Upon written certification by the Department of Revenue, the company may utilize the sales tax exemption. If a company fails to meet the capital investment requirement within the five year period, the company is liable for the

sales tax it would have been responsible for and the Department of Revenue may “claw back” the sales and use tax owed.

The Darlington Raceway has announced a \$7,000,000 capital improvement campaign to improve three grandstands giving fans a more comfortable seating environment when attending races. The concession stands and restrooms will also be refurbished. There will also be multiple cross-over gates installed and a one-of-a-kind *Wall of Honor* will pay tribute to the former race champions. This will be one of several phases of construction over a period of years. Over the next five years the \$10,000,000 investment threshold should easily be met. This bill would allow a sales tax exemption for the purchase of equipment and construction materials used in the renovation of the facility. A typical construction project consists of forty percent of the value of the project is paid to labor and sixty percent is paid for materials and equipment. Multiplying an estimated \$10,000,000 capital investment project by sixty percent for the purchase of materials and equipment and applying a six percent sales and use tax yields a reduction of sales and use tax revenue of an estimated \$360,000 in FY2017-18. Of this amount, General Fund sales and use tax revenue would be reduced by \$240,000, the EIA Fund would be reduced by \$60,000, and the Homestead Exemption Fund would be reduced by \$60,000 in FY2017-18.

This bill adds Section 12-69-50 to create in the State Treasury a fund separate and distinct from the general fund and all other funds styled the Motorsports Tourism Incentive Fund. All earnings and interest on this fund must stay with the fund and any balance in the fund at the end of the fiscal year carries over to the succeeding fiscal year. The fund must be used by PRT solely for awarding grants or loans to attract and expand tourism and hospitality projects related to events at motorsports entertainment complexes. To qualify for an award, a company must make a minimum capital investment of at least \$10,000,000; however, the capital investment requirement may be reduced by one-half if the capital investment is made in a Tier III or Tier IV county, pursuant to Section 12-6-3360. Darlington County is designated as a Tier III county based on the latest rankings of the job tax credit county designations in calendar year 2018 by the Department of Revenue. The funds may be used for public and private utility extension on or off site, road access, site acquisition, grading, drainage, paving, construction of publicly or privately owned buildings, training, or grants or loans to an industrial development authority, housing and redevelopment authority, or other political subdivision. The funds may not be used for the payment of any rental, lease, license, or other contractual right to the use of any property. Since this section does not identify a funding source for the grants or loans we are not able to determine the level of loan activity from the fund and is undeterminable in FY2017-18.

This section adds Section 12-69-70 to direct the Department of Commerce and Coordinating Council for Economic Development to consider motorsport entertainment complexes when awarding benefits for economic development projects. These awards may be funded from revenue in the Governor’s Closing Fund. Because this section provides a subjective criterion in making economic development awards and uses a revenue source other than the General Fund, this section is not expected to affect General Fund revenue in FY2017-18.

This section adds Section 12-69-80 to allow a nonrefundable tax credit equal to twenty-five percent of the cost incurred by a taxpayer to install equipment or technology that allows information to be transmitted through a wireless local area network (LAN) at a motorsports

entertainment complex. The tax credit may be increased by five percent if the motorsports complex is located in a Tier II county, ten percent if located in a Tier III county, and fifteen percent if located in a Tier IV county. Darlington County is designated a Tier III county and would be allowed an additional ten percent tax credit. Any unused tax credits may be carried forward for ten years. Multiplying an estimated \$10,000,000 capital investment project by a thirty-five percent tax credit rate yields a reduction of income tax, bank tax, savings and loan tax, and/or corporate license tax revenue of an estimated \$3,500,000 in FY2017-18. Any unused tax credits may be carried forward for ten years after the tax year in which the costs were incurred.

Section 2. This section would amend Section 12-20-110 to allow a taxpayer to claim a tax credit against its corporate license tax liability for amounts paid in cash to provide infrastructure for an eligible project at a motorsports entertainment complex. Infrastructure is defined as improvements for water, wastewater, hydrogen fuel, sewer, gas, steam, electric energy, and communication services made to a building or land that are considered necessary, suitable, or useful to an eligible project. The maximum aggregate credit that may be claimed in any tax year by a single company is \$400,000. The tax credit may not reduce the license tax liability of the company below zero. If the tax credit earned in a taxable year exceeds the liability, the amount of the excess may be carried forward to the next taxable year. Based on the heavy use of this tax credit in data provided by the Department of Revenue, the \$400,000 cash contribution threshold should easily be met. This section, therefore, would reduce General Fund corporation license tax revenue by an estimated \$400,000 in FY2017-18.

Section 3. Currently, for the ten-year period beginning July 1, 2008, and ending June 30, 2018, one-half of the paid admissions to a motorsports entertainment complex may be withheld by the taxpayer to be used for marketing efforts of the complex. The Board of Economic Advisors has accounted for this revenue in its annual General Fund revenue estimates since that date. This section would amend Section 12-21-2425(A) to strike the phrase “for ten years beginning July 1, 2008, one-half of” the paid admissions to a motorsports entertainment complex. This bill would allow the admission tax revenue collected annually from all events held at a NASCAR sanctioned motor speedway or racetrack that hosts at least one race each year featuring the preeminent NASCAR cup series to be retained by the motorsports entertainment complex facility. The funds would be used to help keep a NASCAR race at the motorsports entertainment complex facility. This amounted to admissions tax revenue retained by the motorsports complex of \$87,028 in FY2016-17. The BEA was anticipating the return of this revenue to the General Fund after the expiration of the ten year period in FY2018-19. This bill, therefore, would allow the additional one-half of paid admissions to a motorsports entertainment complex to be retained by the complex. Based on actual admissions tax collections from a motorsports entertainment complex and the change in statutory language, this bill would reduce General Fund admissions tax revenue by an estimated \$87,028 in FY2017-18 and by \$174,056 in FY2018-19, and each fiscal year thereafter.

Section 4. This act takes effect upon approval by the Governor and applies to tax years beginning after 2016.

Local Expenditure

N/A

Local Revenue

N/A



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