



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H.4009 Signed by Governor on July 2, 2018
Author: Lucas
Subject: Motorsports Entertainment Complex Investment Act
Requestor: House of Representatives
RFA Analyst(s): R. Martin
Impact Date: August 7, 2018

Estimate of Fiscal Impact

	FY 2018-19	FY 2019-20
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	(\$240,000)	\$0
Other and Federal	(\$120,000)	\$0
Local Expenditure	\$0	\$0
Local Revenue	(\$120,000)	\$0

Fiscal Impact Summary

This bill would reduce sales and use tax revenue by an estimated \$360,000 in FY2018-19. 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 FY2018-19. This bill would affect the collection of local option sales and use tax revenue in Darlington County by an estimated \$120,000 in FY2018-19.

Explanation of Fiscal Impact

Signed by the Governor on July 2, 2018

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

Section 1. This bill adds 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

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.

This section would enact the Motorsports Entertainment Complex Investment Act to add 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 Revenue (DOR) 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. For a typical construction project, 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 FY2018-19. 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 FY2018-19.

Section 2. Except where specified otherwise, this act takes effect upon approval by the Governor and applies to tax years beginning after 2017.

Local Expenditure

N/A

Local Revenue

Darlington County currently levies two local option sales and use taxes. A one-cent local option sales and use tax was implemented on May 1, 1997, and a one-cent local option school district sales and use tax was implemented on March 1, 2017. This bill would affect the collection of local option sales and use tax revenue in Darlington County. Multiplying an estimated

\$10,000,000 capital investment project by sixty percent for the purchase of materials and equipment and applying a cumulative two percent local option sales and use tax yields a reduction of local option sales and use tax revenue of an estimated \$120,000 in FY2018-19.



Frank A. Rainwater, Executive Director