

## Video Gambling Tax

### Revenue Description

Video gambling income is derived from two sources: license fees and video gambling taxes. There are three types of license fees: fees paid by operators for video gambling machines, fees paid by operators for non-video games such as poker, and annual fees for the right to assemble, produce, or manufacture video gambling machines or associated equipment. The video gambling tax is paid by licensed video gambling machine operators. License holders are charged a tax of 15% of the gross income (defined as net of payouts) from each licensed video gambling machine. The Department of Justice (DOJ) issues video gambling licenses and permits and collects the fees and taxes.

### Statutory Reference

Tax Rate – Route operator license: [23-5-129, MCA](#); gambling establishment operator license: [23-5-177, MCA](#); card table fee: [23-5-306\(2\), MCA](#); bingo/keno permit: [23-5-407, MCA](#); sports tab tax: [23-5-502, MCA](#); video tax: [23-5-610\(1\), MCA](#); machine permit fee: [23-5-612\(2\), MCA](#)

Tax Distribution – Card table fee: [23-5-306\(3&4\), MCA](#); bingo and keno tax: [23-5-409, MCA](#); sports tab tax: [23-5-502, MCA](#); video: [23-5-610\(6\), MCA](#); machine permit fee: [23-5-612\(3\), MCA](#)

Date Due – Card table fees due annually and distributed quarterly to local governments: [23-5-306\(1&4\), MCA](#); video tax due 15 and 25 days after the end of the quarter: [23-5-610\(5\), MCA](#); machine permit fees due annually prorated on a quarterly basis: [23-5-612\(2a\), MCA](#); bingo and keno taxes due July 31.

### Applicable Tax Rates

#### License Fees

- Video gambling machine permit – \$220 annually
- Video gambling manufacturer license – \$1,000 annually
- Video gambling machine examination fee – Actual DOJ costs of examining the electronic equipment
- Distributor license – \$1,000 annually
- Route operator license – \$1,000 annually
- Bingo/keno manufacture license – \$1,000 annually
- Gambling establishment operator license – Actual DOJ costs of determining licensure qualifications
- Antique slot machine seller permit – \$50 annually
- Live card game table – \$250 annually for the first table and \$500 for each additional table
- Card game dealer license – \$75 for the first year, \$25 for each subsequent year
- Pinochle tournament permit – \$25
- Card room contractor license – \$150 annually
- Bingo/keno permit – \$250 annually
- Bingo/keno examination fee – Actual DOJ costs of examining the electronic equipment
- Sports tab game seller license – \$100 annually
- Casino night permit – \$25
- Associated business – \$100

#### Gambling Taxes

- Video – 15% of gross income (defined as net of payouts) per video gambling machine
- Bingo/keno – 1% of gross proceeds
- Sport tabs – \$1.00 for each 100 sport tabs sold

**Collection Frequency:** Video tax: quarterly; machine permit fees: quarterly; other fees: annually

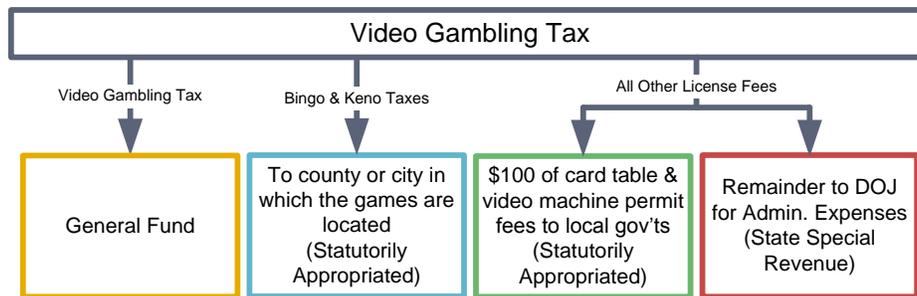
**Distribution**

License Fees

- o \$100 of the live card game table fee and \$100 of the video gambling machine permit fee (prorated basis) are statutorily appropriated for distribution to local governments.
- o All other license fee revenue is retained by DOJ to cover administrative costs.

Gambling Taxes

- o Video – All of video gambling tax receipts are deposited into the general fund.
- o Bingo/Keno – All collections are statutorily appropriated for distribution to the municipality or county in which the game is located.
- o Sport Tabs – All collections are retained by DOJ for administration purposes.



**Summary of Legislative Action:** No impacting legislation was enacted in the 2015 session.

**Revenue Estimate Methodology**

Data

DOJ provides data upon request and limited applicable data is available from the department’s website. Historic and current revenue collections are obtained from SABHRS. IHS forecasts of Montana personal income are used to model the total gambling machine gross income.

Analysis

Revenue from the tax on video gambling machine gross income (defined as net of payouts) is the largest component of this revenue source and all revenue from this tax is distributed to the general fund. To determine total gross income, gross income for poker, keno, and multiple-game machines are calculated from revenue collections. The amount from the most recently completed fiscal year and subsequent estimates for succeeding fiscal years are adjusted based on prior years’ collections.

Permit and license fees are the second component to this revenue source, the revenue from which is deposited to the state special revenue fund and distributed to the DOJ to pay administrative costs and to local governments. There are three separate estimates for permit and license fees.

- Video gambling manufacturing license – The number of licenses are estimated using a linear regression model that uses the prior fiscal year’s license amount as the predictor variable.
- Live game permit/license fees – The amounts of “first” poker tables, “additional” poker tables, bingo/keno, and card dealers are estimated using a two-year moving average.
- Video gambling machine permit fees – The number of video, bingo/multi game, and keno machine permits is estimated using a five-year moving average

**Revenue Estimate Assumptions**

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2015 Legislature.

FY	Total Tax \$ Millions	GF Tax \$ Millions	MT Personal	
			Income \$ Millions	Non GF Fee \$ Millions
A 2002	\$47.597	\$43.666	\$22,667	\$3.929
A 2003	49.942	45.794	23,718	4.126
A 2004	55.324	50.749	25,367	4.555
A 2005	58.038	53.361	26,843	4.637
A 2006	62.129	57.277	28,871	4.832
A 2007	65.684	60.641	31,095	5.043
A 2008	71.607	63.134	33,246	8.459
A 2009	67.198	62.458	33,485	4.713
A 2010	57.207	52.396	33,545	4.799
A 2011	54.205	49.824	35,488	4.370
A 2012	58.259	53.824	38,038	4.427
A 2013	61.776	57.261	39,838	4.505
A 2014	62.009	57.147	40,698	4.854
F 2015	64.764	60.029	42,075	4.735
F 2016	66.751	62.007	43,537	4.743
F 2017	69.731	64.966	45,723	4.765

**Revenue Projection**

