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FISCAL IMPACT STATEMENT

LS 6778

BILL NUMBER: HB 1166

NOTE PREPARED: Dec 26, 2006

BILL AMENDED:

SUBJECT: Sales Tax Rebate for Developing a Tourist Site.

FIRST AUTHOR: Rep. Cochran

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill authorizes the Office of Tourism Development to enter into an agreement for a state Sales Tax rebate with the operator of a new tourism attraction. The bill also establishes the criteria for awarding rebates. This bill establishes procedures for claiming rebates. It also appropriates money to the Department of State Revenue for the payment of rebates.

Effective Date: July 1, 2007.

Explanation of State Expenditures: This bill will increase administrative costs for the Department of State Revenue (DOR) and the Office of Tourism Development (OTD).

The bill requires the DOR to receive and judge claims for the Sales Tax rebate provided in the bill. It is estimated that DOR could amend Sales Tax forms and develop procedures to implement the provisions of this bill through the use of existing staff and resources.

The bill requires the OTD to receive the applications, enter into agreements, and make certain determination of eligibility for the Sales Tax rebate provided in the bill. It is estimated that these provisions could be implemented by the OTD through the use of existing staff and resources.

Explanation of State Revenues: *Summary:* This bill provides a Sales Tax rebate for people who build and operate a new tourism attraction. If this rebate stimulates development that would not have otherwise occurred, then this bill could increase Sales Tax revenue. The new rebates will reduce the amount of Sales Tax revenue that would be generated from the new investment. If these rebates apply to investments that would have occurred anyway, there would be a reduction in Sales Tax revenue.

The rebates in the bill are allowed for a maximum of 10 years and would not begin until completion of the first full calendar year of operation of the new tourist attraction. The effective date for this bill is July 1, 2007. Therefore, the earliest that Sales Tax revenues could be impacted would probably be in FY 2009.

The bill allows a person who proposes to operate a tourism attraction to apply to the OTD for a Sales Tax rebate. The amount of the rebate is equal to the lesser of:

- (1) 25% of the cost of building, developing, and preparing the tourism attraction divided by 10; or
- (2) 25% of the total amount of the Sales Tax remitted by all retail merchants at the tourism attraction in the preceding calendar year.

For example:

Cost of tourism attraction: \$20 M

25% of \$20 M = \$5 M; \$5 M divided by 10 = \$500,000

Sales Tax from merchants in the preceding calendar year: \$1 M

25% of \$1 M = \$250,000

Therefore, the rebate for this particular calendar year in the example would be \$250,000. A person may not receive a Sales Tax rebate, as provided in the bill, for more than 10 years.

Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Background: In order to enter into an agreement with an applicant for a rebate, the OTD must first determine that all of the following conditions exist:

- (1) The applicant's tourism attraction project will create new jobs that were not jobs previously performed by employees of the applicant in Indiana.
- (2) The applicant's tourism attraction project is economically sound and will benefit the citizens of Indiana by increasing opportunities for employment in Indiana and strengthening the economy of Indiana.
- (3) Receiving the Sales Tax rebate is a major factor in the applicant's decision to go forward with the tourism attraction project, and not receiving the Sales Tax rebate will result in the applicant not creating new jobs in Indiana.
- (4) Awarding the Sales Tax rebate will result in an overall positive fiscal impact to the state, as certified by the Budget Agency using the best available data.
- (5) The OTD determines that the applicant's total qualified project costs will exceed \$5 M.
- (6) At least 25% of the visitors to the applicant's tourism attraction will be residents of other states.

The Director of the OTD on July 1 of each year must submit a report to the Lieutenant Governor on the Sales Tax rebate program that is established by this bill.

The bill defines a tourism attraction as any of the following:

- (1) A cultural or historic site.
- (2) A recreation or entertainment facility.
- (3) An area of natural phenomenon or scenic beauty.
- (4) An entertainment destination center.

The bill excludes the following from the definition of tourism attraction:

- (1) A racetrack or satellite facility licensed under IC 4-31.

- (2) A riverboat licensed under IC 4-33.
- (3) A facility located in a professional sports development area established under IC 36-7-31 or IC 36-7-31.3.
- (4) A lodging or dining facility unless the facility is located in an entertainment destination center.
- (5) A retail facility other than a gift shop or other retail operation that is operated as a subordinate part of an entertainment destination center or other tourism attraction.
- (6) A recreational facility that is not operated as a visitor destination.

The bill defines an entertainment destination center as a facility containing at least 100,000 square feet of building space that:

- (1) is adjacent or complementary to an existing tourism attraction, a tourism attraction project being developed, or a convention facility; and
- (2) provides its patrons a variety of leisure and entertainment options, including:
 - (A) at least 1 major themed restaurant; and
 - (B) at least 3 additional entertainment venues, including any of the following:
 - (i) Live entertainment facilities.
 - (ii) Multiplex theaters.
 - (iii) Large format theaters.
 - (iv) Motion simulators.
 - (v) Family entertainment centers.
 - (vi) Concert halls.
 - (vii) Virtual reality or other interactive games.
 - (viii) Museums.
 - (ix) Exhibitions.
 - (x) Other cultural or leisure-time activities.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue; Office of Tourism Development.

Local Agencies Affected:

Information Sources:

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