

## **Video Gambling Tax (23-5-610, MCA)**

### **1. Model Characteristics**

- Tax revenue from video gambling machines is estimated using a multiple linear regression model.
- Variables are included in the model to control for income as well as economic events and law changes that are assumed to impact video gambling tax revenue.
- Montana wage disbursements are used as the income variable in the model.
  - Wage disbursements are used instead of personal income because it is assumed that wages are a better representation of income an individual may spend on video gambling.
  - In terms of magnitude, wages have the largest impact on video gambling revenue in the model.
- Other variables in the model account for the impacts of the economic recession, the Montana Clean Indoor Air Act, and the implementation of the American Taxpayer Relief Act.
  - Each of these three variables has a negative impact on video gambling collections.
- Video gambling tax revenue is estimated using quarterly data.

### **2. Model Data**

- Wage disbursement data is obtained from IHS Economics, and quarterly video gaming statistics are provided by the Montana Department of Justice Gambling Control Division.

### **3. Key Variables**

- Montana wage disbursements.

### **4. Other Important Points**

- An increasingly positive outlook for economic activity among consumers is good news for participation in video gambling.
- Increases in employment would likely expand the pool of individuals willing to participate in video gambling, providing a larger base for tax collections going forward.
- Wage growth may also encourage individuals to spend more on video gambling, leading to higher machine income and increased tax revenue.