SENATE BILL REPORT
SB 5052

As of January 17, 2023

Title: An act relating to establishing leasehold excise tax parity and accountability for certain arenas and stadiums.

Brief Description: Establishing leasehold excise tax parity and accountability for certain arenas and stadiums.

Sponsors: Senators Liias, King, Mullet and Van De Wege.

Brief History:
Committee Activity: Business, Financial Services, Gaming & Trade: 1/19/23.

Brief Summary of Bill

- Creates a Leasehold Excise Tax (LET) exemption for leasehold interests in the public or entertainment areas of arenas with a seating capacity of at least 4000 and meeting several other requirements.
- Requires a review of the LET exemption prior to its expiration in 2033 by the Joint Legislative Audit and Review Committee (JLARC).
- Extends a JLARC review to several existing LET exemptions for public stadiums and arenas.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

Staff: Jeff Mitchell

Background: Leasehold Excise Tax. Leasehold excise tax (LET) is paid by a private entity that leases or uses public property under current law. This includes leases of government-owned property exempt from property taxes. The combined state and local rate for LET is 12.84 percent of the rent paid for the property. The state general fund receives 6.84 percent and the remaining 6 percent goes to local governments. The Legislature has exempted a

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variety of leasehold interests including several public stadiums and arenas such as the stadiums used for professional football and baseball, as well as several other types of public facilities.

Tax Preference Review Requirements. State law provides a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics the Joint Legislative Audit and Review Committee (JLARC) can use to review the effectiveness of the preference in achieving its stated public policy objectives. Tax preferences must be reviewed by JLARC at least once every ten years, unless state statute requires otherwise. All new tax preferences automatically expire after ten years unless an alternative expiration date is provided or the tax preference is exempted from expiration. In order to assist the Legislature in its evaluation of economic development-related tax preferences, taxpayer beneficiaries are required to file annual tax preference performance reports detailing wages and employment of the taxpayer as well as tax savings from the tax preference.

Summary of Bill: All leasehold interests in the public or entertainment areas of an arena are exempted from LET if:
- the arena has a seating capacity of more than 4000;
- the arena is located on city-owned land;
- the arena is located within a city with a population over 100,000; and
- private entities were responsible for 100 percent of the cost of constructing improvements to the arena, which were not reimbursed by the public owner.

The LET exemption expires January 1, 2034.

Two separate TPPS are established for the new LET exemption.

The first TPPS is for arenas with a seating capacity of more than 17,000. The stated public policy objectives are to provide tax parity resulting in leasehold excise tax relief for large arena facilities used for professional sports with the expectation that an operational entity overseeing operations at a facility will provide substantial economic benefits to its specific region with a focus on:
- providing employment opportunities for women and minority-owned businesses;
- fostering equity and social justice with an emphasis on arena-impacted communities;
- providing general community resource support; and
- ensuring quality access to the facility for people across a range of income levels.

JLARC will specifically review:
- state and local fiscal impacts;
- the number of employment positions and wages at the facility for all employers, and

to the extent data is available, the degree to which employment positions at the facility have been filled by people residing in economically distressed regions of the county in which the facility is located;
- the extent to which the operational entity provides opportunities for patrons of all income levels to enjoy programming by offering seating at a range of price points that are equitably distributed throughout the facility; and
- the extent to which the operational entity generally contributes resources to organizations that serve the region, the communities surrounding the facility, and programs and services for youth, arts, music, and culture.

JLARC will conduct a similar evaluation of the existing LET exemptions for the professional football and baseball stadiums. Taxpayers subject to this JLARC review must submit tax preference performance reports beginning in calendar year 2024.

The second TPPS is for arenas with a seating capacity of 17,000 or less. The stated public policy objectives are to provide tax parity resulting in leasehold excise tax relief with the expectation that employees employed at the facilities receive competitive wages and benefits and the facilities advance and promote diverse and inclusive voices, experiences, perspectives, and employment opportunities.

JLARC will specifically evaluate:
- state and local fiscal impacts;
- the number of employment positions and wages at the facility for all employers operating at the facility;
- the financial stability of the facility;
- the types of programming and events scheduled at the facility; and
- the economic impact of the facility in the county in which the facility is located.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on October 1, 2023.