

FILED MAR 29 2005

SENATE FILE 393
BY COMMITTEE ON WAYS
AND MEANS

(SUCCESSOR TO SSB 1294)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act authorizing the rebate of state sales tax to the owner or
2 operator of a sanctioned automobile racetrack facility.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 393

1 Section 1. FINDINGS. The general assembly finds that a
2 nationally sanctioned automobile racetrack facility in Iowa
3 would result in a substantial economic benefit to the state
4 and would offer thousands of spectators the opportunity to
5 experience and discover Iowa.

6 The general assembly further finds that the development of
7 the racetrack facility and surrounding entertainment complex
8 would enhance the economic development of the area through an
9 increase in tourism.

10 The general assembly further finds that the rebate of state
11 sales tax collected at the racetrack facility and
12 entertainment complex to assist in the development of such
13 facility and complex would further tourism and is a public
14 purpose for which state funds may be used.

15 Sec. 2. Section 423.4, Code 2005, is amended by adding the
16 following new subsection:

17 NEW SUBSECTION. 4. a. For purposes of this subsection:

18 (1) "Automobile racetrack facility" means a sanctioned
19 automobile racetrack facility located as part of a racetrack
20 and entertainment complex located in a city with a population
21 of at least fourteen thousand five hundred but not more than
22 sixteen thousand five hundred residents, which city is located
23 in a county with a population of at least thirty-five thousand
24 but not more than forty thousand residents and where the
25 construction on the racetrack facility commenced not later
26 than one year following the enactment of this Act and the cost
27 of the construction upon completion was at least thirty
28 million dollars.

29 (2) "Owner or operator" means a for-profit entity that is
30 the owner or operator of an automobile racetrack facility and
31 that is primarily a promoter of motor vehicle races.

32 (3) "Population" means the population based upon the 2000
33 certified federal census.

34 b. The owner or operator of an automobile racetrack
35 facility may apply to the department for a rebate of sales tax

1 imposed and collected by retailers upon sales of any goods,
2 wares, merchandise, or services furnished to purchasers at the
3 automobile racetrack facility.

4 c. The rebate may be obtained only in the following
5 amounts and manner and only under the following conditions:

6 (1) On forms furnished by the department within the time
7 period provided by the department by rule, which time period
8 shall not be longer than quarterly.

9 (2) The owner or operator shall provide information as
10 deemed necessary by the department.

11 (3) The transactions for which sales tax was collected and
12 the rebate is sought occurred on or after January 1, 2006, but
13 before January 1, 2016. However, not more than twelve million
14 five hundred thousand dollars in total rebates shall be
15 provided pursuant to this subsection.

16 d. To assist the department in determining the amount of
17 the rebate, the owner or operator shall identify to the
18 department retailers located at the automobile racetrack
19 facility who will be collecting sales tax. The department
20 shall verify such identity and shall establish a separate
21 automobile racetrack facility rebate account in the state
22 treasury. The department shall deposit into the rebate
23 account all sales taxes received from the identified retailers
24 located at the automobile racetrack facility. The moneys in
25 the rebate account are appropriated to the department for
26 disbursement as provided in this subsection. For purposes of
27 this subsection, advance ticket and admissions sales shall be
28 considered occurring at the automobile racetrack facility
29 regardless of where the transactions actually occur.

30 e. Upon determining that the conditions and requirements
31 of this subsection and the department are met, the department
32 shall issue a warrant to the owner or operator in the amount
33 equal to the balance in the rebate account as of the end of
34 the month preceding the month the application for a rebate was
35 received.

1 f. Only the state sales tax is subject to rebate. Any
2 local option taxes paid and collected shall not be subject to
3 rebate under this subsection.

4 g. Any moneys remaining in the rebate account upon the
5 repeal of this subsection, as provided in paragraph "h", shall
6 be transferred to the general fund of the state.

7 h. This subsection is repealed June 30, 2016, or thirty
8 days following the date on which twelve million five hundred
9 thousand dollars in total rebates have been provided,
10 whichever is the earlier.

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EXPLANATION

12 This bill authorizes the department of revenue to rebate
13 sales tax collected by retailers on purchases made at an
14 automobile racetrack facility. To be eligible for the rebate
15 the facility must be located in a city, with a population
16 between 14,500 and 16,500, which is located in a county with a
17 population between 35,000 and 40,000. The person eligible to
18 receive the rebate is the owner or operator of the sanctioned
19 automobile racetrack facility. Construction on the facility
20 must commence not later than one year following enactment of
21 the bill and the cost of the construction upon completion must
22 be at least \$30 million.

23 The rebate of sales tax is only of the sales tax collected
24 on transactions occurring on or after January 1, 2006, and
25 before January 1, 2016.

26 The rebate only applies to the state sales tax collected
27 and not to any local option sales tax and is limited to a
28 total of \$12.5 million in rebates.

29 The rebate provision is repealed June 30, 2016, or when
30 \$12.5 million has been rebated, whichever occurs earlier.

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

SF 393 – Newton Track Sales Tax Rebate (LSB 3065 SV)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version – New
Requested by Senator William Dotzler and Senator Bob Brunkhorst

Description

Senate File 393 provides a sales tax rebate to a newly constructed automobile racetrack in Iowa meeting specified conditions. The proposed track in Newton meets the specification of the Bill. The rebate would begin January 1, 2006, and run for ten years or until a total of \$12.5 million in sales tax has been rebated to the track.

Background

Senate File 393 applies only to the proposed automobile racetrack to be located in Newton. The current proposed track configuration calls for 25,000 permanent seats with the potential to expand to 80,000.

The City of Newton, through Tax Increment Financing and a Development Agreement, has committed to the following assistance to the developers:

- A grant of up to \$1.3 million for land acquisition.
- A grant of \$2.0 million for construction costs.
- Full tax abatement and rebate for five years (value of approximately \$8.0 million).
- Public infrastructure improvements estimated at \$9.3 million (sewer, roads, etc.).

The City of Newton has requested \$4.0 million in assistance from the State Community Attractions and Tourism (CAT) Fund and will apply for \$5.0 million in infrastructure assistance from the Revitalize Iowa's Sound Economy (RISE) Fund.

According to the CAT application (completed by the City of Newton), developer-paid acquisition and construction costs will total \$45.0 to \$47.2 million. The developer is borrowing \$57.0 million from private sources and will also have available the \$3.3 million in grants from the City. The developers have indicated that a \$13.0 million loan guarantee payment is part of the financing arrangement.

Fiscal Impact

The Newton racetrack will receive a maximum sales tax rebate of \$12.5 million over ten fiscal years, beginning FY 2007. The sales tax rebate will be paid from the State General Fund. Local option sales tax will not be rebated.

Sources

City of Newton
Various public documents related to Newton track proposals
Department of Economic Development

Dennis C Prouty

April 13, 2005

Hahn co-chair
Dotzler co-chair
Zieman
McCoy

Succeeded By
SF/HF 393

SSB# 1294

Ways & Means

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CO-CHAIRPERSON ZIEMAN)

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TLSB 3065XC 81

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