F I S C A L   I M P A C T   R E P O R T

SPONSOR Komadina **DATE TYPED** 02-09-04 **HB**

SHORT TITLE NON-PROFIT OPERATED ARENA GROSS RECEIPTS **SB** 510

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
		(750.0)	Recurring	General Fund
		(600.0)	Recurring	Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to: HB 368

SOURCES OF INFORMATION

LFC Files

SUMMARY

SB 510 provides an exemption from gross receipts tax and governmental gross receipts tax for receipts from sales of non-profit operated multipurpose sports and entertainment arena in a city with population of at least 50 thousand. Specifically exempted are ticket sales, parking, souvenirs, concessions, programs, advertising, sponsorship, naming rights, merchandise, corporate suites, club suites, broadcast rights and all other products or services related to or occurring at the arena and operated by a nonprofit organization. The bill has an effective date of July 1, 2004

FISCAL IMPLICATIONS

TRD estimates that this legislation will reduce gross receipts collections by $1.35 million, beginning in FY06--$750 thousand loss to the general fund and $600 thousand for local governments. The estimate is based on assumptions related to an arena in Albuquerque, although the exemption would apply to arenas built in several other cities. The estimate assumes 130 events per year, average attendance of 5 thousand per event and average expenditure of $40 per person. Multiplying 130 by 5000 by $40 implies a tax base of $26 million.

SUBSTANTIVE ISSUES

By way of comparison, KPMG estimated revenues, including ticket sales concessions, merchandise, parking, box suites and clubs suites, restaurants, advertising etc for an arena in Wichita, to be about $14.8 in 2002 dollars. Presumably, an arena in Albuquerque would do as well or better. Applying a 5 percent tax governmental gross receipts tax rate on this base implies a revenue loss of $740 thousand. If revenues are subject to the gross receipts tax, revenue losses would be higher. Depending on the operation specifics, several funds could be affected including the State and Albuquerque General Funds, NMFA funds and Energy, Minerals and Natural Resources Department funds that benefit from governmental gross receipts.

BT/dm:lg