

Fiscal Note Request HB 797, As Introduced

(continued)

6. Locations with between fourteen and nineteen machines, on average, reported between \$37,500 and \$112,500 in quarterly gross machine income, and under the proposal will pay a 15% tax on the first \$37,500, and 22.5% on amounts in excess of \$37,500.
7. Only locations with 20 machines reported over \$112,500 in gross machine income, on average, and would have paid the 30% rate on amounts in excess of \$112,500.
8. The table below shows the number of locations with between 14 and 20 machines, the current tax by location size, the amount of tax under the proposal in FY 2004 had it been in place, and what the estimated change in revenue would have been in FY 2004 had the HB 797 been in place.

HB 797 Graduated Tax on Video Gambling Machine Gross Location Income.									
Tax Rates Equal to 15% of the First \$37,500, 22.5% of the Next \$75,000, and 30% of Amounts Over \$112,500									
<u>Number of Machines</u>	<u>Locations</u>	<u>Current Law Average Machine Income</u>	<u>Current Law Average Location Quarterly Income</u>	<u>Total Current Location Tax by Location Size</u>	<u>HB 797 Proposed Location Tax</u>	<u>Total HB 797 Proposed Tax by Location Size</u>	<u>Quarterly Increase in Tax by Location Size</u>	<u>Annual Increase in Tax by Location Size</u>	
14	39	\$12,092	\$42,322	\$247,584	\$6,710	\$261,688	\$14,104	\$56,417	
15	36	\$11,241	\$42,154	\$227,630	\$6,672	\$240,195	\$12,565	\$50,261	
16	28	\$10,514	\$42,056	\$176,635	\$6,650	\$186,203	\$9,568	\$38,270	
17	30	\$11,498	\$48,867	\$219,899	\$8,182	\$245,474	\$25,575	\$102,299	
18	26	\$12,565	\$56,543	\$220,516	\$9,910	\$257,649	\$37,133	\$148,532	
19	50	\$14,448	\$68,628	\$514,710	\$12,629	\$631,440	\$116,730	\$466,920	
20	374	\$28,775	\$143,875	\$8,071,388	\$31,913	\$11,935,275	\$3,863,888	\$15,455,550	
Totals	583			\$9,678,362		\$13,757,924	\$4,079,562	\$16,318,248	

9. As the table illustrates, had the tax rates been 15% of the first \$37,500, 22.5% of the next \$75,000, and 30% of amounts over \$112,500; the estimated increase in gross income tax would have been \$16,318,248 in FY 2004.
10. Gross income is anticipated to grow by 5.24% in FY 2005, 4.71% in FY 2006, and 4.24% in FY 2007.
11. Using the abovementioned growth rates, gross income tax under HB 797 is projected to increase by \$17,982,188 (\$16,318,248 x 105.24% x 104.71%) in FY 2006, and \$18,744,633 (\$17,982,188 x 104.24%) in FY 2007.
12. DOJ assumes it will be able to administer the provisions of this bill without additional staff. However, DOJ anticipates it will incur a one-time cost of \$10,000 in state special revenue fund to retool the database to accommodate video gambling machine taxes calculated and paid by establishment, rather than by machine.

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$10,000	\$0
<u>Funding of Expenditures:</u>		
State Special Revenue (02)	\$10,000	\$0
<u>Revenues:</u>		
General Fund (01)	\$17,982,188	\$18,744,633
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$17,982,188	\$18,744,633
State Special Revenue (02)	(\$10,000)	\$0

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LONG-RANGE IMPACTS:

The general fund would continue to see additional revenue each year into the future under the proposal, which with natural growth is expected to exceed \$18.8 million per year.