



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0297 - Revise video gambling machine taxes to allow a deduction for negative income (Welch, Tom)

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$402,000)	(\$402,000)	(\$402,000)	(\$402,000)
State Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$402,000)</u>	<u>(\$402,000)</u>	<u>(\$402,000)</u>	<u>(\$402,000)</u>

Description of fiscal impact: HB 297 bill reduces general fund revenue sourced from the video gambling tax by approximately \$400,000 per year.

FISCAL ANALYSIS

Assumptions:**Department of Justice**



1. HB 297 creates a definition of negative income within 23-5-602, MCA. Negative income is any amount paid out in cash from a video gambling machine that exceeds cash put into the machine.
2. A licensed machine owner must keep a record of negative income for each video gambling machine.
3. Negative income in a quarter is to be subtracted from gross income in that same quarter. It is assumed that aggregate negative income is subtracted from aggregate gross income for all machines owned by an operator (see technical notes).
4. The subtraction of negative income from gross income will reduce an establishment's video gambling tax liability from the 15% tax owed on machine gross income. This tax is deposited fully into the state general fund and general fund revenue from this tax will decline under HB 297.

5. Using video gambling machine data for the first quarter of FY 2023, 626 machines recorded what would be classified as negative income as defined in HB 297. Total negative income from these machines was about \$670,000 for the quarter. Taking this amount from total gross income reported from all machines across the state results in a total tax liability reduction and decline in general fund revenue of \$100,500.
6. Assuming spending at video gambling machines remains relatively flat through the period FY 2023 – FY 2027, the fiscal impact of HB 207 is a loss of general fund revenue equal to \$402,000 per year.
7. The bill is effective July 1, 2023.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	(\$402,000)	(\$402,000)	(\$402,000)	(\$402,000)
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>(\$402,000)</u>	<u>(\$402,000)</u>	<u>(\$402,000)</u>	<u>(\$402,000)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$402,000)	(\$402,000)	(\$402,000)	(\$402,000)
State Special Revenue (02)	\$0	\$0	\$0	\$0

Technical Notes:

1. Gross income, as defined in 23-5-602(6), MCA, is calculated for each individual video gambling machine. It is possible for a machine to record negative gross income in a quarter if prize payouts exceed wagers. In such a case, the tax liability for that machine is \$0. The new definition of gross income created by HB 297 includes the subtraction of negative income as defined in section 1(10) of the bill. For an individual machine with negative gross income in a quarter, its negative income is equivalent to its gross income. Subtraction of negative income from already negative gross income does not change an individual machine's tax liability, it remains at \$0. Absent a change in a machine's tax liability, HB 297 has no fiscal impact to the state.
2. It is assumed that the intent of the bill is to allow machines with income losses during a calendar quarter to offset the income from machines reporting profits, thus reducing the total video gambling tax liability of the owner. Including specific language would clarify.

 _____ Sponsor's Initials	<u>1/30/23</u> _____ Date	 _____ Budget Director's Initials	<u>1-27-23</u> _____ Date
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