Fiscal Note

BILL # HB 2704

TITLE: tax; distribution; county stadium district

SPONSOR: Weninger

STATUS: House Engrossed

PREPARED BY: Benjamin Beutler

Description

The bill would transmit tax revenue generated from business activities or events at a Major League Baseball (MLB) facility (or an adjacent building) that is owned and operated by the Maricopa County Stadium District or the MLB franchise that occupies the facility to the County Stadium District Fund (CSDF). Tax revenue includes state, county, and city transaction privilege tax (TPT), as well as income tax from any professional baseball franchise organization domiciled in this state and its employees.

Monies transmitted to the fund must be used for reconstructing, equipping, repairing, maintaining, or improving the MLB facility or adjacent buildings owned and operated by the Maricopa County Stadium District or the MLB franchise that occupies the facility.

Estimated Impact

We estimate the bill would reduce General Fund revenue by $(9.2) million annually, starting in FY 2027. As described in more detail below, the local government impact would be an annual revenue loss of $(5.8) million. This would result in a combined state and local revenue loss of $(15.0) million on a full year basis.

The redirection of TPT revenue would begin on the first day of the month following the general effective date and the redirection of incomes taxes would begin in FY 2026. The redirection of these revenues would end if the MLB team is assessed a penalty for leaving, or on December 31, 2055.

After accounting for the bill's mid-year implementation of the TPT redirection during FY 2026, and the income tax redirection becoming effective starting in FY 2026, the first year General Fund impact would be $(7.3) million in FY 2026.

In the event that the Diamondbacks leave the MLB facility prior to October 2050, a penalty based on the departure date would be assessed against the team in the following amounts: $10.0 million (prior to October 2035), $5.0 million (between October 2035 and October 2045), or $1.0 million (between October 2045 and October 2050). The penalty would be distributed as follows: 50% to the state General Fund, 25% to Maricopa County, and 25% to the City of Phoenix.

The bill contains language stating that the Legislature finds the Diamondbacks will contribute at least $250.0 million of their own monies for the purposes of reconstructing, equipping, repairing, maintaining, or improving the MLB facility and adjacent buildings.

This estimate does not account for any potential indirect economic impacts from the bill. The redirected revenues to CSDF would be used for improvements to the MLB facility. These improvements would likely generate additional sales and income tax revenue from the construction activity and associated employment impact. In addition, any direct contracting tax revenues from the improvements to the MLB facility would be retained by CSDF.

The Department of Revenue has not yet responded to our request for the fiscal impact.

Analysis

TPT from Stadium Collections
For the retail, amusement, restaurant/bar, and prime contracting classifications of TPT collected at the MLB facility or an adjacent building, the bill would deposit that revenue into CSDF. Under current law, these revenues from the state TPT rate are allocated through a distribution formula which allocates monies to the state General Fund, county governments and city governments. In addition, the specific county and city TPT rates are allocated to those respective governments. This TPT redirection would begin on the first day of the month following the general effective date.

For the TPT classifications affected by this bill, the state's TPT rate is 5.6%, consisting of a general tax rate of 5.0% and an education tax rate of 0.6%. The bill redirects revenue from the 5.0% general tax but not the 0.6% rate for education. In addition, the bill would also redirect 2.0% of Phoenix municipal sales tax and Maricopa County's transportation excise tax of 0.5%. Therefore, of the total 8.6% TPT rate levied at the location of the MLB facility, 7.5% would be redirected to CSDF.

Our analysis is based on publicly available data for attendance at events located at the MLB facility, along with average ticket, concession and retail spending for attendees at these events. According to ESPN, attendance for MLB games at the facility in the 2024 MLB season averaged 28,912 per game. This means across the entire 81 game MLB home schedule, there were 2,341,876 attendees at MLB events at the facility.

In addition to these MLB games, the facility hosted 6 concert events and 1 college football bowl game during calendar year 2024. Assuming that these 7 events had the same average attendance as the MLB games (28,912 persons), this would translate into 202,384 additional attendees at the facility.

In terms of estimating the average taxable spending per event attendee, this analysis uses data from the 2023 MLB Fan Cost Index developed by Team Marketing Report. Within that index, the taxable sales for 4 attendees is estimated to be $240.40 – this amount consists of the following components: $46.63 per ticket (average of general and premium ticket price listed in the index), $4.99 per beer (2 purchased), $2.99 per soft drink (4 purchased), $2.99 per hot dog (4 purchased), $9.99 per baseball hat (2 purchased), and excludes any parking costs (which are exempt from TPT).

Given the data listed above, we estimate total attendance at the facility in a given year is 2,544,260 (consisting of 2,341,876 MLB game attendees + 202,384 additional event attendees). In addition, using the $240.40 MLB Fan Cost Index amount for each 4 attendees results in a per attendee taxable sales amount of $60.10. This analysis assumes the non-MLB event per attendee spending occurs at the same levels as noted in the MLB Cost Index.

With 2,544,260 attendees each year and $60.10 of taxable spending per attendee, we estimate the total annual taxable sales that occur at the facility are $152.9 million. Given the diversion of a combined 7.5% TPT rate, this would result in a combined state and local government TPT revenue reduction of $(11.5) million as follows: $(5.7) million for the state General Fund, $(0.7) million for all city governments statewide, $(1.2) million for all county governments statewide, $(3.1) million for the City of Phoenix, and $(0.8) million for Maricopa County.

Income Tax from MLB Players
For income taxes collected from the Diamondbacks organization, and Diamondbacks employees and their spouses, the bill would deposit that revenue into CSDF. Under current law, these monies are deposited into the state General Fund. This income tax redirection would begin in FY 2026 and is based on income tax returns filed in the proceeding tax year.

According to USA Today, the Diamondbacks' 2024 season-opening player payroll was $140.8 million. Given the state's single 2.5% income tax rate, $3.5 million would be redirected to the CSDF, resulting in a corresponding $(3.5) million reduction to General Fund revenues.

Given the lack of data due to taxpayer confidentiality laws, the analysis does not include income tax that would be redirected from: 1) the Diamondbacks' organization itself; 2) non-player Diamondbacks staff; and 3) Any income tax paid by spouses on joint tax returns, which are also redirected under the bill.

Local Government Impact

Incorporated cities and towns receive 18% of individual and corporate income tax collections from 2 years prior from the Urban Revenue Sharing (URS) Fund established by A.R.S. § 43-206. The bill holds local governments harmless from any URS impact related to the income tax diversions.

As noted above, the bill's TPT redirection would reduce city and county TPT revenues.

The total TPT reduction to cities would be $(3.8) million, which consists of $(0.7) million for all cities statewide receiving a lower amount of shared revenue from the 5% base TPT rate, and $(3.1) million for the City of Phoenix due to lower municipal TPT collections.

The total TPT reduction to counties would be $(2.0) million, which consists of $(1.2) million for all counties statewide receiving a lower amount of shared revenue from the 5% base TPT rate, and $(0.8) million for Maricopa County due to lower county transportation excise tax collections.

2/28/25