

### Revenue Discription: (continued)

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 percent 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), video tax (23-5-610(1)), machine permit fee (23-5-612(2))
- Tax Distribution (MCA) – card table fee (23-5-306(3&4)), 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

#### **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.

### **Data**

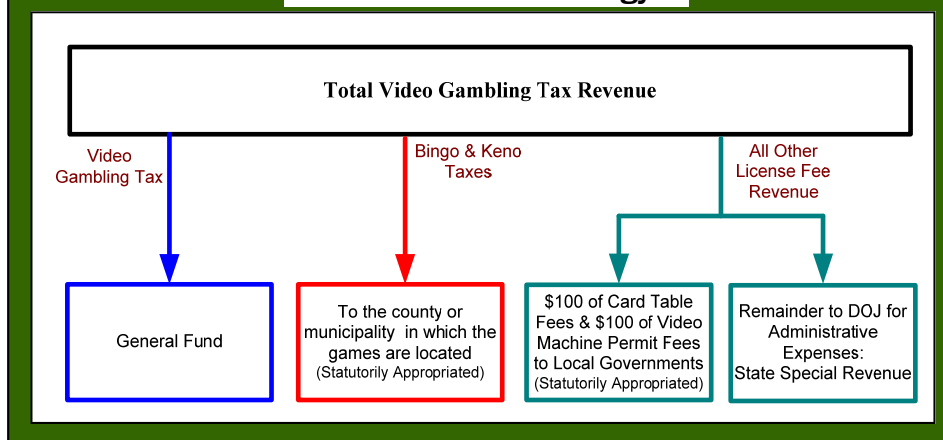
Monthly reports are provided by the Department of Justice. These reports show historical and current numbers of gambling machine permits issued by machine type (poker, keno, bingo, and multi-game), and the number of operator licenses, live card game table permits, card dealer licenses, and bingo and keno permits issued. Historic and current video gambling machine gross income (defined as total income net of payouts) and sports tab tax collections are shown by quarter and historic and current bingo and keno tax collections are shown yearly. Historic and current revenue collections are obtained from SABHRS. Also provided by the Department of Justice are quarterly statewide net income and average daily income by machine type (poker, keno, and multi-game). Montana population statistics are used to derive per capita video gambling machine gross income.

### **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 the total gross income, gross income for poker, keno, and multiple-game machines are summed for the last known fiscal year. This sum and the estimate for each succeeding fiscal year are multiplied by a growth factor. The growth factor represents the rate of increase of per capita gross revenue between fiscal 1995 and fiscal 2006. Once total gross income is estimated, the revenue estimate for this component is determined by multiplying total gross income by the tax rate.

### **Distribution Methodology:**



### Collection Frequency:

Video tax – quarterly, machine permit fees – quarterly, other fees – annually

### % of Total General Fund Revenue:

FY 2004 - 3.69%  
FY 2005 - 3.49%  
FY 2006 - 3.35%

### Revenue Estimate Methodology:

Video gambling revenue is comprised of many components. Because these components have separate distributions, the estimating methodology incorporates separate estimates for the components based on the type of revenue, either tax revenue or permit revenue.

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.

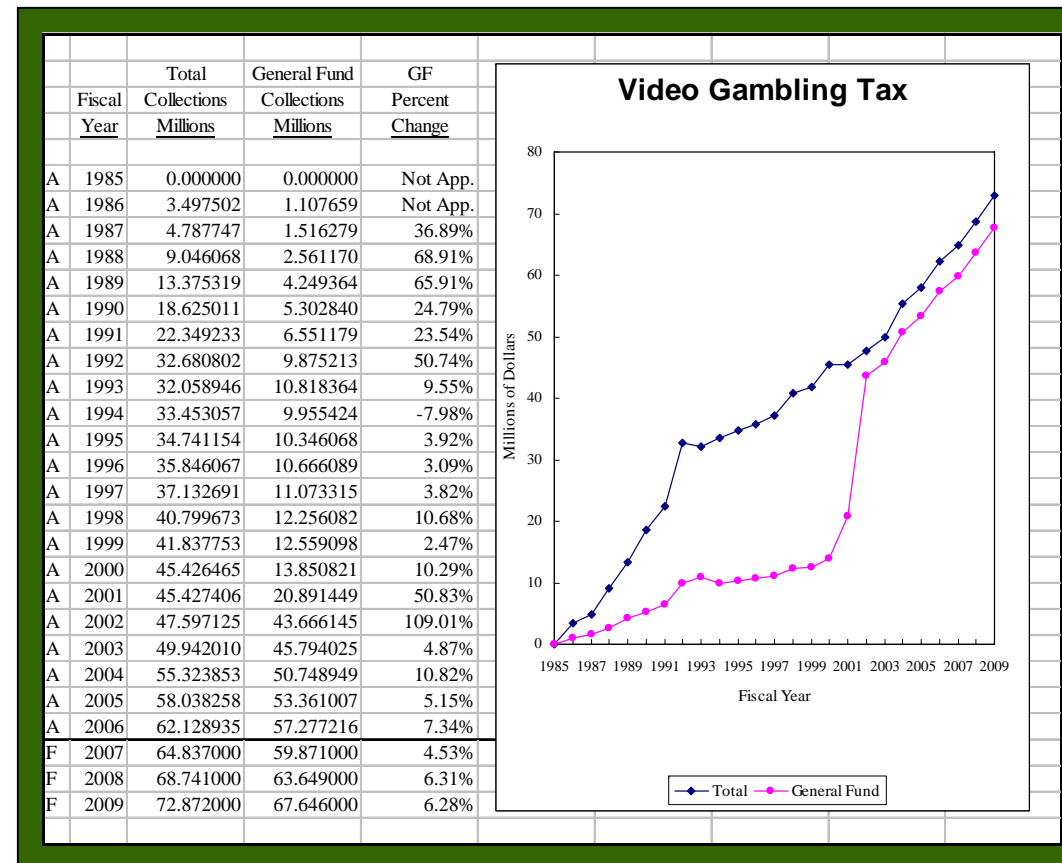
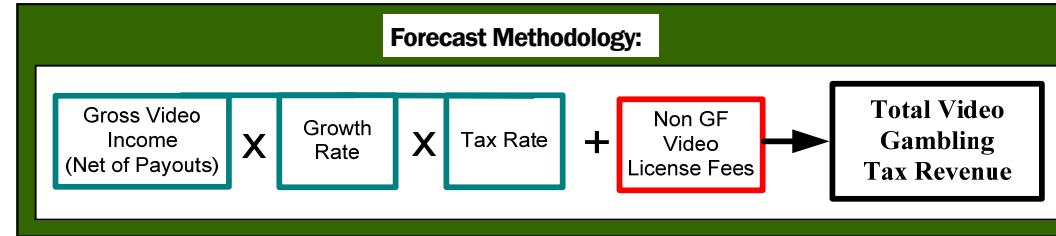
b. Live game permit/license fees – The numbers of “first” poker tables, “additional” poker tables, and card game tables from the last known fiscal year are multiplied by the \$250 permit fee and the product used for all subsequent fiscal years for each type. For bingo/keno games, the number of games in the last known fiscal years is multiplied by the \$250 permit fee and the product used for all subsequent fiscal years for each type. For card game dealers, the number of dealers from the last known fiscal year is multiplied by the \$75 license fee and the product used for all subsequent fiscal years.

c. Video gambling machine permit fees – The numbers of video, bingo/multi game, and keno machine permits for the last known fiscal year are 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 ratio is less than 1 and so reduces the total machine permit fees). 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.

3. Bingo and keno taxes – The total amount of revenue received in the last known fiscal year is carried forward for all subsequent fiscal years.

**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.



Taxes in Brief...



November 2006 Fiscal Pocket Guide



**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.



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