

LEGISLATIVE FISCAL ESTIMATE TO

[First Reprint]
ASSEMBLY, No. 2213

STATE OF NEW JERSEY

DATED: DECEMBER 3, 1996

Assembly Bill No. 2213 (1R) of 1996 deregulates the professional wrestling industry by removing it from control of the State Athletic Control Board (SACB) and exempts professional wrestling from a tax imposed on television rights. This bill also eliminates a gross receipts tax on tickets for professional wrestling. Instead, professional wrestling tickets will be taxed under the sales and use tax.

Estimate:

The Office of Legislative Services (OLS) estimates that, as a result of this bill, State revenues will range between a net *loss* of \$7,000 and a net *increase* of \$125,000 annually. This estimate is based on four distinct factors: the repeal of the television rights tax; the shift from a gross receipts ticket tax to the sales tax; a proposed increase in televised, professional wrestling in New Jersey; and the effect of this bill on the State Athletic Control Board. The large disparity of this estimate is attributed to the uncertain level of growth in professional wrestling that may occur after the passage of this legislation.

Factor #1:

For the last five years, the State has not collected any revenues on the tax imposed on television rights associated with professional wrestling because promoters of professional wrestling events have not sponsored televised, professional events in New Jersey since 1989. Since there have been no televised, professional wrestling events in the State for five years, exempting such events from taxation has no adverse impact on State revenue.

Factor #2:

Professional wrestling promoters sponsored 44 live, non-televised professional wrestling events in New Jersey in 1995, generating \$22,324 in gross receipts tax revenue from ticket sales. Under current law, ticket sales to professional wrestling events are taxed on a graduated scale between 3 percent and 6 percent. The first \$25,000 in ticket sales is taxed at 3 percent; the next \$50,000 is taxed at 4 percent; the next \$125,000 is taxed at 5 percent; and ticket sales above \$200,000 are taxed at 6 percent. In 1995 only three professional wrestling events sold enough tickets to be taxed above the 3 percent rate.

Under this bill, tickets to all future live events will be taxed under the State sales tax at a rate of 6 percent. If New Jersey's 1995 professional wrestling event tickets were taxed at this rate, State revenues would have been \$35,341, or \$13,017 higher than the

revenues actually collected under the gross receipts tax on tickets. Therefore, rounding down, the OLS estimates that this factor will generate a minimum of an additional \$13,000 in sales taxes.

Factor #3:

The proposed growth in televised professional wrestling in New Jersey is the most uncertain factor in this estimate. It depends upon statements made by the World Wrestling Federation (WWF) officials regarding their intended activity in New Jersey after the passage of this bill. (The WWF is the largest professional wrestling promoter in New Jersey.) Televised professional wrestling events generate substantially higher ticket revenues than do non-televised events. New Jersey's last televised, professional wrestling event in 1989 generated \$1.6 million in ticket sales for the WWF who paid roughly \$93,000 in gross receipts taxes. In testimony before the Assembly Senior Issues, Tourism and Gaming Committee on September 16, 1996, the WWF indicated that it intends to sponsor up to three televised events in the State annually, in addition to the live events it already sponsors. These new events would be expected to generate roughly \$2.2 million in ticket receipts for the WWF. At a 6 percent sales tax rate, the State would collect \$132,000. The OLS cannot determine whether the televised wrestling events will, in fact, occur.

Factor 4:

Although this bill will probably be a net revenue raiser, it will have the effect of reducing appropriations to the State Athletic Control Board (SACB) by roughly \$40,000. Under current budget and statutory language, the SACB is funded from revenues collected under the gross receipts ticket tax and other various fees it charges to regulate the professional wrestling and combative sports industries. By replacing the gross receipts ticket tax with the State sales tax, the SACB will lose revenues because sales tax revenue is deposited in the General Fund rather than the "off-budget" accounts that support the SACB. In fiscal year 1996, the gross receipts ticket tax from professional wrestling raised roughly \$20,000.

The State Athletic Control Board receives an additional \$20,000 per year in certification fees from licensing wrestlers, promoters, timekeepers, announcers, box office employees and doorpersons. By deregulating the professional wrestling industry, these fees would no longer be paid to the SACB. In fact, the loss of fees will not be made up by other revenue sources and will be a net loss to the State.

The deregulation of the professional wrestling industry will reduce some regulatory activities of the SACB and reduce their spending demands to support such regulation. However, it is unknown whether the funding required to support SACB regulatory activities over the professional wrestling industry is equal to the revenue that professional wrestling generates for the SACB. If the revenue loss exceeds savings from the Board's reduced activities, the SACB may be adversely affected by this bill.

Conclusion:

If all effects of this bill occur, State revenues could grow by \$125,000. This assumes that the growth in the sales tax from the new professional wrestling events and the switch from the gross receipts ticket tax (\$145,000) is offset by the elimination of SACB certification fees (\$20,000). However, if the WWF does not sponsor any new televised, professional wrestling events in New Jersey, the increased taxes imposed on professional wrestling taxes (\$13,000) will be offset by the loss of certification fees resulting in a net \$7,000 loss.

The legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.