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**Stadium Funding:
A Summary of Proposed
State and Local Government
Revenue Sources**

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This document summarizes the potential revenue from a variety of taxes and fees that the state or a local government might use to help fund a professional sports stadium. The estimates are based on the latest information available, but they should be considered preliminary estimates.

In several cases, more information will be needed before a final estimate can be made. There is uncertainty about future attendance and ticket prices. In some cases (such as a tax on parking) the revenue will depend on the specific stadium site and design.

The list of revenue sources begins with those most closely tied to the stadium site (numbers 1 through 7), followed by more general sources of revenue (numbers 8 through 12). Last on the list are two provisions that would reduce stadium costs – a sales tax exemption for construction materials and a property tax exemption.

Fiscal Analysis Department
Minnesota House of Representatives

1. Ticket Taxes

a. Ten Percent Ticket Tax: The revenue raised from a 10% ticket tax depends on attendance and average ticket price. Both are likely to increase in a new stadium. Table 1 shows the revenue from the 10% ticket tax at the Metrodome in 2001.

	Twins	Vikings	Gophers	Other	Total
Total Attendance (both paid & complimentary)	1,928,009	640,910	256,972	525,405	3,351,296
Average Price (including tax)	\$11.15	\$53.67	\$20.92	\$24.17	\$22.07
Average Price (before tax)	\$9.65	\$46.07	\$17.96	\$20.75	\$18.99
Total Ticket Sales (before tax)	\$18,600	\$29,527	\$4,615	\$10,901	\$63,643
Tax (10%)	\$1,860	\$2,953	\$461	\$1,080	\$6,364

Source: Metropolitan Sports Facilities Commission.

Note: Complimentary tickets are included in sales and are subject to tax. Average ticket prices include the face value of those tickets. (Complimentary ticket totals: Twins 145,083 tickets; Vikings 12,002; Gophers 8,343).

The current 10% ticket tax at the Metrodome goes to the Metropolitan Sports Facilities Commission.

The 6.5% state sales tax is also levied on ticket sales. Under current law the sales tax revenue goes to the General Fund.

b. Ticket Surcharge – The revenue from a surcharge of \$1 per tax will depend on attendance. The first line of Table 1 shows the revenue a \$1 per ticket tax would have raised in 2001. With a new stadium, though, attendance (and revenue) is likely to be higher.

2. State Sales Tax on Stadium Concessions – Sales tax on food, alcohol, and novelties purchased at the stadium depends on attendance and prices of taxable items. Both are likely to increase in a new stadium. Table 2 shows sales tax paid at the Metrodome in 2001.

	Twins	Vikings	Gophers	Other	Total
Food (6.5% tax rate)	\$481	\$169	\$45	\$119	\$814
Alcohol (9% tax rate)	\$286	\$257	\$32	\$27	\$602
Novelties (excludes clothing)	\$33	\$10	\$5	--	\$48
Total	\$800	\$436	\$82	\$146	\$1,464

Source: Metropolitan Sports Facilities Commission. Novelty taxes are for the 2000 season.

Notes: (1) The table does not include the tax on food or beverages sold in suites.

(2) Under current law, the sales tax rate on alcohol will fall to 6.5% in 2006.

Under current law, sales tax collected at the stadium is General Fund revenue.

A gross receipts tax on all sales (other than tickets) in the Metrodome would also tax clothing and some

other items not taxable under the sales tax.

3. Team Income Taxes – Although few team members are residents of Minnesota, they pay income tax on a portion of their salary based on the number of “duty days” spent in Minnesota. Table 3 shows how much Minnesota income tax players are estimated to have paid in 2001.

Table 3. Existing Income Tax Paid by Major League Players			
Estimate for 2001			
(\$1,000s)			
Sport	Minnesota Team	Visiting Teams	Total
Baseball	\$1,900 to \$2,200	\$1,100 to \$1,300	\$3,000 to \$3,500
Football	\$4,250 to \$4,650	\$ 250 to \$ 350	\$4,500 to \$5,000
Total	\$6,150 to \$6,850	\$1,350 to \$1,650	\$7,500 to \$8,500

Source: Preliminary estimate by Department of Revenue.

Notes: (1) Twins assumed to spend 70% of their duty days in Minnesota, and Vikings a much higher proportion. Visiting baseball players have a much higher proportion of duty days in Minnesota than visiting football players do.

(2) If Twin's payroll increases with a new stadium, income taxes on Twin's salaries will rise.

Under current law, the income tax on team salaries is General Fund revenue.

A special income tax surtax on player salaries (above the Minnesota income tax) is very likely to be unconstitutional.

4. Media Access Fee – Media (both broadcast and print) could be charged for their use of stadium facilities, with rents/fees set to raise a desired amount of revenue.

One proposal for which an estimate is available would charge broadcasters a fee for use of broadcast facilities at a stadium. At rates of \$10,000 per game for television/cable and \$5,000 per game for radio broadcast, such fees are estimated to raise:

\$2.160 million per year from Major League Baseball; and

\$0.215 million per year from National Football League.

Source: Preliminary revenue estimate by Department of Revenue.

5. Naming Rights – Recently in the United States, naming rights for new professional sports stadiums typically have yielded \$2 million to \$2.5 million per year for terms of ten to thirty years. The range is between \$900,000 and \$4 million per year.

6. Personal Seat Licensing – By purchasing a personal seat license, a fan would gain access to prime season ticket seat locations. Personal seat license provisions in 1997 legislation (to finance a major league baseball stadium) were estimated to raise \$500,000 in one-time revenue. Some other new stadiums have raised significantly more than this from sales of personal seat licenses.

7. Parking Taxes – The revenue from charging a tax of \$1 per car would depend on attendance, the number of parking spaces in the taxed area, and the availability of other transportation (or nearby parking not subject to the tax). Revenue would also be higher if some people not attending the games also parked in the designated parking spaces.

A rough idea of potential revenue: If annual baseball attendance were 2.2 million and there was one taxed vehicle for every four fans, revenue from a \$1 per car tax would be about \$550 thousand per year.

(Parking is also subject to the sales tax. Under current law, the sales tax on parking goes to the General Fund.)

8. New Tax on Sports Memorabilia – A new tax could be levied on sales of sports memorabilia licensed by major league and/or college teams. Table 4 shows the revenue estimate for a wholesale level tax levied at a 13 percent rate. (This is roughly equivalent to a 6.5% tax rate at retail.)

Table 4. Gross Receipts Tax on Licensed Sports Memorabilia (Wholesale-level tax at 13% rate) Estimate for 2003, on a state-wide base (\$1,000s)						
Taxable Items	MLB	NFL	NBA & NHL	College	Total	Comments
Clothing	\$1,500	\$2,700	\$3,100	\$1,700	\$9,000	This cannot be structured as a sales tax because it would conflict with the Streamlined Sales Tax agreement. Estimate is for a 6.5% gross receipts tax (at retail) or a tax equal to 13% of wholesale. Tax rate could be set at any rate desired.
Other Items	\$1,000	\$1,900	\$1,900	\$1,100	\$5,900	
Clothing and other items	\$2,500	\$4,600	\$5,000	\$2,800	\$14,900	

Source: Preliminary revenue estimate by Department of Revenue, based on national data from the Sporting Goods Manufacturing Association (www.sgma.com).

Notes: (1) Table shows tax limited to memorabilia for the four listed professional leagues. If other sports or leagues (such as NASCAR or WWF) were included, revenue would be higher.

(2) The estimate for collegiate sports memorabilia is very preliminary.

This would be a new tax. There would be both one-time administrative costs to establish the tax and ongoing administrative costs to collect the tax. Adding selected college sports memorabilia to the tax base raises additional administrative issues.

If the tax were limited to the Metro area, estimated revenues would be only about 60 percent of what is shown in Table 4.

9. Additional Tax on Rental Vehicles – An additional tax could be levied on rental vehicles, either as a percent of the rental cost or as a fixed number of dollars per day (or per rental). The tax would not apply to long-term rentals or leases (less than 28 days). Table 5 shows the estimated revenue for such a tax.

Table 5. Additional Tax on Rental Vehicles (Rentals of less than 28 days) Estimate for 2003 (\$1,000s)		
Tax Rate	Metro Area	State-Wide
2% rental tax	\$3,400	\$4,000
\$1 per day	\$3,400	\$4,000
\$1 per rental	\$1,200	\$1,400

Source: Preliminary estimates from Department of Revenue.

Federal regulations make it impossible to limit the tax to rentals at the airport (about 63% of all state rentals).

To be consistent with the streamlined sales tax, any additional tax on rental cars would need to be a new

tax rather than part of the sales tax. For administrative reasons, the Department of Revenue would prefer a percentage tax (rather than a dollar per day or dollar per rental).

10. New Lottery Games with a Sports Theme – Special scratch-off lottery games could be introduced, with revenues dedicated to stadium finance. Table 6 shows the estimated revenue that could be obtained from each such game.

Table 6. New Lottery Games with a Sports Theme Estimate for 2001 (\$1,000s)		
Gross income per game	\$1,500	The per-game revenue would be multiplied by the number of games dedicated to stadium finance each year. It may be possible to capture all \$1.5 million per game for stadium finance (rather than just the \$612 thousand).
Net income per game (after dedication to other funds)	\$ 612	

Source: Minnesota State Lottery.

Note: Gross income is after deducting prizes, retailer commissions, and operating expenses. Net income is after deducting dedicated revenue: \$480,000 in-lieu-of-sales-tax payment (dedicated to the Natural Resources Fund and Game and Fish Fund) and another \$408,000 dedicated to the Environment and Natural Resources Fund.

Under current law, in-lieu-of-sales-tax payments are dedicated to the Natural Resources Fund and the Game and Fish Fund, and 40 percent of remaining revenue is constitutionally dedicated to the Environment and Natural Resources Fund. The remaining lottery revenue goes to the General Fund.

Unless the new games increase the total number of lottery tickets sold, the gain to the stadium fund will be matched by an equal loss to these other funds. Based on the experience in other states, the Minnesota State Lottery thinks any significant increase in lottery sales is unlikely.

11. Other Gaming Revenues – The Stadium Task Force cited new types of legal gaming (slot machines, state-run casino, sports betting) as a potential revenue source. Potential revenue would vary depending on the specific proposal.

12. Local Sales Tax or Local Taxes on Lodging, Food, and On-Sale Liquor – Table 7 shows revenue estimates for increases in these local taxes if levied in Minneapolis, St. Paul, or metro-wide. (Estimates for other localities are not yet available.)

Table 7. Other Local Taxes Estimate for 2003 (\$1,000s)				
Type of Tax	Minneapolis	St. Paul	Metro	State
1 percent additional tax on:				
Lodging	\$ 1,700	\$ 600	\$ 4,400	n/a
Food & nonalcoholic beverage	\$ 4,900	\$ 3,300	\$ 21,600	\$43,800
On-sale liquor	\$ 1,650	\$ 750	\$ 5,900	\$ 9,100
Entertainment	\$ 600	\$ 300	n/a	n/a
½ percent additional sales tax	\$29,500	\$14,500	\$150,500	\$288,500

These taxes might also be limited to a "stadium district" rather than the entire city. For example, in the existing "downtown district" of Minneapolis, a 1% food and nonalcoholic beverage tax raises about \$2.5

million and a 1% on-sale liquor tax raises about \$1 million.

13. Sales Tax Exemption for Construction Materials – Exempting building materials from the sales tax would reduce the cost of the stadium. Table 8 shows preliminary estimates of the value of such an exemption from the 6.5% state sales tax.

Hypothetical Cost of Stadium	Value of Sales Tax Exemption (\$1,000s)	Comment
\$300 million	\$10,100	Construction materials are assumed equal to 52 percent of actual construction costs, so exemption from state sales tax would cut costs by $(6.5\%) \times (52\%) \times (\text{construction costs})$.
\$500 million	\$16,900	

Source: Preliminary revenue estimate by Tax Research Division, Department of Revenue.

Notes: (1) The actual stadium cost is unknown, so two hypothetical costs are shown.

(2) "Construction costs" here exclude the cost of land, architectural fees and other soft costs.

Exempting construction materials from the state sales tax would also exempt them from any local sales tax, providing some additional cost savings.

This is a one-time savings. Without the exemption, the sales tax on construction materials would have been paid over several years of construction.

If desired, the value of the sales tax exemption could be "capped" at a maximum amount if it were administered as a refund to the stadium owner.

Under current law, the sales tax on stadium construction materials would go to the General Fund.

14. Property Tax Exemption – The stadium could be exempted from property taxes. (Most proposals would still require the stadium to pay special assessments.)

Compared to current law (assuming the stadium was built), this property tax exemption would increase taxes on other properties, resulting in a small increase in property tax refunds paid by the state.