

FISCAL NOTE

Bill #: HB0519

Title: Revise eligibility for video gambling machine tax credit

Primary Sponsor: Gary Forrester

Status: As Introduced

Sponsor signature Date

Chuck Swysgood, Budget Director Date

Fiscal Summary

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Revenue:		
General Fund	43,000	(43,000)
Net Impact on General Fund Balance:	\$43,000	(\$43,000)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
x		Significant Local Gov. Impact	x		Technical Concerns
	x	Included in the Executive Budget		x	Significant Long-Term Impacts
	x	Dedicated Revenue Form Attached		x	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. The bill delays implementation of the tax credit for one year.
2. Despite the additional year to permit additional eligible machines, the increase will be negligible. The gaming industry indicated the reason for this proposal was to enable them to replace eligible machines that break down in the coming year, during installation of the Automated and Accounting and Reporting System (AARS), not necessarily add to the total number of eligible machines.

3. There will be an impact in FY2002 and FY2003 resulting from delays associated with this bill. The net state general fund share of video gambling machine tax revenue will be \$43,000 greater in FY2002 resulting from a decrease in additional tax revenue of (\$165,000), along with a decrease in the tax credits in the amount of \$208,000. The impact in FY2003 assumes there will be a commensurate increase in tax credits claimed and tax revenue collected as a result of shifting the projected conversion of machines from FY2002 to FY2003.

FISCAL IMPACT:

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$43,000	(\$43,000)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	\$43,000	(\$43,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Because two-thirds (2/3) of the video gambling machine tax is distributed to local governments (only one-third of the impact will be felt at the state level) the fiscal impact of this bill on local government revenues will be twice that of the state general fund in the coming biennium, \$86,000 in FY2002 and (\$86,000) in FY2003.

LONG-RANGE IMPACTS:

The bill extends the date on which eligible machines must be permitted in order to be eligible for a tax credit. It also extends the deadline for incurring the expense of modifying a machine and linking it to the system for another two years to be eligible for the credit. As the bill is written, the long-range impact will be to effectively delay the ability of machine owners to begin claiming the credits for one year. As written, it also extends the time period for converting the machines and claiming the credit by two years, spreading the credits out over a longer period of time.

TECHNICAL NOTES:

The intent of the bill was to delay the deadline for permitting machines one year in order to claim tax credits for the cost of modifying machines and linking them to the AARS. As it now reads the bill requires a machine to be permitted on December 31, 2001 before a credit can be claimed. A machine that is permitted, converted and linked to the system before December of 2001 will not be eligible for the credit. Unless there are some catastrophic problems, the system will be up and running before December of 2001. The Department of Justice does not believe it was the intent of the sponsors to delay the implementation of the AARS or tax credits that could be claimed on machines converted and linked to the system before December of 2001. The bill may have the effect of delaying implementation of the AARS. It is not expected many machine owners will convert machines and link to the system before they are eligible for the credit. Therefore, the department recommends amending the bill to allow machine owners who wish to convert eligible machines and link them to the system before December of 2001 to claim a tax credit.