

BILL NO. BL2018-1334 (HENDERSON) – This ordinance would amend the ticket tax for the Major League Soccer Stadium in Title 5 of the Metropolitan Code of Laws (MCL).

Substitute Ordinance No. BL2018-1289, as amended, was adopted September 5, 2018 and authorized the levy of a privilege tax upon the attendance of events at the municipal soccer stadium. Under this ordinance, the ticket tax at the MLS stadium is scheduled as follows:

- \$1.75 for years 1-5;
- \$2.25 for years 6-7;
- \$2.50 for years 8-9;
- \$2.75 for years 10-14; and
- \$3.00 for years 15 and after.

One dollar seventy-five cents (\$1.75) of the ticket tax is to be dedicated to the payment of debt service on bonds for the construction of the soccer stadium. Any amount collected above \$1.75, after the fifth year, is to be deposited into a reserve account maintained by the metropolitan finance department for long-term capital expenditures at the stadium.

The ordinance under consideration would change the ticket tax for the Major League Soccer Stadium to set the tax at ten percent (10%) of the price of the ticket. State law authorizes local governments to enact a privilege tax in an amount not to exceed ten percent (10%) of the consideration charged to attend the event. Fifty percent (50%) of the ticket tax would be dedicated to the payment of debt service, while the remaining fifty percent (50%) would be deposited into a reserve account maintained by the metropolitan finance department to be used for long-term capital expenditures at the stadium.

Under MCL Section 5.14.020.A and Tenn. Code Ann. § 7-3-202, “municipal stadiums” consist of arenas used primarily for sporting events with a capacity of 30,000 or more financed by bonds issued by the metropolitan government. The new MLS stadium is anticipated to seat 30,500. With seating capacities of 20,000 and 8,500 respectively, Bridgestone arena and First Tennessee Park are not subject to ticket taxes. However, Nissan Stadium seats nearly 70,000 and currently collects a ticket tax of \$3.00. (From 2010 to 2012, the tax was \$2.00.) Ticket tax collections at Nissan total \$21,776,377 or 27% of all revenues.

Fiscal Note: The original estimate of ticket tax revenues was based on the assumption there would be 17 home games and 2 additional MLS events. The base projection assumed that the stadium would be filled at an average of 87% of capacity for these events. For comparison, there was also an optimistic projection that the average attendance would be at 95% of capacity.

The currently approved ticket tax structure calls for a flat tax of \$1.75 in Years 1 through #5, \$2.25 in Years #6 and #7, \$2.50 in Years #8 and #9, \$2.75 in Years #10 through #14, and \$3.00 thereafter. The 10% restriction would apply, meaning that the tax collected could be less if tickets are priced relatively low. Under this structure, the base assumption would equate to total ticket tax revenue of \$25,390,000 in the first 20 years. The optimistic assumption would equate to \$27,399,100 over the same period.

Ticket prices have not yet been determined for these MLS events. For comparison purposes, the following table shows the potential 20-year ticket tax revenues under the terms of the proposed ordinance for a 10% tax on ticket prices of \$10 through \$50:

<u>Ticket Price</u>	<u>Base Assumption</u> <u>(87% of capacity)</u>	<u>Optimistic Assumption</u> <u>(95% of capacity)</u>
\$10	\$10,156,000	\$10,959,640
\$20	\$20,312,000	\$21,919,280
\$30	\$30,468,000	\$32,878,920
\$40	\$40,624,000	\$43,838,560
\$50	\$50,780,000	\$54,798,200

With the increase in the ticket tax raising the overall price to attend a game, some depression of the overall attendance is possible, though it is unknown how significant this depression could be.

In all cases, 50% of the ticket tax revenue would be dedicated to pay the debt service for the bonds used to construct the stadium. The remaining 50% would be held in a reserve account for long-term capital expenditures at the stadium.