SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	H.4009 Amended by Senate Finance on April 24, 2018
Author:	Lucas
Subject:	Motorsports Entertainment Complex Investment Act
Requestor:	Senate
RFA Analyst(s):	R. Martin
Impact Date:	April 25, 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	($1,240,000)	($1,000,000)
Other and Federal	($120,000)	$0
Local Expenditure	$0	$0
Local Revenue	$0	$0

Fiscal Impact Summary

This bill, as amended, 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, as amended, would also reduce corporate and individual income taxes, bank taxes, license fees, or insurance premium taxes by an estimated $1,000,000 in FY2018-19, and each fiscal year thereafter, until the maximum aggregate tax credits claimed reaches the maximum cap of $12,000,000 in the future. This bill would not affect Other Fund revenues or Federal Fund revenues.

Explanation of Fiscal Impact

Amended by Senate Finance on April 24, 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

The Senate Finance Committee amended the bill by striking Section 2 and inserting several sections containing language from S.446 after the enacting words and inserting the following:

Section 1. This bill would add 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. A typical construction project consists of 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. This section adds the language contained in S.0446. The Industry Partnership Fund was first available to taxpayers in tax year 2006. Pursuant to Section 12-6-3585, a taxpayer is allowed a nonrefundable credit against corporate and individual income taxes, bank taxes, license fees, or insurance premium taxes, or any combination of them equal to one hundred (100) percent of the taxpayer's qualified contributions to the Industry Partnership Fund at the South Carolina Research Authority, or a Research Authority designated affiliate, or both. Any unused credit may be carried forward for ten (10) years from the end of the tax year in which the qualifying contribution is made. The credit is subject to the following limitations:

- For tax year 2006, the maximum credit is $650,000 for a single taxpayer, and $2,000,000 for all taxpayers,
- For tax year 2007, the maximum credit is $1,300,000 for a single taxpayer, and $4,000,000 for all taxpayers, and
- For tax years beginning after December 31, 2007, the maximum credit is $2,000,000 for a single taxpayer and $6,000,000 for all taxpayers.

This bill, as amended, would amend Section 12-6-3585(A) of the Industry Partnership Fund program limitations and maximum aggregate credit limitations for each tax year beginning after tax year 2017 up to a maximum credit of $250,000 for a single taxpayer, not to exceed an aggregate credit of $12,000,000 for all taxpayers for each tax year. The table below describes the Industry Partnership Fund program limitations and the aggregate tax credits claimed by all taxpayers in each tax year of the fund's history.

Industry Partnership Fund - Program Limitations and Tax Credits Claimed

Tax Year	Maximum Credit Single Taxpayer	Aggregate Credit All Taxpayers	Aggregate Credits Claimed By All Taxpayers
2006	$650,000	$2,000,000	$843,997
2007	$1,300,000	$4,000,000	$2,862,707
2008	$2,000,000	$6,000,000	$3,717,351
2009	$2,000,000	$6,000,000	$3,422,718
2010	$2,000,000	$6,000,000	$4,602,476
2011	$2,000,000	$6,000,000	$5,509,008
2012	$2,000,000	$6,000,000	$5,981,826
2013	$2,000,000	$6,000,000	$5,729,854
2014	$2,000,000	$6,000,000	$5,551,151
2015	$2,000,000	$6,000,000	$5,439,654
2016	$2,000,000	$6,000,000	N/A
2017	$2,000,000	$6,000,000	N/A
2018	$250,000	$9,000,000	N/A
2019 & beyond	$250,000	$12,000,000	N/A
Historical Total			$43,660,742

Notes: N/A - Not Available

Sources: Board of Economic Advisors; S.C. Department of Revenue

After the first tax year the tax credit was made available, the aggregate tax credit limitation for all taxpayers was increased the next two tax years to $6,000,000 by tax year 2008. The aggregate tax credit limitation for all taxpayers has not changed since tax year 2008. Over the next seven tax years, the aggregate tax credits claimed by all taxpayers have approached the maximum tax credit limitation of $6,000,000. By raising the maximum aggregate tax credit limitation to $12,000,000 for all taxpayers, the Industry Partnership Fund will be able to attract additional investment for use at the South Carolina Research Authority or its affiliates. The maximum tax credit available for a single taxpayer, however, would be reduced to $250,000 per taxpayer beginning in tax year 2018. The lowering of the maximum tax credit available for a single taxpayer will limit the amount that each taxpayer may invest in the Industry Partnership Fund before reaching the aggregate maximum tax credit limitation. This limitation, however, should not affect the total contributions to the fund.

The historical table above suggests that it takes some time for aggregate tax credits claimed to reach a new maximum tax credit cap; therefore, it is not unreasonable to expect that annual contributions may increase in the future with taxpayers claiming an additional $1,000,000 in tax credits per tax year. This bill, therefore, would reduce corporate and individual income taxes, bank taxes, license fees, or insurance premium taxes by an estimated $1,000,000 in FY2018-19, and each fiscal year thereafter, until the maximum aggregate tax credits claimed reaches the maximum cap of $12,000,000 in the future.

This bill, as amended, would amend Section 12-6-3585(E) to change the definition of "taxpayer" to disallow any member of the South Carolina Research Authority board of trustees or the SC Launch!, Inc. board of directors from claiming a tax credit against state taxes for qualified contributions to the Industry Partnership Fund.

This bill, as amended, would amend Section 12-6-3585(F) to require a taxpayer who is certified by the South Carolina Research Authority as having priority entitlement to the tax credit for an applicable tax year must make a commitment to making a qualified contribution to the Industry Partnership Fund during the year no later than April 1st.

This bill, as amended, would add sub-item (B) to indicate that the increased maximum tax credit amount shall be phased in in two equal and cumulative installment amounts beginning in tax years beginning after 2017. Notwithstanding the provisions of Section 12-6-3585, the maximum aggregate tax credit amount allowed by all taxpayers shall be $9,000,000 in tax year 2018 and $12,000,000 in tax year 2019, as shown in the table above.

Section 3. This section would add an appropriately numbered item to Section 12-6-3585 to require the South Carolina Research Authority to issue a report to the Chairman of the Senate Finance Committee, the Chairman of the House Ways and Means Committee, and the Governor by March fifteenth of each year. The report shall detail the amount contributed to the Industry Partnership Fund in the previous tax year, the taxpayers that received the tax credits, and the manner in which the tax credits were expended or expected to be expended. The report must be reported in a conspicuous place on the website maintained by the South Carolina Research Authority.

Section 4. This act takes effect upon approval by the Governor and applies to tax years beginning after 2017, except that Section 12-6-3585(F) and Section 3 shall not take effect until January 1, 2019.

Local Expenditure
N/A

Local Revenue
N/A

Amended by House Ways and Means on March 22, 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
The House Ways and Means Committee amended the bill by striking all after the enacting words and inserting the following:

Section 1. This bill would add 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. A typical construction project consists of 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. This act takes effect upon approval by the Governor and applies to tax years beginning after 2016.

Local Expenditure
N/A

Local Revenue
N/A

Introduced on March 21, 2017
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
This bill would add 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

This bill makes several changes to statutory tax law. They include,

- A sales and use tax exemption on building materials, supplies, fixtures, and equipment for the construction, repair, or improvement of or that become a part of a motorsports entertainment complex

- There is created in the State Treasury the Motorsports Tourism Incentive Fund to be used by the Department of Parks, Recreation, and Tourism (PRT) for awarding grants or loans to attract and expand tourism and hospitality projects at events at motorsports entertainment complexes

- Allows a taxpayer a nonrefundable investment tax credit of twenty-five percent of the costs to install equipment or technology that allows information to be transmitted through a wireless local area network (LAN) at a motorsports entertainment complex. The tax credit amount may be increased based upon the county designation as determined by the South Carolina Department of Revenue

- Any company subject to a corporate license tax may claim a credit against its license tax liability for amounts paid in cash to provide infrastructure for an eligible project at a motorsports entertainment complex

- A taxpayer may retain the total amount of admissions license tax paid at a motorsports entertainment complex to be used on marketing for events at the complex

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.

Section 1. This section would enact the Motorsports Entertainment Complex Investment Act to include the following provisions.

This section adds 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 Parks, Recreation, and Tourism (PRT) 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. A typical construction project consists of 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 FY2017-18. 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 FY2017-18.

This bill adds Section 12-69-50 to create in the State Treasury a fund separate and distinct from the general fund and all other funds styled the Motorsports Tourism Incentive Fund. All earnings and interest on this fund must stay with the fund and any balance in the fund at the end of the fiscal year carries over to the succeeding fiscal year. The fund must be used by PRT solely for awarding grants or loans to attract and expand tourism and hospitality projects related to events at motorsports entertainment complexes. To qualify for an award, a company must make a minimum capital investment of at least $10,000,000; however, the capital investment requirement may be reduced by one-half if the capital investment is made in a Tier III or Tier IV county, pursuant to Section 12-6-3360. Darlington County is designated as a Tier III county based on the latest rankings of the job tax credit county designations in calendar year 2018 by the Department of Revenue. The funds may be used for public and private utility extension on or off site, road access, site acquisition, grading, drainage, paving, construction of publicly or privately owned buildings, training, or grants or loans to an industrial development authority, housing and redevelopment authority, or other political subdivision. The funds may not be used for the payment of any rental, lease, license, or other contractual right to the use of any property. Since this section does not identify a funding source for the grants or loans we are not able to determine the level of loan activity from the fund and is undeterminable in FY2017-18.

This section adds Section 12-69-70 to direct the Department of Commerce and Coordinating Council for Economic Development to consider motorsport entertainment complexes when awarding benefits for economic development projects. These awards may be funded from revenue in the Governor’s Closing Fund. Because this section provides a subjective criterion in making economic development awards and uses a revenue source other than the General Fund, this section is not expected to affect General Fund revenue in FY2017-18.

This section adds Section 12-69-80 to allow a nonrefundable tax credit equal to twenty-five percent of the cost incurred by a taxpayer to install equipment or technology that allows information to be transmitted through a wireless local area network (LAN) at a motorsports entertainment complex. The tax credit may be increased by five percent if the motorsports complex is located in a Tier II county, ten percent if located in a Tier III county, and fifteen percent if located in a Tier IV county. Darlington County is designated a Tier III county and would be allowed an additional ten percent tax credit. Any unused tax credits may be carried forward for ten years. Multiplying an estimated $10,000,000 capital investment project by a thirty-five percent tax credit rate yields a reduction of income tax, bank tax, savings and loan tax, and/or corporate license tax revenue of an estimated $3,500,000 in FY2017-18. Any unused tax credits may be carried forward for ten years after the tax year in which the costs were incurred.

Section 2. This section would amend Section 12-20-110 to allow a taxpayer to claim a tax credit against its corporate license tax liability for amounts paid in cash to provide infrastructure for an eligible project at a motorsports entertainment complex. Infrastructure is defined as improvements for water, wastewater, hydrogen fuel, sewer, gas, steam, electric energy, and communication services made to a building or land that are considered necessary, suitable, or useful to an eligible project. The maximum aggregate credit that may be claimed in any tax year by a single company is $400,000. The tax credit may not reduce the license tax liability of the company below zero. If the tax credit earned in a taxable year exceeds the liability, the amount of the excess may be carried forward to the next taxable year. Based on the heavy use of this tax credit in data provided by the Department of Revenue, the $400,000 cash contribution threshold should easily be met. This section, therefore, would reduce General Fund corporation license tax revenue by an estimated $400,000 in FY2017-18.

Section 3. Currently, for the ten-year period beginning July 1, 2008, and ending June 30, 2018, one-half of the paid admissions to a motorsports entertainment complex may be withheld by the taxpayer to be used for marketing efforts of the complex. The Board of Economic Advisors has accounted for this revenue in its annual General Fund revenue estimates since that date. This section would amend Section 12-21-2425(A) to strike the phrase "for ten years beginning July 1, 2008, one-half of" the paid admissions to a motorsports entertainment complex. This bill would allow the admission tax revenue collected annually from all events held at a NASCAR sanctioned motor speedway or racetrack that hosts at least one race each year featuring the preeminent NASCAR cup series to be retained by the motorsports entertainment complex facility. The funds would be used to help keep a NASCAR race at the motorsports entertainment complex facility. This amounted to admissions tax revenue retained by the motorsports complex of $87,028 in FY2016-17. The BEA was anticipating the return of this revenue to the General Fund after the expiration of the ten year period in FY2018-19. This bill, therefore, would allow the additional one-half of paid admissions to a motorsports entertainment complex to be retained by the complex. Based on actual admissions tax collections from a motorsports entertainment complex and the change in statutory language, this bill would reduce General Fund admissions tax revenue by an estimated $87,028 in FY2017-18 and by $174,056 in FY2018-19, and each fiscal year thereafter.

Section 4. This act takes effect upon approval by the Governor and applies to tax years beginning after 2016.

Local Expenditure
N/A

Local Revenue
N/A