Summary of SC97730, *The Kansas City Chiefs Football Club, Inc. and Jackson County Sports Complex v. Director of Revenue*

Petition for review from the administrative hearing commission, Commissioner Sreenivasa Rao (Sreenu) Dandamudi

Argued and submitted September 25, 2019; opinion issued June 2, 2020

Attorneys: The Kansas City Chiefs Football Club Inc. was represented by Mark A. Olthoff, William J. Sanders, W. Terrence Kilroy and D.Scott Lindstrom of Polsinelli PC in Kansas City, (816) 753-1000; and Gregory S. Gerstner of Seigrfeid Bingham PC in Kansas City, (816) 265-4134. The Jackson County Sports Authority was represented by Michael T. White and Kevin Mason of Rouse Frets White Goss Gentile Rhodes PC in Kansas City, (816) 753-9200. The director was represented by Solicitor General D. John Sauer and Justin D. Smith of the attorney general's office in Jefferson City, (573) 751-3321, and Christopher R. Fehr of the department of revenue in Jefferson City.

This summary is not part of the opinion of the Court. It has been prepared by communications counsel for the convenience of the reader. It neither has been reviewed nor approved by the Supreme Court and should not be quoted or cited.

Overview: A football team seeks review of the administrative hearing commission's decision finding the team owes sales and use tax on various items acquired to renovate a football stadium. In a unanimous decision written by Judge Laura Denvir Stith, the Supreme Court of Missouri reverses the commission's decision, entering judgment in the team's favor. The team was not the source of the money used to purchase the items at issue; therefore, it was not the "purchaser" subject to sales and use tax.

Facts: In 2006, Jackson County and the Jackson County Sports Complex Authority agreed to renovate Arrowhead Stadium and, in exchange, the Kansas City Chiefs Football Club Inc. (the team) agreed to extend its sublease of Arrowhead for 25 years. As part of the renovation project, various agreements were executed that controlled its ownership, operation, and funding. These agreements provided the county owned the renovation project and the team was project manager responsible for carrying out the renovation. A trust agreement established a "project fund" belonging to the county. Only the trustee could disburse project fund money, and only with the county's and authority's approval. The project fund contained monies from bonds the county sold and monies the team donated to the finance board, which then deposited them in the fund, as well as the proceeds of tax credits the team donated after selling the credits in the manner permitted by a state statute addressing funding of public projects like this.

All parties satisfied their funding obligations, and the renovation proceeded. As project manager, the team ordered project items on behalf of the county and authority. The team used a tax exemption certificate as the county-owned project fund was the ultimate source of payment for all of the contested items at issue in this appeal. Following an

audit, the director of revenue found the team was the purchaser and assessed sales and use tax on certain categories of items. The team appealed, and the commission affirmed the director's assessment as to many items. The team seeks this Court's review.

REVERSED.

Court en banc holds: (1) The commission erred in determining the team was the purchaser of the contested items. Under the sales and use tax statutes, a taxpayer is not a purchaser and has not engaged in a taxable transaction if the taxpayer does not both provide a valuable consideration and acquire title or ownership rights in the property.

(2) The commission misunderstood and misapplied applicable tax laws in concluding the money in the project fund used to acquire the contested items belonged to the team. The tax credits initially issued to the team were placed briefly in the project fund but then were sold to unrelated third parties and were not part of the project fund when items were purchased. The proceeds of the sale of tax credits, which were in the project fund, belonged to the county and were beyond the ownership and control of the team, which had relinquished them to the county. Moreover, the agreements specify the tax credit proceeds – once contributed to the renovation project – belonged to the county and authority, not the team. Similarly, the team's initial contribution to the finance board was a donation over which the team retained no ownership or control.

(3) That the project incidentally benefits the team during its tenure at Arrowhead is not a basis for taxation. The team complied with the tax credit statute, and the Court cannot substitute its judgment for that of the legislature that the tax statute enabling projects such as this one serves an overarching public purpose. The director failed show the team was the purchaser of the items purchased with the monies in the fund. The commission's contrary decision was not authorized by law.