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# Legislative Fiscal Division

## Revenue Estimate Profile

### Video Gambling Tax

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**Revenue Description:** Video gambling income is derived from two sources: license fees and video gambling taxes. There are three types of license fees that generate revenue. Numerous fees are paid by operators for both video gambling machines and for non-video games such as poker. In addition, persons pay an annual fee 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 15.0% 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. All video gambling tax revenue is deposited into the general fund.

#### **Statutory Reference:**

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

Tax Distribution (MCA) – card table fee (23-5-306(3&4)), bingo and keno tax (23-5-409), sports tab tax (23-5-502), video (23-5-610(6)), machine permit fee (23-5-612(3))

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

#### **Applicable Tax Rate(s):**

##### License Fees

- Video Gambling Machine Permit - \$220 annually (prorated basis), \$25 machine transfer processing fee
- Video Gambling Manufacturer License - \$1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application. The manufacture license may be waived by the DOJ if the manufacture is also a licensed distributor or route operator.
- Video Gambling Machine Examination Fee – An amount equal to actual DOJ costs of examining the electronic equipment
- Distributor License - \$1,000 annually. The distributor license may be waived by the DOJ if the distributor is also a licensed operator or manufacturer. An additional application fee is charged distributors to cover processing costs of the initial application.
- Route Operator License - \$1,000 annually. The operator license may be waived by the DOJ if the operator is also a licensed distributor or manufacturer. An additional application fee is charged operators to cover processing costs of the initial application.
- Bingo/Keno Manufacture License - \$1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application.
- Gambling Establishment Operator License – An amount equal to the 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 – An amount equal to actual DOJ costs of examining the electronic equipment
- Sports Tab Game Seller License - \$100 annually. An additional application fee is charged to cover processing costs of the initial application.
- Casino Night Permit - \$25
- Associated Business - \$100

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**Gambling Taxes**

- Video – 15.0% of gross income (defined as net of payouts) per video gambling machine
- Bingo/Keno – 1.0% of gross proceeds
- Sport Tabs – \$1.00 for each 100 sport tabs sold

**Distribution:**

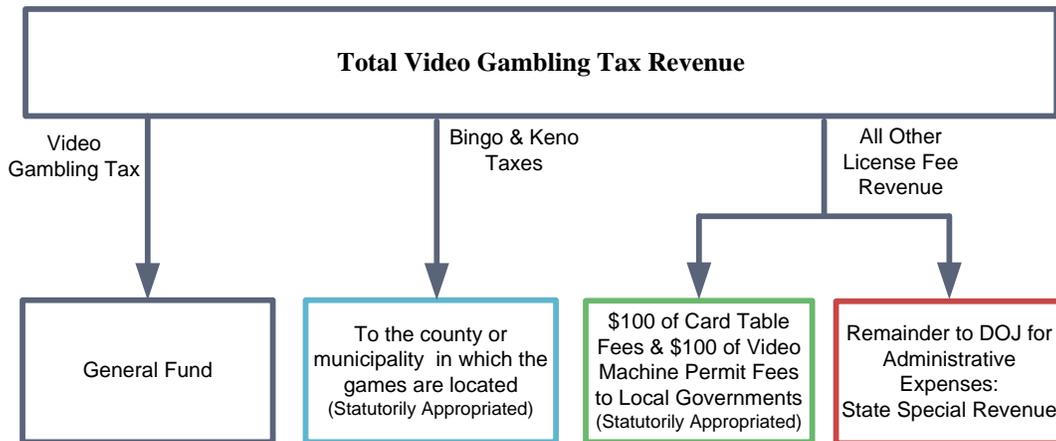
License Fees

1. \$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.
2. All other license fee revenue is retained by DOJ to cover administrative costs.

Gambling Taxes

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

Distribution Chart:



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

**% of Total General Fund Revenue:**

FY 2004 – 3.69%	FY 2007 – 3.30%	FY 2010 – 3.22%
FY 2005 – 3.49%	FY 2008 – 3.22%	FY 2011 – 2.80%
FY 2006 – 3.35%	FY 2009 – 3.45%	FY 2012 – 2.88%

**Revenue Estimate Methodology:**

The components of video gambling revenue have separate distributions, so each component is estimated separately.

Data

The Department of Justice provides data upon request. Limited applicable data is available from the department’s website. Historic and current revenue collections are obtained from SABHRS. IHS forecasts of Montana population and personal income are used to model per capita video gambling machine gross income.

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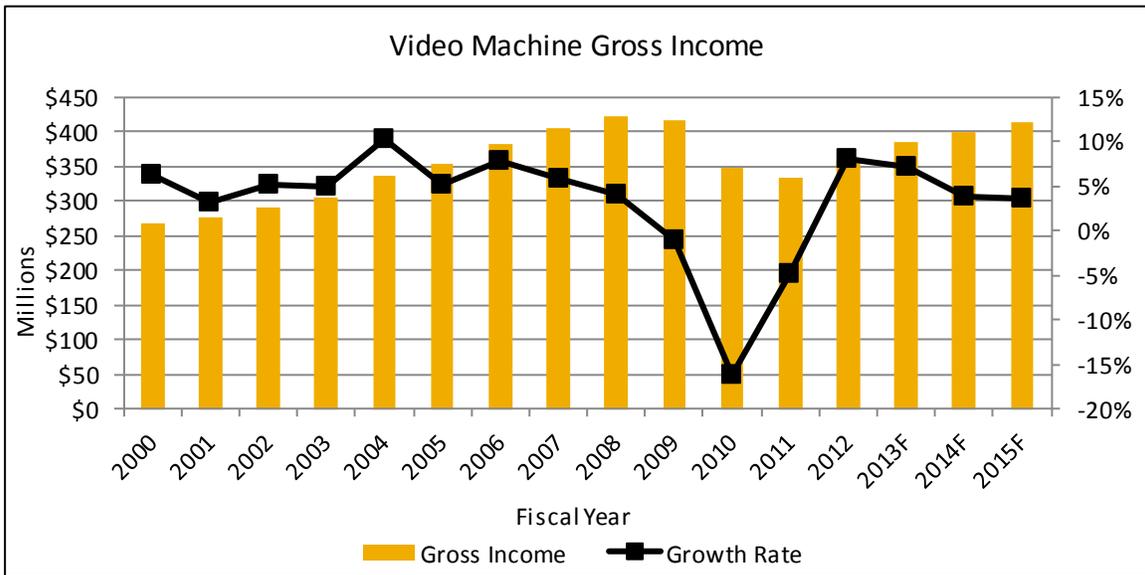
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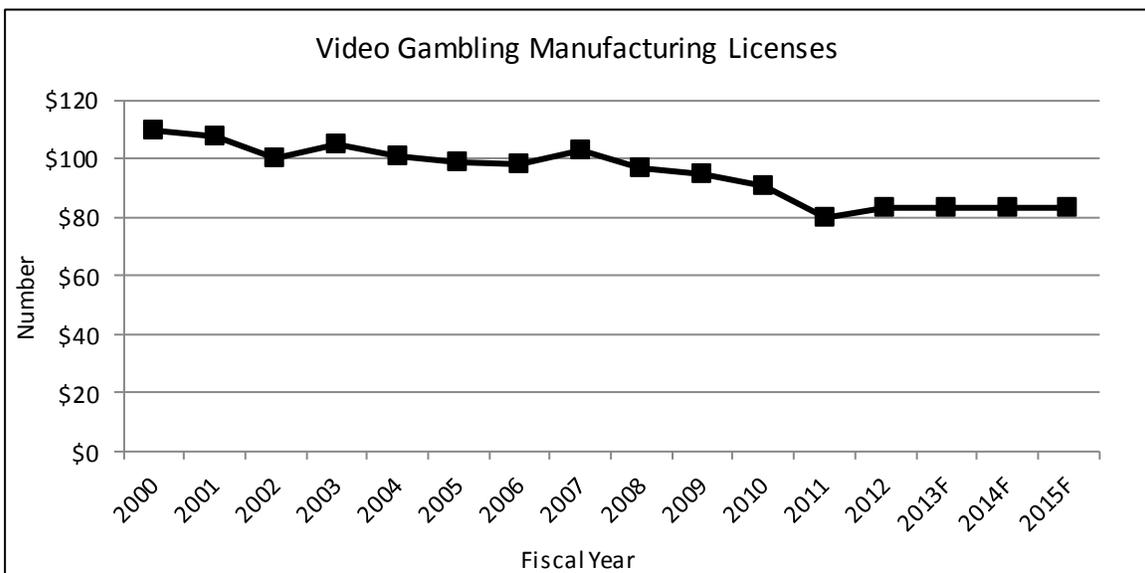
Analysis

The revenue estimate is determined in a three-step process:

1. 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 the estimates for each succeeding fiscal year are multiplied by a growth factor based on Montana personal income. The growth factor represents the rate of increase of per capita gross revenue. Once total gross income is estimated, the revenue estimate for this component is determined by multiplying total gross income by the tax rate. The total gross income and growth rates are shown in the chart below.



2. 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 Department of Justice to pay administrative costs and to local governments. There are three separate estimates for permit and license fees:
  - a. Video gambling manufacturing license – The number of licenses from the last known fiscal year is multiplied by the \$1,000 license fee and the product used as the estimate for all subsequent fiscal years.

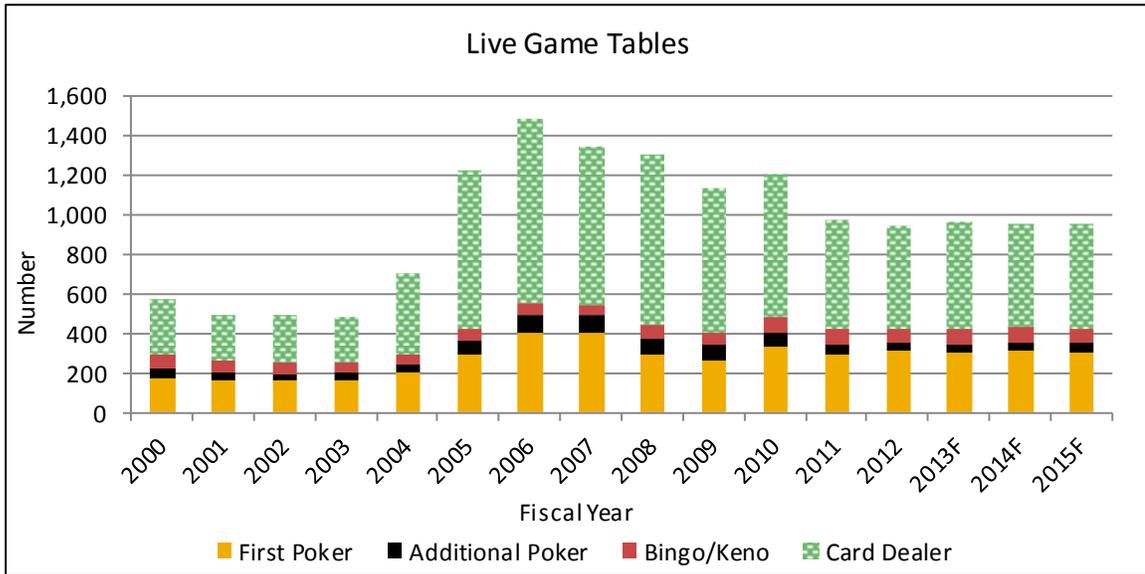


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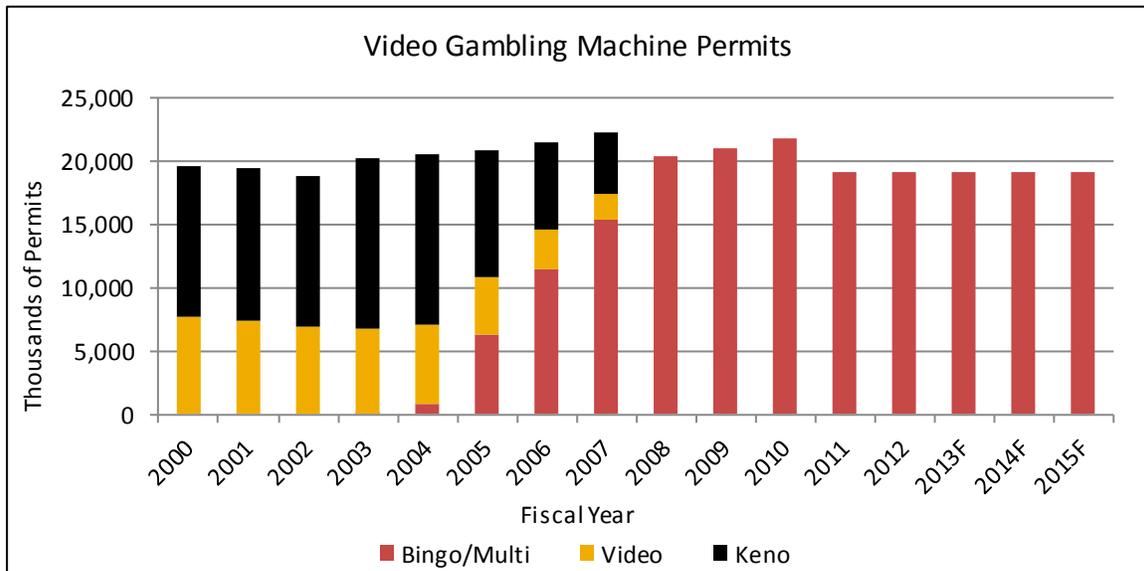
## Revenue Estimate Profile

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- b. Live game permit/license fees – The amounts of “first” poker tables, “additional” poker tables, bingo/keno, and card dealers are estimated by the average of the prior two actual/estimated amounts beginning with fiscal years 2011 and 2012. The numbers are multiplied by the applicable fees of \$250, \$500, \$250, and \$75 respectively, and the product used for all subsequent fiscal years for each type.



- c. Video gambling machine permit fees – The number of video, bingo/multi game, and keno machine permits for the last known fiscal year is summed. The sum is multiplied by the ratio of the amount of revenue deposited to DOJ gambling license account to the total amount of permit fee revenue for the last known fiscal year. This is done to adjust for discrepancies in the last known fiscal year between actual collections and totals derived by multiplying number of permits by the applicable permit/license fee. Once the total adjusted number of permits has been estimated, it is multiplied by the \$220 fee.



#### Adjustments and Distribution

Since the general fund and the state special revenue component are estimated under separate methodologies, the distribution of the revenue has already been done.

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#### Forecast Methodology:



#### Revenue Estimate Assumptions:

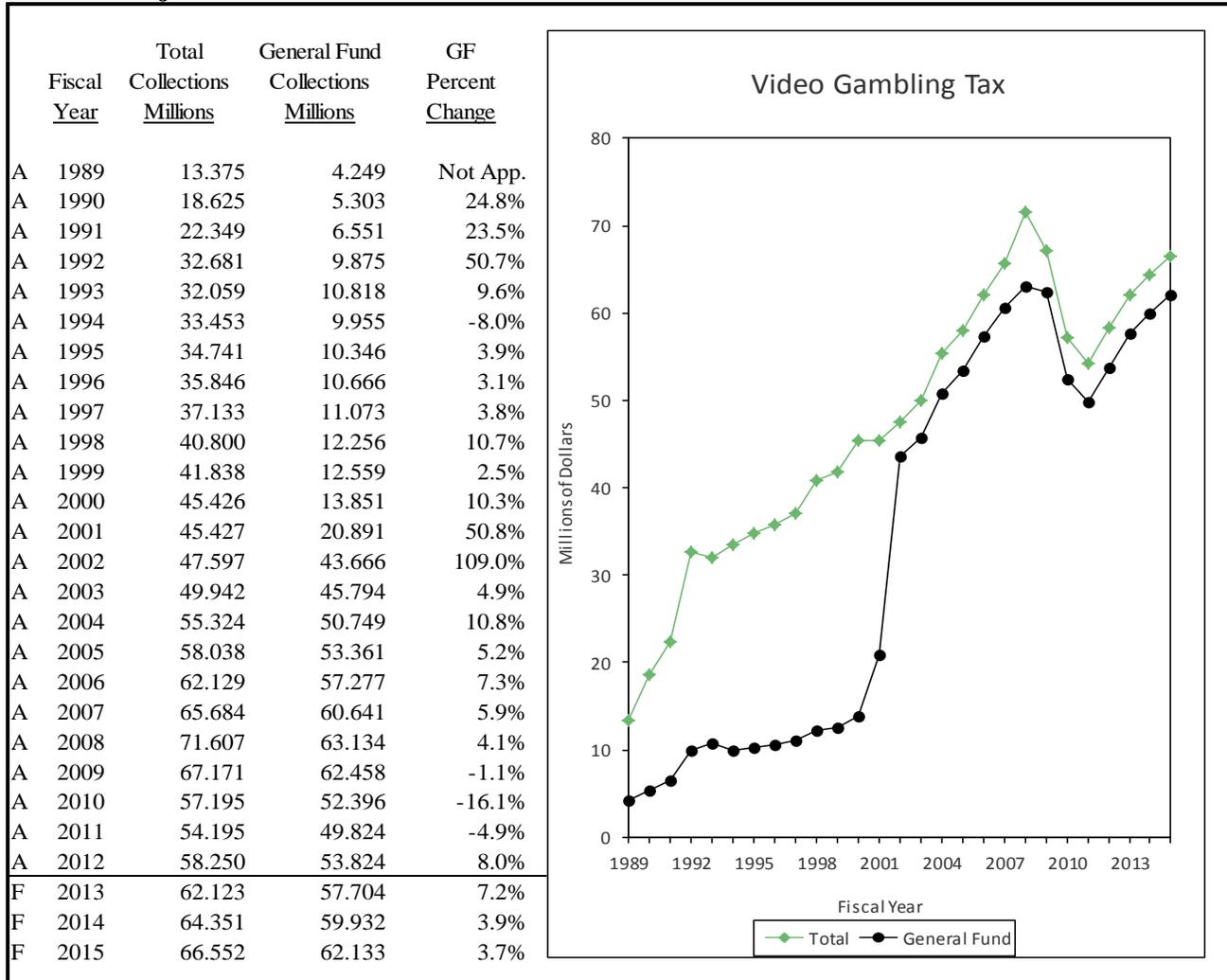
	t	Total Tax	GF Tax	Net Income	Tax	Net Income	Non GF Fee	Surtax
	Fiscal	Millions	Millions	Millions	Rate	Millions	Millions	Millions
Actual	2002	47.597	43.666	291.123	15.0%	43.668	3.929	
Actual	2003	49.942	45.794	305.443	15.0%	45.816	4.126	
Actual	2004	55.324	50.749	336.638	15.0%	50.769	4.555	0.273
Actual	2005	58.038	53.361	354.176	15.0%	53.401	4.637	0.274
Actual	2006	62.129	57.277	381.981	15.0%	57.297	4.832	0.000
Actual	2007	65.684	60.641	404.274	15.0%	60.641	5.043	0.000
Actual	2008	71.607	63.134	420.985	15.0%	63.148	8.459	0.000
Actual	2009	67.171	62.458	416.387	15.0%	62.458	4.713	0.000
Actual	2010	57.195	52.396	349.307	15.0%	52.396	4.799	0.000
Actual	2011	54.195	49.824	332.162	15.0%	49.824	4.370	0.000
Actual	2012	58.250	53.824	358.824	15.0%	53.824	4.427	0.000
Forecast	2013	62.123	57.704	384.696	15.0%	57.704	4.419	0.000
Forecast	2014	64.351	59.932	399.548	15.0%	59.932	4.419	0.000
Forecast	2015	66.552	62.133	414.220	15.0%	62.133	4.419	0.000
		Total Tax = Net Income × Tax Rate + Non GF Fee + Surtax						
		GF Tax = Net Income × Tax Rate						

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#### Revenue Projection:



**Data Source(s):** SABHRS, Department of Justice

**Contacts:** Department of Justice