

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1333H.011
Bill No.: HB 501
Subject: Tax Credits; Entertainment, Sports and Amusements; Taxation and Revenue - General; Taxation and Revenue - Income; Economic Development, Department of Economic Development; Revenue, Department Of Revenue
Type: Original
Date: February 18, 2025

Bill Summary: This proposal modifies provisions relating to tax credits for 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)	Up to (\$3,989,025)
Total Estimated Net Effect on General Revenue	Up to (\$3,000,000)	Up to (\$3,000,000)	Up to (\$3,989,025)

*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 2028 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 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	\$886,432.00
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 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 and 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 program is set to sunset on August 28, 2025; however, this legislation changes the sunset date to August 28, 2031. This legislation increases the tax credit fiscal year cap from \$3,000,000 to \$6,000,000. The max amount allowed for certain counties is also increased from \$2,500,000 to \$5,500,000. The impact to TSR for this section is negative \$3,000,000.

The possibility of receiving the least of eligible costs, tickets sold, and registered participants was removed and the tax credits under this section may only be authorized and issued for ticket sales or registered participants. The tax credit amount for tickets sold increased from \$5 to \$6 for every admission ticket sold to an event. The tax credit amount for registered participants increased from \$10 to \$12.

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 an increase to the current cap of \$3 million to up to \$6 million annually beginning effective August 28, 2024 (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 costs from 2020 to 2024 was \$967,815.

Oversight notes that this section sunsets in FY 2027; 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 2020 to 2024 (\$967,815) as a continuance of the costs of this program in addition to the \$3 million maximum cap, as an ongoing cost in FY 2028 and thereafter.

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 MO-TC form (\$2,200), computer programs (\$1,832) and website. These changes are estimated to cost \$4,032.

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 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 \$5 million amount.

Oversight notes that this section sunsets in FY 2027; 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 2028 and annually thereafter.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal reduces the current cap on the contribution tax credit from \$10,000,000 to \$5,000,000, resulting in a \$5M savings in TSR.

Officials from the **Department of Economic Development (DED)** assume this legislation decreases the fiscal year tax credit cap from \$10,000,000 to \$5,000,000. The impact to TSR for this section is positive \$5,000,000.

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)** state the current tax credit cap is \$3,000,000 and this proposal 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.

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 – Section §§67.3000.5 p.4 Tax Credit for Sport Tickets Sold increase</u>	Up to (\$3,000,000)	Up to (\$3,000,000)	Up to (\$3,000,000)
<u>Costs – §67.3005.5 - Continuation of the program with new sunset (currently set to sunset 12/31/2025 – changed to 12/31/2031) p.4</u>	\$0	\$0	Could Exceed (\$967,815)
<u>Costs - §§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	\$0	(\$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>Up to</u> <u>(\$3,989,025)</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

Small businesses that utilize this program would be impacted by this proposal.

FISCAL DESCRIPTION

This bill amends a current tax credit to nonprofit organizations, described as "certified sponsors", that are active members of the Sports Events and Tourism Association. The term "certified sponsor" previously referred to nonprofit organizations that are active members of the National Association of Sports Commissions.

The certified sponsor currently must supply the Department of Economic Development (DED) with eligible costs and documentation of the costs evidenced by receipts, paid invoices, event settlements, or other documentation in a manner prescribed by the Department. Eligible costs may be paid by the applicant or an entity cohosting the event with the applicant, no more than 90 days after the sporting event.

This bill requires the certified sponsor to provide a ticket sales or box office statement verifying the total number of tickets sold for a qualifying sporting event, or, if the event was participant based, a list of all registered participants, no more than 90 days after the sporting event.

After DED receives documentation of the ticket sales or registered participants, it must issue refundable tax credits in the following manner:

- 1) An amount equal to \$6 for every admissions ticket; or
- 2) An amount equal to \$12 for every registered participant.

The Department of Revenue must pay the amount of the refundable tax credit to the applicant within 90 days of the applicant's submission of a valid tax credit certificate.

Currently, the amount of tax credits issued by the DED cannot exceed \$3 million in any fiscal year. This bill raises that amount to \$6 million. Currently, for all events located within Jackson County, St. Louis County, or St. Louis City, the total amount of tax credits issued cannot not exceed \$2.7 million in any fiscal year. This bill raises that amount to \$5.5 million.

Currently, support contracts cannot be certified by DED after August 28, 2025, provided that the support contracts may be certified on or prior to August 28, 2025, for sporting events that will be held after such date. This bill changes that date to August 28, 2031.

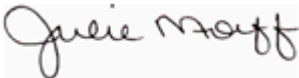
Currently, a certified sponsor or local organizing committee can apply for a tax credit that is equivalent to 50% of the amount of an eligible donation. Tax credits for eligible donations cannot exceed \$10 million dollars in any fiscal year. The bill lowers that amount to \$5 million dollars.

Currently, both tax credits will sunset on August 28, 2025. This bill extends that sunset 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

A handwritten signature in cursive script, appearing to read "Julie Morff".

Julie Morff
Director
February 18, 2025

A handwritten signature in cursive script, appearing to read "Jessica Harris".

Jessica Harris
Assistant Director
February 18, 2025