

HOUSE BILL NO. 863

INTRODUCED BY WALLIN, BRANDEWIE, KELLER, SIMON,
HANSEN, HAYNE, PECK, HARP, THOMAS, BACHINI, COBB,
ELLISON, PETERSON, THOFT, WINSLOW, COMPTON, HOFFMAN,
KADAS, HANNAH, KITSELMAN, EUDAILY, GIACOMETTO, MENKE,
MERCER, SWITZER, NELSON, NATHE, LORY, FRITZ, REAM,
HARPER, MEYERS, CORNE', REHBERG, HANSON, DONALDSON

IN THE HOUSE

MARCH 5, 1987 INTRODUCED AND REFERRED TO COMMITTEE
ON BUSINESS & LABOR.

MARCH 19, 1987 COMMITTEE RECOMMEND BILL
DO PASS AS AMENDED. REPORT ADOPTED.

MARCH 20, 1987 PRINTING REPORT.

MARCH 23, 1987 SECOND READING, DO PASS AS AMENDED.

MARCH 24, 1987 ENGROSSING REPORT.

 THIRD READING, PASSED.
 AYES, 93; NOES, 5.

 TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 25, 1987 INTRODUCED AND REFERRED TO COMMITTEE
ON BUSINESS & INDUSTRY.

APRIL 9, 1987 COMMITTEE RECOMMEND BILL BE
CONCURRED IN AS AMENDED. REPORT
ADOPTED.

 STATEMENT OF INTENT ADOPTED.

APRIL 11, 1987 ON MOTION, CONSIDERATION PASSED
FOR THE DAY.

APRIL 14, 1987 SECOND READING, CONCURRED IN AS
AMENDED.

APRIL 14, 1987

ON MOTION, RULES SUSPENDED TO PLACE
BILL ON THIRD READING THE 83RD
LEGISLATIVE DAY.

THIRD READING, CONCURRED IN.
AYES, 50; NOES, 0.

RETURNED TO HOUSE WITH AMENDMENTS
AND STATEMENT OF INTENT.

IN THE HOUSE

APRIL 16, 1987

RECEIVED FROM SENATE.

SECOND READING, AMENDMENTS
CONCURRED IN.

SECOND READING, STATEMENT OF
INTENT ADOPTED.

APRIL 17, 1987

THIRD READING, AMENDMENTS
CONCURRED IN.

THIRD READING, STATEMENT OF
INTENT ADOPTED.

SENT TO ENROLLING.

1 House BILL NO. 863

2 INTRODUCED BY William Bon Lewis Keller Simon

3 Stella Jean Hansen Layne Park Hopp Thomas Barkins

4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE VIDEO Colob

5 POKER MACHINE CONTROL LAW BY REDUCING THE STATE AND LOCAL Kitseimmm

6 LICENSE FEES; DEFINING Mesa Securities Nelson MATHC Inc. KENO MACHINE; PROVIDING Adley

7 SPECIFICATIONS FOR KENO MACHINES; IMPOSING A VIDEO DRAW Ream

8 POKER AND KENO MACHINE NET INCOME TAX; PROVIDING FOR NET Weyers

9 INCOME TAX DISTRIBUTION TO THE UNIVERSITY SYSTEM; AMENDING

10 SECTIONS 23-5-602, 23-5-603, 23-5-605, 23-5-607, 23-5-608,

11 23-5-612, AND 23-5-615, MCA; AND PROVIDING AN EFFECTIVE

12 DATE."

13

14

15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

16 Section 1. Section 23-5-602, MCA, is amended to read:

17 "23-5-602. Definitions. As used in this part, the

18 following definitions apply:

19 (1) "Department" means the department of revenue.

20 (2) "Keno machine" means an electronic video game

21 machine that, upon insertion of cash, is available to play

22 or simulate the play of the game of keno or bingo as

23 provided in part 4 of this chapter, utilizing a video

24 display and microprocessors, in which by the skill of the

25 player or by chance, or both, the player may receive free

games or credits that can be redeemed for cash. The term

1 does not include a machine that directly dispenses coins,

2 cash, tokens, or anything else of value.

3 +2+(3) "Licensed establishment" means an establishment

4 that is licensed to sell alcoholic beverages for consumption

5 on the premises.

6 +3+(4) "Licensee" means an individual, partnership, or

7 corporation that has been issued a license by the department

8 for the placement and operation of video draw poker machines

9 in the licensed establishment of the individual,

10 partnership, or corporation.

11 (5) "Net machine income" means money put into a video

12 draw poker or keno machine minus credits paid out in cash.

13 (6) "Used keno machine" means a keno machine, as that

14 term is defined in this section, that is owned or possessed

15 by an applicant on the day he applies for a license for the

16 used machine and that was owned or operated in the state

17 prior to June 30, 1987.

18 +4+(7) "Used video draw poker machine" means a video

19 draw poker machine, as that term is defined in this section,

20 which is owned or possessed by an applicant on the day he

21 applies for a license for the used machine and which was

22 owned or operated in the state prior to February 3, 1984.

23 +5+(8) "Video draw poker machine" means an electronic

24 video game machine that, upon insertion of cash, is

25 available to play or simulate the play of the game of draw



1 poker, as provided in this part, utilizing a video display
 2 and microprocessors in which, by the skill of the player or
 3 by chance, or both, the player may receive free games or
 4 credits that can be redeemed for cash. The term does not
 5 include a machine that directly dispenses coins, cash,
 6 tokens, or anything else of value."

7 Section 2. Section 23-5-603, MCA, is amended to read:

8 "23-5-603. Video draw poker machines -- possession --
 9 play -- restriction. No person may place an electronic video
 10 game machine that simulates or offers a game of poker in his
 11 licensed establishment unless he is licensed under 23-5-612.
 12 Machines licensed under 23-5-612 are legal, and it is legal
 13 to play such machines, except that a person under the age of
 14 18 years may not play a video draw poker or keno machine.
 15 The provisions of part 3 of this chapter do not apply to or
 16 prohibit video draw poker or keno machines or the playing of
 17 such machines."

18 Section 3. Section 23-5-605, MCA, is amended to read:

19 "23-5-605. Powers and duties of the department --
 20 licensing. (1) The department shall administer the
 21 provisions of this part, except 23-5-615.

22 (2) The department shall adopt rules implementing this
 23 part, except 23-5-615, and:

24 (a) with respect to state licenses:

25 ~~(a)~~(i) provide licensing procedures;

1 ~~(b)~~(ii) prescribe necessary application forms; and

2 ~~(c)~~(iii) grant or deny license applications;

3 (b) with respect to the video draw poker and keno
 4 machine net income tax:

5 (i) prescribe recordkeeping requirements for
 6 licensees;

7 (ii) provide a procedure for inspection of records; and

8 (iii) provide a method for collection of the tax.

9 (3) The department may not deny or place a condition
 10 on a license except for reasonable cause.

11 (4) The department is a criminal justice agency, and
 12 designated employees are granted peace officer status with
 13 powers of search, seizure, and arrest to regulate and
 14 control those persons licensed under this part, except
 15 23-5-615."

16 Section 4. Section 23-5-607, MCA, is amended to read:

17 "23-5-607. Expected payback -- verification. The
 18 department shall prescribe the expected payback value of one
 19 credit played to be at least 80% of the value of a credit.
 20 Each video draw poker or keno machine must have an
 21 electronic accounting device that the department may use to
 22 verify the winning percentage."

23 Section 5. Section 23-5-608, MCA, is amended to read:

24 "23-5-608. Limitation on amount of money played and
 25 value of prizes. A video draw poker or keno machine may not

1 allow more than \$2 to be played on a game or award free
2 games or credits in excess of the value of \$100 per hand."

3 Section 6. Section 23-5-612, MCA, is amended to read:

4 "23-5-612. State license -- fee -- used video draw
5 poker and bingo machines. (1) (a) The department of revenue,
6 upon payment of the fee provided in subsection (1)(b) and in
7 conformance with rules adopted under 23-5-605, shall issue
8 to the licensee a license for each video draw poker or bingo
9 machine.

10 (b) The department shall charge an annual license fee
11 of ~~\$17500~~ \$500 for each video draw poker machine and \$100
12 for each keno machine. The department shall retain ~~5%~~ 9% of
13 the total license fee collected ~~in fiscal years 1986 and~~
14 ~~1987 and shall retain 3% thereafter~~ for purposes of
15 administering this part, except 23-5-615. The department
16 shall ~~deposit one-third of the remaining fee in the state~~
17 ~~general fund and forward two-thirds of the remaining fee to~~
18 the treasurer of the county or the clerk, finance officer,
19 or treasurer of the city or town in which the licensed
20 machine is located, for deposit to the county or municipal
21 treasury. Counties are not entitled to proceeds from fees
22 on licensed machines located in cities and towns. The
23 license expires on June 30 of each year, and the fee is
24 prorated. The ~~two-thirds~~ local government portion of the
25 annual fee is statutorily appropriated to the department as

1 provided in 17-7-502 for deposit to the county or municipal
2 treasury.

3 (2) A used video draw poker machine may be licensed
4 under subsection (1) without meeting the requirements of
5 23-5-606(4)(j), (4)(k), and (4)(o) if the applicant for
6 licensure can establish to the satisfaction of the
7 department that, on the date of application, he owns or
8 possesses a machine which was owned or operated in the state
9 prior to February 3, 1984. A license issued under this
10 subsection expires 1 year from the date of issuance or on
11 July 1, 1987, whichever occurs first.

12 (3) A used keno machine may be licensed under
13 subsection (1) without meeting the requirements of [section
14 8] if the applicant for licensure can establish to the
15 satisfaction of the department that, on the date of
16 application, he owns or possesses a machine that was owned
17 or operated in the state prior to June 30, 1987. A license
18 issued under this subsection expires 1 year from the date of
19 issuance, but a machine not meeting the requirements of
20 [section 8] may not be licensed after June 30, 1989.
21 (Subsection (2) terminates July 1, 1987--sec. 15, Ch. 720,
22 L. 1985.)"

23 Section 7. Section 23-5-615, MCA, is amended to read:

24 "23-5-615. Licensing by local governing bodies. (1)
25 Any city, town, or county governing body may issue to a

1 person who meets the qualifications of 23-5-611 a license
 2 for each video draw poker machine to be used on the premises
 3 of a licensed establishment. A machine may be licensed by a
 4 city or town if located in the city or town or by the county
 5 if the machine is not located in a city or town.

6 (2) In addition to the license fee paid under
 7 23-5-612, a governing body may charge an annual license fee
 8 for each license issued under this section. The license
 9 expires on June 30 of each year, and the fee must be
 10 prorated.

11 (3) Such license fee may not exceed ~~\$1,000~~ \$500."

12 NEW SECTION. Section 8. Keno machine specifications.

13 Each keno machine must:

14 (1) be inspected in the state of Montana for
 15 certification and licensure by the department;

16 (2) be connected with a system consisting of
 17 player-operated terminals. The terminals must be intelligent
 18 devices operated by the players in the manner specified in
 19 this part.

20 (3) not have any switches, jumpers, wire posts, or any
 21 other means of manipulation that could affect the operation
 22 or outcome of a game; and

23 (4) offer only the game of keno and have the following
 24 method of operation:

25 (a) the numbered objects must be mixed after each game

1 of keno is played;

2 (b) the game must have one memory location for each
 3 number in the receptacle. The numbered objects must be mixed
 4 by use of a random number generator.

5 (c) the game must display the number of spaces picked
 6 for which free games or credits will be awarded and the
 7 number of free games or credits for each game;

8 (d) the machine must have doors to two locking areas,
 9 one area containing the logic board and software for the
 10 game of keno and the other housing the cash compartment and
 11 mechanical meters. These areas must be locking and
 12 separated. Access to one from the other must not be allowed
 13 at any time.

14 (e) the machine must have two mechanisms, hereinafter
 15 referred to as "mechanism 1" and "mechanism 2", that accept
 16 quarters;

17 (f) the machine must be capable of printing a ticket
 18 voucher for the player at the completion of each game. If
 19 credits are owed the player, the ticket must contain:

20 (i) the name of the licensed establishment;

21 (ii) the name of the city, town, or county in which the
 22 licensed establishment is located;

23 (iii) the value of the prize in numbers;

24 (iv) the value of the prize in words;

25 (v) the time of day, in hours and minutes in a 24-hour

1 format;

2 (vi) the date;

3 (vii) the machine license number or serial number up to
4 eight digits;

5 (viii) the sequential number of the ticket voucher; and

6 (ix) an encrypted validation number from which the
7 validity of the prize can be determined;

8 (g) an exact copy of each printed ticket voucher must
9 be printed and retained within the machine;

10 (h) the machine must have nonresettable mechanical
11 meters housed in the cash compartment that keep a permanent
12 record of:

13 (i) coins accepted by each coin acceptor;

14 (ii) credits played by player;

15 (iii) credits won by player; and

16 (iv) credits printed out by the ticket voucher printer;

17 (i) the machine must contain electronic metering,
18 using meters that record the following and display them on
19 the video screen:

20 (i) total coins in mechanism 1, total coins in
21 mechanism 2, and total coins in mechanisms 1 and 2 combined;

22 (ii) total credits, total credits played, and total
23 credits won;

24 (iii) total games of keno played and total games of
25 keno won;

1 (iv) total errors from the logic board random access
2 memory; and

3 (v) total examination of electronic meters;

4 (j) the machine may not have any functions or
5 parameters adjustable by or through any separate video
6 display or input codes, except for the adjustment of
7 features that are wholly cosmetic;

8 (k) the machine must issue, by activation of an
9 external switch, an accounting ticket containing a
10 performance synopsis of the machine. The ticket must
11 contain:

12 (i) the name of the licensed establishment;

13 (ii) the name of the city, town, or county in which the
14 licensed establishment is located;

15 (iii) the license number of the machine;

16 (iv) the time of day, in hours and minutes in a 24-hour
17 format;

18 (v) the date; and

19 (vi) the electronic meter readings required by
20 subsection (4)(i).

21 NEW SECTION. Section 9. Video draw poker and keno
22 machine net income tax -- records -- quarterly statement and
23 payment. (1) Each licensee shall pay to the department a
24 video draw poker and keno machine tax of 25% of net machine
25 income from each video draw poker and keno machine licensed

1 under this part.

2 (2) Each licensee shall keep a record of net machine
3 income in such form as the department may require. The
4 records must at all times during the business hours of the
5 licensee be subject to inspection by the department, its
6 agents, or employees.

7 (3) Each licensee shall, within 15 days after the end
8 of each quarter, complete and deliver to the department a
9 statement showing the total net machine income from each
10 video draw poker and keno machine licensed to him, together
11 with the total amount due the state as video draw poker and
12 keno machine net income tax for the preceding quarter. The
13 statement must contain such other information as the
14 department may require.

15 (4) The tax collected under subsection (3) must be
16 forwarded to the state treasurer for deposit in an account
17 in the state special revenue fund to the credit of the
18 university system. Money in the account is subject to
19 appropriation by the legislature for the university system
20 and must be spent in accordance with the appropriation.

21 NEW SECTION. Section 10. Extension of authority. Any
22 existing authority of the department of revenue to make
23 rules on the subject of the provisions of this act is
24 extended to the provisions of this act.

25 NEW SECTION. Section 11. Codification instruction.

1 Sections 8 and 9 are intended to be codified as an integral
2 part of Title 23, chapter 5, part 6, and the provisions of
3 Title 23, chapter 5, part 6, apply to sections 8 and 9.

4 NEW SECTION. Section 12. Effective date. This act is
5 effective June 30, 1987.

-End-

In compliance with a written request, there is hereby submitted a Fiscal Note for HB863, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act revising the video draw poker machine control law by reducing the state and local license fees; defining keno machine; providing specifications for keno machines; imposing a video draw poker and keno machine net income tax; providing for net income tax distribution to the university system; and providing an effective date.

ASSUMPTIONS:


1. Total poker machine license fees will be \$4,344,000 in FY88 and \$4,387,500 in FY89 (Based on FY87 licensing data).
2. Average video poker machine net income is \$16,500 per year (Investigations and Enforcement Division).
3. Under the proposed law all video poker machine net income would be reported.
4. Under the proposed law necessary verification of poker machines net income will require 1 FTE Grade 10, Step 2, Office Auditor and 1 FTE Grade 13, Step 2, Field Auditor (\$42,556 combined salary and benefits).
5. There will be 2,896 (full year) licensed video poker machines in FY88 and 2,925 (full year) in FY89. (Revised assumption based on FY87 licensing data).
6. The proposed law would become effective June 30, 1987. Therefore, poker and keno machine net income would be collected for three quarters in FY88 and all of FY89.
7. Under current law, for FY88 and FY89, administrative expenses are 3% of total license fees.
8. Under the proposal, administrative expenses are 9% of license fees.

FISCAL IMPACT:

The proposed tax on net keno machine income could raise significant revenue. It is not possible to accurately estimate the fiscal or expenditure impact of a tax on net keno machine income because information is not available on the number and net income of keno machines in the state. The estimates below are for video poker machines only.

Revenue Impact:

	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Video Poker License Fees	\$ 4,344,000	\$ 1,448,000	\$(2,896,000)	\$ 4,387,500	\$ 1,462,500	\$(2,925,000)
Video Poker Net Income Tax	0	8,959,500	8,959,500	0	12,065,625	12,065,625
TOTAL	\$ 4,344,000	\$10,407,500	\$ 6,063,500	\$ 4,387,500	\$13,528,125	\$ 9,140,625

 DATE 3/12/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

 DATE _____
 NORM WALLIN, PRIMARY SPONSOR

Fiscal Note for HB863, as introduced.

HB863

Expenditure Impact:

	<u>FY88</u>			<u>FY89</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Video Poker Program *	\$ 130,320	\$ 172,876	\$ 42,556	\$ 131,625	\$ 174,181	\$ 42,556

* Proposed law administrative funds would be insufficient to meet anticipated expenditures. (Video poker machines only.)

Fund Information:

General Fund	\$ 1,404,559	\$ 0	\$(1,404,559)	\$ 1,418,623	\$ 0	\$(1,418,623)
Video Poker Program	130,320	130,320	0	131,625	131,625	0
Local Governments	2,809,121	1,317,680	(1,491,441)	2,837,252	1,330,875	(1,506,377)
University System	0	8,959,500	8,959,500	0	12,065,625	12,065,625

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

It is not possible to accurately assess the net local impact of the proposed legislation. The proposal would result in a loss of local video poker machine revenue (state collected) of approximately \$1.491 million in FY88 and \$1.506 million in FY89. It would also lower the maximum poker license fee a local government may charge from \$1,000 to \$500 per year. It is possible that the local government share of proposed keno license fees would replace any revenue losses associated with the proposed changes in video poker license fees.

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:

Electronic metering devices would be needed to verify the income of keno machines under the proposed law.

HB863

APPROVED BY COMM. ON
BUSINESS AND LABOR

HOUSE BILL NO. 863

INTRODUCED BY WALLIN, BRANDEWIE, KELLER, SIMON,
HANSEN, HAYNE, PECK, HARP, THOMAS, BACHINI, COBB,
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A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE VIDEO
POKER MACHINE CONTROL LAW BY REDUCING THE STATE AND LOCAL
LICENSE FEES; DEFINING KENO MACHINE; PROVIDING
SPECIFICATIONS FOR KENO MACHINES; IMPOSING A VIDEO DRAW
POKER AND KENO MACHINE NET INCOME TAX; PROVIDING FOR NET
INCOME TAX DISTRIBUTION TO THE UNIVERSITY SYSTEM; AMENDING
SECTIONS 17-7-502, 23-5-602, 23-5-603, 23-5-605, 23-5-607,
23-5-608, 23-5-612, AND 23-5-615, MCA; AND PROVIDING AN
EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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"23-5-602. Definitions. As used in this part, the
following definitions apply:

(1) "Department" means the department of revenue.

(2) "Keno machine" means an electronic video game
machine that, upon insertion of cash, is available to play

or simulate the play of the game of keno or bingo as
provided in part 4 of this chapter, utilizing a video
display and microprocessors, in which by the skill of the
player or by chance, or both, the player may receive free
games or credits that can be redeemed for cash. The term
does not include a machine that directly dispenses coins,
cash, tokens, or anything else of value.

~~(2)~~(3) "Licensed establishment" means an establishment
that is licensed to sell alcoholic beverages for consumption
on the premises OR AN ESTABLISHMENT LICENSED UNDER 23-5-421.

~~(3)~~(4) "Licensee" means an individual, partnership, or
corporation that has been issued a license by the department
for the placement and operation of video draw poker machines
in the licensed establishment of the individual,
partnership, or corporation.

(5) "Net machine income" means money put into a video
draw poker or keno machine minus credits paid out in cash.

(6) "Used keno machine" means a keno machine, as that
term is defined in this section, that is owned or possessed
by an applicant on the day he applies for a license for the
used machine and that was owned or operated in the state
prior to June 30, 1987.

~~(4)~~(7) "Used video draw poker machine" means a video
draw poker machine, as that term is defined in this section,
which is owned or possessed by an applicant on the day he

1 applies for a license for the used machine and which was
 2 owned or operated in the state prior to February 3, 1984.

3 ~~(5)~~(8) "Video draw poker machine" means an electronic
 4 video game machine that, upon insertion of cash, is
 5 available to play or simulate the play of the game of draw
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 7 and microprocessors in which, by the skill of the player or
 8 by chance, or both, the player may receive free games or
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 11 tokens, or anything else of value."

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 15 game machine that simulates or offers a game of poker in his
 16 licensed establishment unless he is licensed under 23-5-612.
 17 Machines licensed under 23-5-612 are legal, and it is legal
 18 to play such machines, except that a person under the age of
 19 18 years may not play a video draw poker or keno machine.
 20 The provisions of part 3 of this chapter do not apply to or
 21 prohibit video draw poker or keno machines or the playing of
 22 such machines."

23 Section 3. Section 23-5-605, MCA, is amended to read:

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 25 licensing. (1) The department shall administer the

1 provisions of this part, except 23-5-615.

2 (2) The department shall adopt rules implementing this
 3 part, except 23-5-615, and:

4 (a) with respect to state licenses:

5 ~~(a)~~(i) provide licensing procedures;

6 ~~(b)~~(ii) prescribe necessary application forms; and

7 ~~(c)~~(iii) grant or deny license applications;

8 (b) with respect to the video draw poker and keno
 9 machine net income tax:

10 (i) prescribe recordkeeping requirements for
 11 licensees;

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14 (3) The department may not deny or place a condition
 15 on a license except for reasonable cause.

16 (4) The department is a criminal justice agency, and
 17 designated employees are granted peace officer status with
 18 powers of search, seizure, and arrest to regulate and
 19 control those persons licensed under this part, except
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21 Section 4. Section 23-5-607, MCA, is amended to read:

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 23 department shall prescribe the expected payback value of one
 24 credit played to be at least 80% of the value of a credit.
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1 electronic accounting device that the department may use to
2 verify the winning percentage."

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7 games or credits in excess of the value of \$100 per hand."

8 Section 6. Section 23-5-612, MCA, is amended to read:

9 "23-5-612. State license -- fee -- used video draw
10 poker and bingo KENO machines. (1) (a) The department of
11 revenue, upon payment of the fee provided in subsection
12 (1)(b) and in conformance with rules adopted under 23-5-605,
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14 poker or bingo KENO machine.

15 (b) The department shall charge an annual license fee
16 of ~~\$17500~~ \$500 ~~\$100~~ for each video draw poker machine and
17 \$100 for each keno machine. The department shall retain 5%
18 9% ~~\$100~~ of the total license fee collected ~~in-fiscal-years~~
19 ~~1986-and-1987-and-shall-retain-3%-thereafter~~ for purposes of
20 administering this part, except 23-5-615. The department
21 shall ~~deposit--one-third--of-the-remaining-fee-in-the-state~~
22 ~~general-fund-and~~ forward ~~two-thirds-of~~ the remaining fee to
23 the treasurer of the county or the clerk, finance officer,
24 or treasurer of the city or town in which the licensed
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16 July 1, 1987, whichever occurs first.

17 (3) A used keno machine may be licensed under
18 subsection (1) without meeting the requirements of [section
19 8] if the applicant for licensure can establish to the
20 satisfaction of the department that, on the date of
21 application, he owns or possesses a machine that was owned
22 or operated in the state prior to June 30, 1987. A license
23 issued under this subsection expires 1-year-from-the-date-of
24 issuance,--but-a-machine--not--meeting-the-requirements-of
25 fsection-8]-may-not-be-licensed-after FOR ALL PURPOSES NO

1 LATER THAN June 30, 1989. (Subsection (2) terminates July 1,
2 1987--sec. 15, Ch. 720, L. 1985.)"

3 Section 7. Section 23-5-615, MCA, is amended to read:
4 "23-5-615. Licensing by local governing bodies. (1)
5 Any city, town, or county governing body may issue to a
6 person who meets the qualifications of 23-5-611 a license
7 for each video draw poker machine to be used on the premises
8 of a licensed establishment. A machine may be licensed by a
9 city or town if located in the city or town or by the county
10 if the machine is not located in a city or town.

11 (2) In addition to the license fee paid under
12 23-5-612, a governing body may charge an annual license fee
13 for each license issued under this section. The license
14 expires on June 30 of each year, and the fee must be
15 prorated.

16 (3) Such license fee may not exceed \$1,000 ~~\$500~~ \$100."

17 NEW SECTION. Section 8. Keno machine specifications.
18 Each keno machine must:

19 (1) be inspected in the state of Montana for
20 certification and licensure by the department;

21 (2) be connected with a system consisting of
22 player-operated terminals. The terminals must be intelligent
23 devices operated by the players in the manner specified in
24 this part.

25 (3) not have any switches, jumpers, wire posts, or any

1 other means of manipulation that could affect the operation
2 or outcome of a game; and

3 (4) offer only the game of keno and have the following
4 method of operation:

5 (a) the ~~numbered--objects~~ NUMBERS must be mixed after
6 each game ~~of-keno~~ is played;

7 (b) the game must have one memory location for each
8 number ~~in-the-receptacle~~. The ~~numbered-objects~~ NUMBERS must
9 be mixed by use of a random number generator.

10 (C) EACH GAME MUST HAVE A FIELD OF NUMBERS FROM 1 TO
11 75 OR 1 TO 80 FOR EACH GAME OF KENO OR BINGO THAT IS PLAYED.
12 THERE MUST BE AT LEAST 20 NUMBERS DRAWN IN EACH GAME.

13 ~~(d)~~(D) the game must display the number of spaces
14 picked for which free games or credits will be awarded and
15 the number of free games or credits for each game;

16 ~~(d)~~(E) the machine must have doors to two OR MORE
17 locking areas, one area containing the logic board and
18 software for the game of keno and the ~~other~~ OTHERS housing
19 the cash compartment and mechanical meters. These areas must
20 be locking and separated. Access to one from the other must
21 not be allowed at any time.

22 ~~(e)~~(F) the machine must have two mechanisms,
23 hereinafter referred to as "mechanism 1" and "mechanism 2",
24 that accept quarters; THE MACHINE MAY HAVE A MECHANISM THAT
25 ACCEPTS CASH IN THE FORM OF BILLS.

1 (G) EACH QUARTER MUST REPRESENT ONE CREDIT;
 2 (H) THE GAME MUST DISPLAY THE COMBINATIONS FOR WHICH
 3 FREE GAMES OR CREDITS WILL BE AWARDED AND THE NUMBER OF FREE
 4 GAMES OR CREDITS FOR EACH COMBINATION;
 5 ~~f~~(I) the machine must be capable of printing a
 6 ticket voucher for the player at the completion of each
 7 game. If credits are owed the player, the ticket must
 8 contain:
 9 (i) the name of the licensed establishment;
 10 (ii) the name of the city, town, or county in which the
 11 licensed establishment is located;
 12 (iii) the value of the prize in numbers;
 13 (iv) the value of the prize in words;
 14 (v) the time of day, in hours and minutes in a 24-hour
 15 format;
 16 (vi) the date;
 17 (vii) the machine license number or serial number up to
 18 eight digits;
 19 (viii) the sequential number of the ticket voucher; and
 20 (ix) an encrypted validation number from which the
 21 validity of the prize can be determined;
 22 ~~g~~(J) an exact copy of each printed ticket voucher
 23 must be printed and retained within the machine;
 24 ~~h~~(K) the machine must have nonresettable mechanical
 25 meters housed in the cash compartment that keep a permanent

1 record of:
 2 (i) TOTAL coins accepted by each BOTH coin acceptor
 3 ACCEPTORS;
 4 (II) THE MACHINE MAY HAVE A MECHANISM THAT ACCEPTS CASH
 5 IN THE FORM OF BILLS;
 6 ~~iii~~(III) credits played by player;
 7 ~~iii~~(IV) credits won by player; and
 8 ~~iv~~(V) credits printed out by the ticket voucher
 9 printer;
 10 ~~i~~(L) the machine must contain electronic metering,
 11 using meters that record the following and display them on
 12 the video screen:
 13 (i) total coins in mechanism 1, total coins in
 14 mechanism 2, and total coins in mechanisms 1 and 2 combined;
 15 (II) IF THE MACHINE HAS A BILL ACCEPTOR, IT MUST
 16 CONTAIN ELECTRONIC METERING USING METERS THAT RECORD TOTAL
 17 COINS IN MECHANISMS 1 AND 2 COMBINED AND TOTAL CREDITS IN
 18 THE BILL ACCEPTOR;
 19 ~~iii~~(III) total credits, total credits played, and
 20 total credits won;
 21 ~~iii~~(IV) total games of keno played and total games of
 22 keno won;
 23 ~~iv~~(V) total errors from the logic board random
 24 access memory; and
 25 ~~v~~(VI) total examination of electronic meters;

1 ~~{j}~~(M) the machine may not have any functions or
2 parameters adjustable by or through any separate video
3 display or input codes, except for the adjustment of
4 features that are wholly cosmetic;

5 (N) THE TERMINAL SHALL MAINTAIN THREE SEPARATE COPIES
6 IN INDEPENDENT, NONVOLATILE MEMORIES OF ALL DATA IN
7 SUBSECTIONS (4)(1)(I) THROUGH (4)(1)(VI) AND ANY CURRENT
8 GAME DATA. TWO OF THESE INDEPENDENT, NONVOLATILE MEMORIES
9 SHALL BE CONTAINED IN A REMOVABLE MODULE TO ALLOW OFF-LINE
10 DATA RECOVERY.

11 (O) ANY TIME CRITICAL DATA IS ACCESSED, THERE MUST BE
12 A COMPARISON OF ALL THREE INDEPENDENT NONVOLATILE MEMORIES.
13 IF AT ANY TIME ONE COPY DOES NOT MATCH WITH THE OTHER TWO,
14 AN ERROR MUST BE RECORDED AND THE MISMATCHED COPY CORRECTED.
15 A SYSTEM FAILURE MUST RESULT WHEN NONE OF THE THREE MATCH OR
16 A DETECTED ERROR CANNOT BE CORRECTED.

17 (P) ACCESS TO THE AREA CONTAINING THE LOGIC BOARD AND
18 SOFTWARE MUST BE DETECTED EVEN IF ACCESS IS MADE WITH POWER
19 REMOVED;

20 ~~{k}~~(Q) the machine must issue, by activation of an
21 external switch, an accounting ticket containing a
22 performance synopsis of the machine. The ticket must
23 contain:

- 24 (i) the name of the licensed establishment;
25 (ii) the name of the city, town, or county in which the

- 1 licensed establishment is located;
2 (iii) the license number of the machine;
3 (iv) the time of day, in hours and minutes in a 24-hour
4 format;
5 (v) the date; and
6 (vi) the electronic meter readings required by
7 subsection ~~{4}~~~~{i}~~ (4)(L).

8 NEW SECTION. Section 9. Video draw poker and keno
9 machine net income tax -- records -- quarterly statement and
10 payment. (1) Each licensee shall pay to the department a
11 video draw poker and keno machine tax of 25% 15% of net
12 machine income from each video draw poker and keno machine
13 licensed under this part.

14 (2) Each licensee shall keep a record of net machine
15 income in such form as the department may require. The
16 records must at all times during the business hours of the
17 licensee be subject to inspection by the department, its
18 agents, or employees.

19 (3) Each licensee shall, within 15 days after the end
20 of each quarter, complete and deliver to the department a
21 statement showing the total net machine income from each
22 video draw poker and keno machine licensed to him, together
23 with the total amount due the state as video draw poker and
24 keno machine net income tax for the preceding quarter. The
25 statement must contain such other information as the

1 department may require.

2 (4) (A) The DEPARTMENT MUST DEPOSIT ONE-THIRD OF THE
 3 tax collected under subsection (3) must-be-forwarded-to--the
 4 state--treasurer--for--deposit in an account in the state
 5 special revenue fund to the credit of the university system.
 6 Money in the account is subject to appropriation by the
 7 legislature for the university system and must be spent in
 8 accordance with the appropriation.

9 (B) THE DEPARTMENT MUST FORWARD THE REMAINING
 10 TWO-THIRDS OF THE TAX COLLECTED UNDER SUBSECTION (3) TO THE
 11 TREASURER OF THE COUNTY, OR THE CLERK, FINANCE OFFICER, OR
 12 TREASURER OF THE CITY OR TOWN IN WHICH THE LICENSED MACHINE
 13 IS LOCATED, FOR DEPOSIT TO THE COUNTY OR MUNICIPAL TREASURY.
 14 COUNTIES ARE NOT ENTITLED TO PROCEEDS FROM TAXES ON INCOME
 15 FROM VIDEO DRAW POKER AND KENO MACHINES LOCATED IN CITIES
 16 AND TOWNS. THE TWO-THIRDS LOCAL GOVERNMENT PORTION OF TAX
 17 COLLECTED UNDER SUBSECTION (3) IS STATUTORILY APPROPRIATED
 18 TO THE DEPARTMENT AS PROVIDED IN 17-7-502 FOR DEPOSIT TO THE
 19 COUNTY OR MUNICIPAL TREASURY.

20 SECTION 10. SECTION 17-7-502, MCA, IS AMENDED TO READ:

21 "17-7-502. Statutory appropriations -- definition --
 22 requisites for validity. (1) A statutory appropriation is an
 23 appropriation made by permanent law that authorizes spending
 24 by a state agency without the need for a biennial
 25 legislative appropriation or budget amendment.

1 (2) Except as provided in subsection (4), to be
 2 effective, a statutory appropriation must comply with both
 3 of the following provisions:

4 (a) The law containing the statutory authority must be
 5 listed in subsection (3).

6 (b) The law or portion of the law making a statutory
 7 appropriation must specifically state that a statutory
 8 appropriation is made as provided in this section.

9 (3) The following laws are the only laws containing
 10 statutory appropriations:

- 11 (a) 2-9-202;
- 12 (b) 2-17-105;
- 13 (c) 2-18-812;
- 14 (d) 10-3-203;
- 15 (e) 10-3-312;
- 16 (f) 10-3-314;
- 17 (g) 10-4-301;
- 18 (h) 13-37-304;
- 19 (i) 15-31-702;
- 20 (j) 15-36-112;
- 21 (k) 15-70-101;
- 22 (l) 16-1-404;
- 23 (m) 16-1-410;
- 24 (n) 16-1-411;
- 25 (o) 17-3-212;

1 (p) 17-5-404;
 2 (q) 17-5-424;
 3 (r) 17-5-804;
 4 (s) 19-8-504;
 5 (t) 19-9-702;
 6 (u) 19-9-1007;
 7 (v) 19-10-205;
 8 (w) 19-10-305;
 9 (x) 19-10-506;
 10 (y) 19-11-512;
 11 (z) 19-11-513;
 12 (aa) 19-11-606;
 13 (bb) 19-12-301;
 14 (cc) 19-13-604;
 15 (dd) 20-6-406;
 16 (ee) 20-8-111;
 17 (ff) 23-5-612;
 18 (gg) 37-51-501;
 19 (hh) 53-24-206;
 20 (ii) 75-1-1101;
 21 (jj) 75-7-305;
 22 (kk) 80-2-103;
 23 (ll) 80-2-228;
 24 (mm) 90-3-301;
 25 (nn) 90-3-302;

1 (oo) 90-15-103; and
 2 (pp) Sec. 13, HB 861, L. 1985; and
 3 (qq) [section 9].
 4 (4) There is a statutory appropriation to pay the
 5 principal, interest, premiums, and costs of issuing, paying,
 6 and securing all bonds, notes, or other obligations, as due,
 7 that have been authorized and issued pursuant to the laws of
 8 Montana. Agencies that have entered into agreements
 9 authorized by the laws of Montana to pay the state
 10 treasurer, for deposit in accordance with 17-2-101 through
 11 17-2-107, as determined by the state treasurer, an amount
 12 sufficient to pay the principal and interest as due on the
 13 bonds or notes have statutory appropriation authority for
 14 such payments."
 15 NEW SECTION. Section 11. Extension of authority. Any
 16 existing authority of the department of revenue to make
 17 rules on the subject of the provisions of this act is
 18 extended to the provisions of this act.
 19 NEW SECTION. Section 12. Codification instruction.
 20 Sections 8 and 9 are intended to be codified as an integral
 21 part of Title 23, chapter 5, part 6, and the provisions of
 22 Title 23, chapter 5, part 6, apply to sections 8 and 9.
 23 NEW SECTION. Section 13. Effective date. This act is
 24 effective June 30, 1987.

-End-

HOUSE BILL NO. 863

INTRODUCED BY WALLIN, BRANDEWIE, KELLER, SIMON, HANSEN, HAYNE, PECK, HARP, THOMAS, BACHINI, COBB, ELLISON, PETERSON, THOFT, WINSLOW, COMPTON, HOFFMAN, KADAS, HANNAH, KITSELMAN, EUDAILY, GIACOMETTO, MENKE, MERCER, SWITZER, NELSON, NATHE, LORY, FRITZ, REAM, HARPER, MEYERS, CORNE', REHBERG, HANSON, DONALDSON

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE VIDEO POKER MACHINE CONTROL LAW BY REDUCING THE STATE AND LOCAL LICENSE FEES; DEFINING KENO MACHINE; PROVIDING SPECIFICATIONS FOR KENO MACHINES; IMPOSING A VIDEO DRAW POKER AND KENO MACHINE NET INCOME TAX; PROVIDING FOR NET INCOME TAX DISTRIBUTION TO THE UNIVERSITY-SYSTEM GENERAL FUND; AMENDING SECTIONS 17-7-502, 23-5-602, 23-5-603, 23-5-605, 23-5-607, 23-5-608, 23-5-612, AND 23-5-615, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 23-5-602, MCA, is amended to read:

"23-5-602. Definitions. As used in this part, the following definitions apply:

(1) "Department" means the department of revenue.

(2) "Keno machine" means an electronic video game machine that, upon insertion of cash, is available to play

or simulate the play of the game of keno or bingo as provided in part 4 of this chapter, utilizing a video display and microprocessors, in which by the skill of the player or by chance, or both, the player may receive free games or credits that can be redeemed for cash. The term does not include a machine that directly dispenses coins, cash, tokens, or anything else of value.

(2)(3) "Licensed establishment" means an establishment that is licensed to sell alcoholic beverages for consumption on the premises OR AN ESTABLISHMENT LICENSED UNDER 23-5-421.

(3)(4) "Licensee" means an individual, partnership, or corporation that has been issued a license by the department for the placement and operation of video draw poker machines in the licensed establishment of the individual, partnership, or corporation.

(5) "Net machine income" means money put into a video draw poker or keno machine minus credits paid out in cash.

(6) "Used keno machine" means a keno machine, as that term is defined in this section, that is owned or possessed by an applicant on the day he applies for a license for the used machine and that was owned or operated in the state prior to June 30, 1987.

(4)(7) "Used video draw poker machine" means a video draw poker machine, as that term is defined in this section, which is owned or possessed by an applicant on the day he

1 applies for a license for the used machine and which was
2 owned or operated in the state prior to February 3, 1984.

3 ~~f5~~(8) "Video draw poker machine" means an electronic
4 video game machine that, upon insertion of cash, is
5 available to play or simulate the play of the game of draw
6 poker, as provided in this part, utilizing a video display
7 and microprocessors in which, by the skill of the player or
8 by chance, or both, the player may receive free games or
9 credits that can be redeemed for cash. The term does not
10 include a machine that directly dispenses coins, cash,
11 tokens, or anything else of value."

12 Section 2. Section 23-5-603, MCA, is amended to read:

13 "23-5-603. Video draw poker machines -- possession --
14 play -- restriction. No person may place an electronic video
15 game machine that simulates or offers a game of poker in his
16 licensed establishment unless he is licensed under 23-5-612.
17 Machines licensed under 23-5-612 are legal, and it is legal
18 to play such machines, except that a person under the age of
19 18 years may not play a video draw poker or keno machine.
20 The provisions of part 3 of this chapter do not apply to or
21 prohibit video draw poker or keno machines or the playing of
22 such machines."

23 Section 3. Section 23-5-605, MCA, is amended to read:

24 "23-5-605. Powers and duties of the department --
25 licensing. (1) The department shall administer the

1 provisions of this part, except 23-5-615.

2 (2) The department shall adopt rules implementing this
3 part, except 23-5-615, and:

4 (a) with respect to state licenses:

5 ~~f a~~(i) provide licensing procedures;

6 ~~f b~~(ii) prescribe necessary application forms; and

7 ~~f c~~(iii) grant or deny license applications;

8 (b) with respect to the video draw poker and keno
9 machine net income tax:

10 (i) prescribe recordkeeping requirements for
11 licensees;

12 (ii) provide a procedure for inspection of records; and

13 (iii) provide a method for collection of the tax.

14 (3) The department may not deny or place a condition
15 on a license except for reasonable cause.

16 (4) The department is a criminal justice agency, and
17 designated employees are granted peace officer status with
18 powers of search, seizure, and arrest to regulate and
19 control those persons licensed under this part, except
20 23-5-615."

21 Section 4. Section 23-5-607, MCA, is amended to read:

22 "23-5-607. Expected payback -- verification. The
23 department shall prescribe the expected payback value of one
24 credit played to be at least 80% of the value of a credit.
25 Each video draw poker or keno machine must have an

1 electronic accounting device that the department may use to
2 verify the winning percentage."

3 Section 5. Section 23-5-608, MCA, is amended to read:

4 "23-5-608. Limitation on amount of money played and
5 value of prizes. A video draw poker or keno machine may not
6 allow more than \$2 to be played on a game or award free
7 games or credits in excess of the value of \$100 per hand."

8 Section 6. Section 23-5-612, MCA, is amended to read:

9 "23-5-612. State license -- fee -- used video draw
10 poker and bingo KENO machines. (1) (a) The department of
11 revenue, upon payment of the fee provided in subsection
12 (1)(b) and in conformance with rules adopted under 23-5-605,
13 shall issue to the licensee a license for each video draw
14 poker or bingo KENO machine.

15 (b) The department shall charge an annual license fee
16 of ~~\$17500~~ \$500 \$100 for each video draw poker machine and
17 \$100 for each keno machine. The department shall retain 5%
18 9% \$100 of the total license fee collected ~~in fiscal years~~
19 ~~1986 and 1987 and shall retain 3% thereafter~~ for purposes of
20 administering this part, except 23-5-615. The department
21 shall ~~deposit one-third of the remaining fee in the state~~
22 ~~general fund and forward two-thirds of the remaining fee to~~
23 the treasurer of the county or the clerk, finance officer,
24 or treasurer of the city or town in which the licensed
25 machine is located, for deposit to the county or municipal

1 treasury. Counties are not entitled to proceeds from fees
2 on licensed machines located in cities and towns. The
3 license expires on June 30 of each year, and the fee is
4 prorated. The two-thirds local government portion of the
5 annual fee is statutorily appropriated to the department as
6 provided in 17-7-502 for deposit to the county or municipal
7 treasury.

8 (2) A used video draw poker machine may be licensed
9 under subsection (1) without meeting the requirements of
10 23-5-606(4)(j), (4)(k), and (4)(o) if the applicant for
11 licensure can establish to the satisfaction of the
12 department that, on the date of application, he owns or
13 possesses a machine which was owned or operated in the state
14 prior to February 3, 1984. A license issued under this
15 subsection expires 1 year from the date of issuance or on
16 July 1, 1987, whichever occurs first.

17 (3) A used keno machine may be licensed under
18 subsection (1) without meeting the requirements of [section
19 8] if the applicant for licensure can establish to the
20 satisfaction of the department that, on the date of
21 application, he owns or possesses a machine that was owned
22 or operated in the state prior to June 30, 1987. A license
23 issued under this subsection expires 1-year-from-the-date-of
24 issuance,--but--a--machine--not--meeting-the-requirements-of
25 [section-8]-may-not-be-licensed-after FOR ALL PURPOSES NO

1 LATER THAN June 30, 1989. (Subsection (2) terminates July 1,
2 1987--sec. 15, Ch. 720, L. 1985.)"

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5 Any city, town, or county governing body may issue to a
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8 of a licensed establishment. A machine may be licensed by a
9 city or town if located in the city or town or by the county
10 if the machine is not located in a city or town.

11 (2) In addition to the license fee paid under
12 23-5-612, a governing body may charge an annual license fee
13 for each license issued under this section. The license
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15 prorated.

16 (3) Such license fee may not exceed ~~\$1,000~~ \$500 \$100."

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18 Each keno machine must:

19 (1) be inspected in the state of Montana for
20 certification and licensure by the department;

21 (2) be connected with a system consisting of
22 player-operated terminals. The terminals must be intelligent
23 devices operated by the players in the manner specified in
24 this part.

25 (3) not have any switches, jumpers, wire posts, or any

1 other means of manipulation that could affect the operation
2 or outcome of a game; and

3 (4) offer only the game of keno and have the following
4 method of operation:

5 (a) the ~~numbered--objects~~ NUMBERS must be mixed after
6 each game ~~of-keno~~ is played;

7 (b) the game must have one memory location for each
8 number ~~in-the-receptacle~~. The ~~numbered-objects~~ NUMBERS must
9 be mixed by use of a random number generator.

10 (C) EACH GAME MUST HAVE A FIELD OF NUMBERS FROM 1 TO
11 75 OR 1 TO 80 FOR EACH GAME OF KENO OR BINGO THAT IS PLAYED.
12 THERE MUST BE AT LEAST 20 NUMBERS DRAWN IN EACH GAME.

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 15 format;
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 18 eight digits;
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 20 (ix) an encrypted validation number from which the
 21 validity of the prize can be determined;
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 23 must be printed and retained within the machine;
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 24 access memory; and
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2 parameters adjustable by or through any separate video
3 display or input codes, except for the adjustment of
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19 ~~REMOVED.~~

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21 external switch, an accounting ticket containing a
22 performance synopsis of the machine. The ticket must
23 contain:

- 24 (i) the name of the licensed establishment;
25 (ii) the name of the city, town, or county in which the

1 licensed establishment is located;

2 (iii) the license number of the machine;

3 (iv) the time of day, in hours and minutes in a 24-hour
4 format;

5 (v) the date; and

6 (vi) the electronic meter readings required by
7 subsection ~~{4}{i}~~ {4}{L}.

8 ~~NEW SECTION.~~ Section 9. Video draw poker and keno
9 machine net income tax -- records -- quarterly statement and
10 payment. (1) Each licensee shall pay to the department a
11 video draw poker and keno machine tax of 25% 15% of net
12 machine income from each video draw poker and keno machine
13 licensed under this part.

14 (2) Each licensee shall keep a record of net machine
15 income in such form as the department may require. The
16 records must at all times during the business hours of the
17 licensee be subject to inspection by the department, its
18 agents, or employees.

19 (3) Each licensee shall, within 15 days after the end
20 of each quarter, complete and deliver to the department a
21 statement showing the total net machine income from each
22 video draw poker and keno machine licensed to him, together
23 with the total amount due the state as video draw poker and
24 keno machine net income tax for the preceding quarter. The
25 statement must contain such other information as the

1 department may require.

2 (4) (A) The DEPARTMENT MUST DEPOSIT ONE-THIRD OF THE
3 tax collected under subsection (3) must-be-forwarded-to--the
4 state--treasurer--for--deposit in an--account-in-the-state
5 special-revenue-fund-to-the-credit-of-the-university-system-
6 Money-in-the-account-is--subject--to--appropriation--by--the
7 legislature--for--the-university-system-and-must-be-spent-in
8 accordance-with-the-appropriation THE GENERAL FUND.

9 (B) THE DEPARTMENT MUST FORWARD THE REMAINING
10 TWO-THIRDS OF THE TAX COLLECTED UNDER SUBSECTION (3) TO THE
11 TREASURER OF THE COUNTY, OR THE CLERK, FINANCE OFFICER, OR
12 TREASURER OF THE CITY OR TOWN IN WHICH THE LICENSED MACHINE
13 IS LOCATED, FOR DEPOSIT TO THE COUNTY OR MUNICIPAL TREASURY.
14 COUNTIES ARE NOT ENTITLED TO PROCEEDS FROM TAXES ON INCOME
15 FROM VIDEO DRAW POKER AND KENO MACHINES LOCATED IN CITIES
16 AND TOWNS. THE TWO-THIRDS LOCAL GOVERNMENT PORTION OF TAX
17 COLLECTED UNDER SUBSECTION (3) IS STATUTORILY APPROPRIATED
18 TO THE DEPARTMENT AS PROVIDED IN 17-7-502 FOR DEPOSIT TO THE
19 COUNTY OR MUNICIPAL TREASURY.

20 SECTION 10. SECTION 17-7-502, MCA, IS AMENDED TO READ:

21 "17-7-502. Statutory appropriations -- definition --
22 requisites for validity. (1) A statutory appropriation is an
23 appropriation made by permanent law that authorizes spending
24 by a state agency without the need for a biennial
25 legislative appropriation or budget amendment.

1 (2) Except as provided in subsection (4), to be
2 effective, a statutory appropriation must comply with both
3 of the following provisions:

4 (a) The law containing the statutory authority must be
5 listed in subsection (3).

6 (b) The law or portion of the law making a statutory
7 appropriation must specifically state that a statutory
8 appropriation is made as provided in this section.

9 (3) The following laws are the only laws containing
10 statutory appropriations:

- 11 (a) 2-9-202;
- 12 (b) 2-17-105;
- 13 (c) 2-18-812;
- 14 (d) 10-3-203;
- 15 (e) 10-3-312;
- 16 (f) 10-3-314;
- 17 (g) 10-4-301;
- 18 (h) 13-37-304;
- 19 (i) 15-31-702;
- 20 (j) 15-36-112;
- 21 (k) 15-70-101;
- 22 (l) 16-1-404;
- 23 (m) 16-1-410;
- 24 (n) 16-1-411;
- 25 (o) 17-3-212;

1 (p) 17-5-404;
 2 (q) 17-5-424;
 3 (r) 17-5-804;
 4 (s) 19-8-504;
 5 (t) 19-9-702;
 6 (u) 19-9-1007;
 7 (v) 19-10-205;
 8 (w) 19-10-305;
 9 (x) 19-10-506;
 10 (y) 19-11-512;
 11 (z) 19-11-513;
 12 (aa) 19-11-606;
 13 (bb) 19-12-301;
 14 (cc) 19-13-604;
 15 (dd) 20-6-406;
 16 (ee) 20-8-111;
 17 (ff) 23-5-612;
 18 (gg) 37-51-501;
 19 (hh) 53-24-206;
 20 (ii) 75-1-1101;
 21 (jj) 75-7-305;
 22 (kk) 80-2-103;
 23 (ll) 80-2-228;
 24 (mm) 90-3-301;
 25 (nn) 90-3-302;

1 (oo) 90-15-103; and
 2 (pp) Sec. 13, HB 861, L. 1985; and
 3 (qq) [section 9].

4 (4) There is a statutory appropriation to pay the
 5 principal, interest, premiums, and costs of issuing, paying,
 6 and securing all bonds, notes, or other obligations, as due,
 7 that have been authorized and issued pursuant to the laws of
 8 Montana. Agencies that have entered into agreements
 9 authorized by the laws of Montana to pay the state
 10 treasurer, for deposit in accordance with 17-2-101 through
 11 17-2-107, as determined by the state treasurer, an amount
 12 sufficient to pay the principal and interest as due on the
 13 bonds or notes have statutory appropriation authority for
 14 such payments.*

15 NEW SECTION. Section 11. Extension of authority. Any
 16 existing authority of the department of revenue to make
 17 rules on the subject of the provisions of this act is
 18 extended to the provisions of this act.

19 NEW SECTION. Section 12. Codification instruction.
 20 Sections 8 and 9 are intended to be codified as an integral
 21 part of Title 23, chapter 5, part 6, and the provisions of
 22 Title 23, chapter 5, part 6, apply to sections 8 and 9.

23 NEW SECTION. Section 13. Effective date. This act is
 24 effective June 30, 1987.

-End-

STANDING COMMITTEE REPORT

Business & Industry
HB 863
Page 2

SENATE

APRIL 8, 19 87

APRIL 8, 19 87

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration HOUSE BILL No. 863

THIRD reading copy (BLUE color)

WALLIN (NEUMAN)

NET INCOME TAX ON VIDEO POKER MACHINES

Respectfully report as follows: That HOUSE BILL No. 863 be amended as follows:

1. Page 2, line 8.
Following: "means"
Insert: " :
(a) with respect to the licensure of keno machines,"
2. Page 2, line 10.
Following: "23-5-421"
Insert: "; and
(b) with respect to the licensure of video draw poker machines, an establishment that is licensed to sell alcoholic beverages for consumption on the premises"
3. Page 2, following line 13.
Insert: "or keno machines"
4. Page 3, line 13.
Following: "poker"
Insert: "or keno"
5. Page 3, line 15.
Following: "poker"
Insert: ", bingo, or keno"

6. Page 5, line 20 through line 2 on page 6.
Following: "23-5-615." on line 20
Strike: remainder of line 20 through "towns." on line 2 of page 6
7. Page 6, lines 3 through 7.
Following: "year" on line 3
Insert: "."
Strike: remainder of line 3 through end of line 7
8. Page 15, line 17.
Strike: subsection (ff) in its entirety
Renumber: subsequent subsections

Amendments, HB 863
9098a/C:JEANNE\WP:jj

AND AS AMENDED,
BE CONCURRED IN

XXXXXX

(CONTINUED)

XXXXXXXXXX

ACK
SENATOR ALLEN C. KOLSTAD, Chairman

Allen C. Kolstad
SENATOR ALLEN C. KOLSTAD, CHAIRMAN

4867
5/11/87

..... April 9 19 87

MR. PRESIDENT:

WE, YOUR COMMITTEE ON BUSINESS AND INDUSTRY HAVING HAD UNDER CONSIDERATION HOUSE BILL NO. 863, ATTACH THE FOLLOWING STATEMENT OF INTENT:

STATEMENT OF INTENT
HOUSE BILL NO. 863

A statement of intent is required for this bill because section 3 gives the department the authority to adopt rules concerning the administration of the video draw poker and keno machine net income tax.

In promulgating rules the department should consider the procedures and policies of other states that have instituted a similar net income tax on video gaming machines. The rules should provide an orderly and efficient method for inspection by the department of licensee records and of collecting the tax.

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB863, third reading with senate amendments.

DESCRIPTION OF PROPOSED LEGISLATION:

An act revising the video draw poker machine control law by reducing the state and local license fees; defining keno machine; providing specifications for keno machines; imposing a video draw poker and keno machine net income tax; providing for net income tax distribution to the general fund; and providing an effective date.

ASSUMPTIONS:

1. Total poker machine license fees will be \$4,500,000 in FY88 and FY89 (Based on FY87 licensing data as of 4/13/87)
2. Average video poker machine net income is \$16,000 per year (Video Poker Bureau).
3. Average keno machine net income is \$5,000 per year. (Video Poker Bureau)
4. There will be 3,000 (full year) licensed video poker machines in FY88 and FY89. (Revised assumption based on FY87 licensing data as of 4/13/87).
5. There will be 3,000 keno machines licensed in FY88 and FY89. (Video Poker Bureau)
6. Under the proposed law verification of gaming machine net income and gaming testing requirements will require additional FTE's consisting of: 1 grade 8, step 2 compliance/collection technician; 1 administrative clerk grade 7, step 2; 1 field auditor grade 13, step 2; 1 assistant gaming tester grade 13, step 2 (combined salary and benefits).
7. The proposed law would become effective June 30, 1987. Therefore, poker and keno machine net income would be collected for three quarters in FY88 and all of FY89.
8. Under current law, for FY88 and FY89, administrative expenses are 3% of total license fees.
9. Under the proposal the \$100 license fee is used for administration.
10. The proposal will have no affect on manufacturer and distributor license fees - \$132,000 - FY88 and FY89. Expenditures - \$38,250 - FY88 and FY89 (HB66).

FISCAL IMPACT:

	<u>FY88</u>			<u>FY89</u>		
<u>Revenues:</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Video Poker and Keno License Fees	\$ 4,500,000	\$ 600,000	(\$3,900,000)	\$ 4,500,000	\$ 600,000	(\$3,900,000)
Video Poker and Keno Net Income Tax	0	7,087,500	7,087,500	0	9,450,000	9,450,000
Manufacturer/Distributor License Fees	132,000	132,000	0	132,000	132,000	0
TOTAL	\$ 4,632,000	\$ 7,819,500	\$3,187,500	\$ 4,632,000	\$ 10,182,000	\$5,550,000

David L. Hunter DATE 4/13/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

Norm Wallin DATE _____
 NORM WALLIN, PRIMARY SPONSOR

Fiscal Note for HB863, third reading with senate amendments.

HB 863 #2

Fiscal Note Request, HB863, third reading copy with senate amendments.

Form BD-15

Page 2

Expenditures:

	<u>Current Law</u>	<u>FY88</u> <u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>FY89</u> <u>Proposed Law</u>	<u>Difference</u>
Video Poker Program	\$ 304,744	\$ 696,661	\$ 391,917	\$ 302,948	\$ 635,497	\$ 332,549

Fund Information:

General Fund	\$ 1,454,999	\$ 2,362,498	\$ 907,499	\$ 1,454,999	\$ 3,149,997	\$1,694,998
Video Poker Program	\$ 267,000	\$ 732,000	\$ 465,000	\$ 267,000	\$ 732,000	\$ 465,000
Local Governments	\$ 2,910,001	\$ 4,725,002	\$1,815,001	\$ 2,910,001	\$ 6,300,003	\$3,390,002

HB 863
#2

1 STATEMENT OF INTENT

2 HOUSE BILL 863

3 Senate Business and Industry Committee

4
5 A statement of intent is required for this bill because
6 section 3 gives the department the authority to adopt rules
7 concerning the administration of the video draw poker and
8 keno machine net income tax.

9 In promulgating rules, the department should consider
10 the procedures and policies of other states that have
11 instituted a similar net income tax on video gaming
12 machines. The rules should provide an orderly and efficient
13 method for inspection by the department of licensee records
14 and of collecting the tax.

REFERENCE BILL
HB 863

HOUSE BILL NO. 863

INTRODUCED BY WALLIN, BRANDEWIE, KELLER, SIMON, HANSEN, HAYNE, PECK, HARP, THOMAS, BACHINI, COBB, ELLISON, PETERSON, THOFT, WINSLOW, COMPTON, HOFFMAN, KADAS, HANNAH, KITSELMAN, EUDAILY, GIACOMETTO, MENKE, MERCER, SWITZER, NELSON, NATHE, LORY, FRITZ, REAM, HARPER, MEYERS, CORNE', REHBERG, HANSON, DONALDSON

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE VIDEO POKER MACHINE CONTROL LAW BY REDUCING THE STATE AND LOCAL LICENSE FEES; DEFINING KENO MACHINE; PROVIDING SPECIFICATIONS FOR KENO MACHINES; IMPOSING A VIDEO DRAW POKER AND KENO MACHINE NET INCOME TAX; PROVIDING FOR NET INCOME TAX DISTRIBUTION TO THE UNIVERSITY-SYSTEM GENERAL FUND; AMENDING SECTIONS 17-7-502, 23-5-602, 23-5-603, 23-5-605, 23-5-607, 23-5-608, 23-5-612, AND 23-5-615, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 23-5-602, MCA, is amended to read:

"23-5-602. Definitions. As used in this part, the following definitions apply:

- (1) "Department" means the department of revenue.
(2) "Keno machine" means an electronic video game machine that, upon insertion of cash, is available to play

or simulate the play of the game of keno or bingo as provided in part 4 of this chapter, utilizing a video display and microprocessors, in which by the skill of the player or by chance, or both, the player may receive free games or credits that can be redeemed for cash. The term does not include a machine that directly dispenses coins, cash, tokens, or anything else of value.

(3) "Licensed establishment" means:

(A) WITH RESPECT TO THE LICENSURE OF KENO MACHINES, an establishment that is licensed to sell alcoholic beverages for consumption on the premises OR AN ESTABLISHMENT LICENSED UNDER 23-5-421; AND

(B) WITH RESPECT TO THE LICENSURE OF VIDEO DRAW POKER MACHINES, AN ESTABLISHMENT THAT IS LICENSED TO SELL ALCOHOLIC BEVERAGES FOR CONSUMPTION ON THE PREMISES.

(4) "Licensee" means an individual, partnership, or corporation that has been issued a license by the department for the placement and operation of video draw poker machines OR KENO MACHINES in the licensed establishment of the individual, partnership, or corporation.

(5) "Net machine income" means money put into a video draw poker or keno machine minus credits paid out in cash.

(6) "Used keno machine" means a keno machine, as that term is defined in this section, that is owned or possessed by an applicant on the day he applies for a license for the

1 used machine and that was owned or operated in the state
 2 prior to June 30, 1987.

3 ~~f4~~(7) "Used video draw poker machine" means a video
 4 draw poker machine, as that term is defined in this section,
 5 which is owned or possessed by an applicant on the day he
 6 applies for a license for the used machine and which was
 7 owned or operated in the state prior to February 3, 1984.

8 ~~f5~~(8) "Video draw poker machine" means an electronic
 9 video game machine that, upon insertion of cash, is
 10 available to play or simulate the play of the game of draw
 11 poker, as provided in this part, utilizing a video display
 12 and microprocessors in which, by the skill of the player or
 13 by chance, or both, the player may receive free games or
 14 credits that can be redeemed for cash. The term does not
 15 include a machine that directly dispenses coins, cash,
 16 tokens, or anything else of value."

17 Section 2. Section 23-5-603, MCA, is amended to read:

18 "23-5-603. Video draw poker OR KENO machines --
 19 possession -- play -- restriction. No person may place an
 20 electronic video game machine that simulates or offers a
 21 game of poker, BINGO, OR KENO in his licensed establishment
 22 unless he is licensed under 23-5-612. Machines licensed
 23 under 23-5-612 are legal, and it is legal to play such
 24 machines, except that a person under the age of 18 years may
 25 not play a video draw poker or keno machine. The provisions

1 of part 3 of this chapter do not apply to or prohibit video
 2 draw poker or keno machines or the playing of such
 3 machines."

4 Section 3. Section 23-5-605, MCA, is amended to read:
 5 "23-5-605. Powers and duties of the department --
 6 licensing. (1) The department shall administer the
 7 provisions of this part, except 23-5-615.

8 (2) The department shall adopt rules implementing this
 9 part, except 23-5-615, and:

10 (a) with respect to state licenses:

11 ~~fa~~(i) provide licensing procedures;

12 ~~fb~~(ii) prescribe necessary application forms; and

13 ~~fc~~(iii) grant or deny license applications;

14 (b) with respect to the video draw poker and keno
 15 machine net income tax:

16 (i) prescribe recordkeeping requirements for
 17 licensees;

18 (ii) provide a procedure for inspection of records; and

19 (iii) provide a method for collection of the tax; AND

20 (IV) ESTABLISH PENALTIES FOR THE DELINQUENT REPORTING
 21 AND PAYMENT OF THE REQUIRED TAX.

22 (3) The department may not deny or place a condition
 23 on a license except for reasonable cause.

24 (4) The department is a criminal justice agency, and
 25 designated employees are granted peace officer status with

1 powers of search, seizure, and arrest to regulate and
2 control those persons licensed under this part, except
3 23-5-615."

4 Section 4. Section 23-5-607, MCA, is amended to read:

5 "23-5-607. Expected payback -- verification. The
6 department shall prescribe the expected payback value of one
7 credit played to be at least 80% of the value of a credit.
8 Each video draw poker or keno machine must have an
9 electronic accounting device that the department may use to
10 verify the winning percentage."

11 Section 5. Section 23-5-608, MCA, is amended to read:

12 "23-5-608. Limitation on amount of money played and
13 value of prizes. A video draw poker or keno machine may not
14 allow more than \$2 to be played on a game or award free
15 games or credits in excess of the value of \$100 per hand."

16 Section 6. Section 23-5-612, MCA, is amended to read:

17 "23-5-612. State license -- fee -- used video draw
18 poker and bingo KENO machines. (1) (a) The department of
19 revenue, upon payment of the fee provided in subsection
20 (1)(b) and in conformance with rules adopted under 23-5-605,
21 shall issue to the licensee a license for each video draw
22 poker or bingo KENO machine.

23 (b) The department shall charge an annual license fee
24 of ~~\$17500~~ \$500 \$100 for each video draw poker machine and
25 \$100 for each keno machine. The department shall retain 5%

1 9% \$100 of the total license fee collected in fiscal years
2 ~~1986 and 1987 and shall retain 3% thereafter~~ for purposes of
3 administering this part, except 23-5-615. ~~The department~~
4 ~~shall deposit one-third of the remaining fee in the state~~
5 ~~general fund and forward two-thirds of the remaining fee to~~
6 ~~the treasurer of the county or the clerk, finance officer,~~
7 ~~or treasurer of the city or town in which the licensed~~
8 ~~machine is located, for deposit to the county or municipal~~
9 ~~treasury. Counties are not entitled to proceeds from fees~~
10 ~~on licensed machines located in cities and towns. The~~
11 ~~license expires on June 30 of each year, and the fee is~~
12 ~~prorated. The two-thirds local government portion of the~~
13 ~~annual fee is statutorily appropriated to the department as~~
14 ~~provided in 17-7-502 for deposit to the county or municipal~~
15 ~~treasury.~~

16 (2) A used video draw poker machine may be licensed
17 under subsection (1) without meeting the requirements of
18 23-5-606(4)(j), (4)(k), and (4)(o) if the applicant for
19 licensure can establish to the satisfaction of the
20 department that, on the date of application, he owns or
21 possesses a machine which was owned or operated in the state
22 prior to February 3, 1984. A license issued under this
23 subsection expires 1 year from the date of issuance or on
24 July 1, 1987, whichever occurs first.

25 (3) A used keno machine may be licensed under

1 subsection (1) without meeting the requirements of [section
 2 8] if the applicant for licensure can establish to the
 3 satisfaction of the department that, on the date of
 4 application, he owns or possesses a machine that was owned
 5 or operated in the state prior to June 30, 1987. A license
 6 issued under this subsection expires ~~1-year-from-the-date-of~~
 7 ~~issuance, but a machine not meeting the requirements of~~
 8 ~~section 8 may not be licensed after~~ FOR ALL PURPOSES NO
 9 LATER THAN June 30, 1989. (Subsection (2) terminates July 1,
 10 1987--sec. 15, Ch. 720, L. 1985.)"

11 Section 7. Section 23-5-615, MCA, is amended to read:
 12 "23-5-615. Licensing by local governing bodies. (1)
 13 Any city, town, or county governing body may issue to a
 14 person who meets the qualifications of 23-5-611 a license
 15 for each video draw poker machine to be used on the premises
 16 of a licensed establishment. A machine may be licensed by a
 17 city or town if located in the city or town or by the county
 18 if the machine is not located in a city or town.

19 (2) In addition to the license fee paid under
 20 23-5-612, a governing body may charge an annual license fee
 21 for each license issued under this section. The license
 22 expires on June 30 of each year, and the fee must be
 23 prorated.

24 (3) Such license fee may not exceed ~~\$17,000~~ \$500 \$100.
 25 NEW SECTION. Section 8. Keno machine specifications.

1 Each keno machine must:

2 (1) be inspected in the state of Montana for
 3 certification and licensure by the department;

4 (2) be connected with a system consisting of
 5 player-operated terminals. The terminals must be intelligent
 6 devices operated by the players in the manner specified in
 7 this part.

8 (3) not have any switches, jumpers, wire posts, or any
 9 other means of manipulation that could affect the operation
 10 or outcome of a game; and

11 (4) offer only the game of keno and have the following
 12 method of operation:

13 (a) the numbered-objects NUMBERS must be mixed after
 14 each game of keno is played;

15 (b) the game must have one memory location for each
 16 number in-the-receptacle. The numbered-objects NUMBERS must
 17 be mixed by use of a random number generator.

18 (C) EACH GAME MUST HAVE A FIELD OF NUMBERS FROM 1 TO
 19 75 OR 1 TO 80 FOR EACH GAME OF KENO OR BINGO THAT IS PLAYED.
 20 THERE MUST BE AT LEAST 20 NUMBERS DRAWN IN EACH GAME.

21 ~~(d)~~(D) the game must display the number of spaces
 22 picked for which free games or credits will be awarded and
 23 the number of free games or credits for each game;

24 ~~(e)~~(E) the machine must have doors to two OR MORE
 25 locking areas, one area containing the logic board and

1 software for the game of keno and the other OTHERS housing
 2 the cash compartment and mechanical meters. These areas must
 3 be locking and separated. Access to one from the other must
 4 not be allowed at any time.

5 ~~{e}~~(F) the machine must have two mechanisms,
 6 hereinafter referred to as "mechanism 1" and "mechanism 2",
 7 that accept quarters; THE MACHINE MAY HAVE A MECHANISM THAT
 8 ACCEPTS CASH IN THE FORM OF BILLS NOT TO EXCEED \$5.

9 (G) EACH QUARTER MUST REPRESENT ONE CREDIT;

10 (H) THE GAME MUST DISPLAY THE COMBINATIONS FOR WHICH
 11 FREE GAMES OR CREDITS WILL BE AWARDED AND THE NUMBER OF FREE
 12 GAMES OR CREDITS FOR EACH COMBINATION;

13 ~~{f}~~(I) the machine must be capable of printing a
 14 ticket voucher for the player at the completion of each
 15 game. If credits are owed the player, the ticket must
 16 contain:

- 17 (i) the name of the licensed establishment;
- 18 (ii) the name of the city, town, or county in which the
- 19 licensed establishment is located;
- 20 (iii) the value of the prize in numbers;
- 21 (iv) the value of the prize in words;
- 22 (v) the time of day, in hours and minutes in a 24-hour
- 23 format;
- 24 (vi) the date;
- 25 (vii) the machine license number or serial number up to

1 eight digits;

2 (viii) the sequential number of the ticket voucher; and
 3 (ix) an encrypted validation number from which the
 4 validity of the prize can be determined;

5 ~~{g}~~(J) an exact copy of each printed ticket voucher
 6 must be printed and retained within the machine;

7 ~~{h}~~(K) the machine must have nonresettable mechanical
 8 meters housed in the cash compartment that keep a permanent
 9 record of:

10 (i) TOTAL coins accepted by each BOTH coin acceptor
 11 ACCEPTORS;

12 (II) THE MACHINE MAY HAVE A MECHANISM THAT ACCEPTS CASH
 13 IN THE FORM OF BILLS;

14 ~~{i}~~(III) credits played by player;

15 ~~{i}~~(IV) credits won by player; and

16 ~~{iv}~~(V) credits printed out by the ticket voucher
 17 printer;

18 ~~{i}~~(L) the machine must contain electronic metering,
 19 using meters that record the following and display them on
 20 the video screen:

21 (i) total coins in mechanism 1, total coins in
 22 mechanism 2, and total coins in mechanisms 1 and 2 combined;

23 (II) IF THE MACHINE HAS A BILL ACCEPTOR, IT MUST
 24 CONTAIN ELECTRONIC METERING USING METERS THAT RECORD TOTAL
 25 COINS IN MECHANISMS 1 AND 2 COMBINED AND TOTAL CREDITS IN

1 THE BILL ACCEPTOR;
 2 {ii}{III} total credits, total credits played, and
 3 total credits won;
 4 {iii}{IV} total games of keno played and total games of
 5 keno won;
 6 {iv}{V} total errors from the logic board random
 7 access memory; and
 8 {v}{VI} total examination of electronic meters;
 9 {j}{M} the machine may not have any functions or
 10 parameters adjustable by or through any separate video
 11 display or input codes, except for the adjustment of
 12 features that are wholly cosmetic;
 13 {N}--THE--TERMINAL--SHALL--MAINTAIN--THREE--SEPARATE--COPIES
 14 IN--INDEPENDENT,--NONVOLATILE--MEMORIES--OF--ALL--DATA--IN
 15 SUBSECTIONS--(4){b}{i}--THROUGH--(4){b}{v}--AND--ANY--CURRENT
 16 GAME--DATA--TWO--OF--THESE--INDEPENDENT,--NONVOLATILE--MEMORIES
 17 SHALL--BE--CONTAINED--IN--A--REMOVABLE--MODULE--TO--ALLOW--OFF--LINE
 18 DATA--RECOVERY;
 19 {O}--ANY--TIME--CRITICAL--DATA--IS--ACCESSSED,--THERE--MUST--BE
 20 A--COMPARISON--OF--ALL--THREE--INDEPENDENT--NONVOLATILE--MEMORIES;
 21 IF--AT--ANY--TIME--ONE--COPY--DOES--NOT--MATCH--WITH--THE--OTHER--TWO,
 22 AN--ERROR--MUST--BE--RECORDED--AND--THE--MISMATCHED--COPY--CORRECTED;
 23 A--SYSTEM--FAILURE--MUST--RESULT--WHEN--NONE--OF--THE--THREE--MATCH--OR
 24 A--DETECTED--ERROR--CANNOT--BE--CORRECTED;
 25 {P}--ACCESS--TO--THE--AREA--CONTAINING--THE--LOGIC--BOARD--AND

1 SOFTWARE--MUST--BE--DETECTED--EVEN--IF--ACCESS--IS--MADE--WITH--POWER
 2 REMOVED;
 3 {k}{Q}{N} the machine must issue, by activation of an
 4 external switch, an accounting ticket containing a
 5 performance synopsis of the machine. The ticket must
 6 contain:
 7 (i) the name of the licensed establishment;
 8 (ii) the name of the city, town, or county in which the
 9 licensed establishment is located;
 10 (iii) the license number of the machine;
 11 (iv) the time of day, in hours and minutes in a 24-hour
 12 format;
 13 (v) the date; and
 14 (vi) the electronic meter readings required by
 15 subsection (4){i} (4)(L).
 16 NEW SECTION. Section 9. Video draw poker and keno
 17 machine net income tax -- records -- quarterly statement and
 18 payment. (1) Each licensee shall pay to the department a
 19 video draw poker and keno machine tax of 25% 15% of net
 20 machine income from each video draw poker and keno machine
 21 licensed under this part.
 22 (2) Each licensee shall keep a record of net machine
 23 income in such form as the department may require. The
 24 records must at all times during the business hours of the
 25 licensee be subject to inspection by the department, its

1 agents, or employees.

2 (3) Each licensee shall, within 15 days after the end
3 of each quarter, complete and deliver to the department a
4 statement showing the total net machine income from each
5 video draw poker and keno machine licensed to him, together
6 with the total amount due the state as video draw poker and
7 keno machine net income tax for the preceding quarter. The
8 statement must contain such other information as the
9 department may require.

10 (4) (A) The DEPARTMENT MUST DEPOSIT ONE-THIRD OF THE
11 TAX COLLECTED UNDER SUBSECTION (3) MUST BE FORWARDED TO THE
12 STATE TREASURER FOR DEPOSIT IN AN ACCOUNT IN THE STATE
13 SPECIAL REVENUE FUND TO THE CREDIT OF THE UNIVERSITY SYSTEM.
14 MONEY IN THE ACCOUNT IS SUBJECT TO APPROPRIATION BY THE
15 LEGISLATURE FOR THE UNIVERSITY SYSTEM AND MUST BE SPENT IN
16 ACCORDANCE WITH THE APPROPRIATION THE GENERAL FUND.

17 (B) THE DEPARTMENT MUST FORWARD THE REMAINING
18 TWO-THIRDS OF THE TAX COLLECTED UNDER SUBSECTION (3) TO THE
19 TREASURER OF THE COUNTY, OR THE CLERK, FINANCE OFFICER, OR
20 TREASURER OF THE CITY OR TOWN IN WHICH THE LICENSED MACHINE
21 IS LOCATED, FOR DEPOSIT TO THE COUNTY OR MUNICIPAL TREASURY.
22 COUNTIES ARE NOT ENTITLED TO PROCEEDS FROM TAXES ON INCOME
23 FROM VIDEO DRAW POKER AND KENO MACHINES LOCATED IN CITIES
24 AND TOWNS. THE TWO-THIRDS LOCAL GOVERNMENT PORTION OF TAX
25 COLLECTED UNDER SUBSECTION (3) IS STATUTORILY APPROPRIATED

1 TO THE DEPARTMENT AS PROVIDED IN 17-7-502 FOR DEPOSIT TO THE
2 COUNTY OR MUNICIPAL TREASURY.

3 SECTION 10. SECTION 17-7-502, MCA, IS AMENDED TO READ:

4 "17-7-502. Statutory appropriations -- definition --
5 requisites for validity. (1) A statutory appropriation is an
6 appropriation made by permanent law that authorizes spending
7 by a state agency without the need for a biennial
8 legislative appropriation or budget amendment.

9 (2) Except as provided in subsection (4), to be
10 effective, a statutory appropriation must comply with both
11 of the following provisions:

12 (a) The law containing the statutory authority must be
13 listed in subsection (3).

14 (b) The law or portion of the law making a statutory
15 appropriation must specifically state that a statutory
16 appropriation is made as provided in this section.

17 (3) The following laws are the only laws containing
18 statutory appropriations:

- 19 (a) 2-9-202;
- 20 (b) 2-17-105;
- 21 (c) 2-18-812;
- 22 (d) 10-3-203;
- 23 (e) 10-3-312;
- 24 (f) 10-3-314;
- 25 (g) 10-4-301;

1 (h) 13-37-304;
 2 (i) 15-31-702;
 3 (j) 15-36-112;
 4 (k) 15-70-101;
 5 (l) 16-1-404;
 6 (m) 16-1-410;
 7 (n) 16-1-411;
 8 (o) 17-3-212;
 9 (p) 17-5-404;
 10 (q) 17-5-424;
 11 (r) 17-5-804;
 12 (s) 19-8-504;
 13 (t) 19-9-702;
 14 (u) 19-9-1007;
 15 (v) 19-10-205;
 16 (w) 19-10-305;
 17 (x) 19-10-506;
 18 (y) 19-11-512;
 19 (z) 19-11-513;
 20 (aa) 19-11-606;
 21 (bb) 19-12-301;
 22 (cc) 19-13-604;
 23 (dd) 20-6-406;
 24 (ee) 20-8-111;
 25 ~~(ff) 23-5-612;~~

1 ~~(gg) (FF)~~ 37-51-501;
 2 ~~(hh) (GG)~~ 53-24-206;
 3 ~~(ii) (HH)~~ 75-1-1101;
 4 ~~(jj) (II)~~ 75-7-305;
 5 ~~(kk) (JJ)~~ 80-2-103;
 6 ~~(ll) (KK)~~ 80-2-228;
 7 ~~(mm) (LL)~~ 90-3-301;
 8 ~~(nn) (MM)~~ 90-3-302;
 9 ~~(oo) (NN)~~ 90-15-103; and
 10 ~~(pp) (OO)~~ Sec. 13, HB 861, L. 1985; and
 11 ~~(qq) (PP)~~ [section 9].

12 (4) There is a statutory appropriation to pay the
 13 principal, interest, premiums, and costs of issuing, paying,
 14 and securing all bonds, notes, or other obligations, as due,
 15 that have been authorized and issued pursuant to the laws of
 16 Montana. Agencies that have entered into agreements
 17 authorized by the laws of Montana to pay the state
 18 treasurer, for deposit in accordance with 17-2-101 through
 19 17-2-107, as determined by the state treasurer, an amount
 20 sufficient to pay the principal and interest as due on the
 21 bonds or notes have statutory appropriation authority for
 22 such payments."

23 NEW SECTION. Section 11. Extension of authority. Any
 24 existing authority of the department of revenue to make
 25 rules on the subject of the provisions of this act is

1 extended to the provisions of this act.

2 NEW SECTION. Section 12. Codification instruction.
3 Sections 8 and 9 are intended to be codified as an integral
4 part of Title 23, chapter 5, part 6, and the provisions of
5 Title 23, chapter 5, part 6, apply to sections 8 and 9.

6 NEW SECTION. Section 13. Effective date. This act is
7 effective June 30, 1987.

-End-

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COMMITTEE OF THE WHOLE AMENDMENT

4-14-87

SENATE

DATE

8:56

TIME

863

MR. CHAIRMAN: I MOVE TO AMEND House Bill No. _____

third reading copy (blue) as follows:
Color

1. Page 4, following line 13.
Insert: "(iv) Establish penalties for the delinquent reporting and payment of the required tax."
2. Page 8, line 25.
Following: "BILLS"
Insert: "not to exceed \$5"

11B
 ADOPT
 REJECT

Neuman
 Senator Neuman