

HOUSE BILL 669

Introduced by Fagg, et al.

3/10	Introduced
3/10	Referred to Taxation
3/10	First Reading
3/10	Fiscal Note Requested
3/15	Fiscal Note Received
3/16	Hearing
3/16	Fiscal Note Printed
3/19	Committee Report--Bill Passed
3/22	2nd Reading Indefinitely Postponed
3/23	Motion Failed to Reconsider Previous Action and Place Back on 2nd Reading

1 House BILL NO. 669  
2 INTRODUCED BY Jerry B. Bannan  
3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE  
5 TAXATION OF VIDEO GAMBLING MACHINE INCOME; BASING A TAX ON  
6 THE VIDEO GAMBLING MACHINE INCOME FOR EACH ESTABLISHMENT;  
7 REVISING THE DISTRIBUTION OF VIDEO GAMBLING MACHINE TAXES;  
8 AMENDING SECTION 23-5-610, MCA; AND PROVIDING AN EFFECTIVE  
9 DATE AND AN APPLICABILITY DATE."

10  
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 **Section 1.** Section 23-5-610, MCA, is amended to read:

13 "23-5-610. (Temporary) Video gambling machine gross  
14 income tax -- records -- distribution -- quarterly statement  
15 and payment. (1) A licensed operator issued a permit under  
16 this part shall pay to the department a video gambling  
17 machine tax of 15% of the gross income from each video  
18 gambling machine licensed under this part. A licensed  
19 operator may deduct from the gross income amounts equal to  
20 amounts stolen from machines if the amounts are not repaid  
21 by insurance and if a law enforcement agency investigated  
22 the theft.

23 (2) A licensed operator issued a permit under this part  
24 shall keep a record of the gross income from each machine in  
25 such form as the department may require. The records must at

1 all times during the business hours of the licensee be  
2 subject to inspection by the department.

3 (3) A licensed operator issued a permit under this part  
4 shall, within 15 days after the end of each quarter,  
5 complete and deliver to the department a statement showing  
6 the total gross income from each video gambling machine  
7 licensed to him, together with the total amount due the  
8 state as video gambling machine gross income tax for the  
9 preceding quarter. The statement must contain other relevant  
10 information as the department may require.

11 (4) (a) The department shall forward one-third of the  
12 tax collected under subsection (3) and the surtax imposed by  
13 23-5-646 to the general fund.

14 (b) The department shall forward the remaining  
15 two-thirds of the tax collected under subsection (3) to the  
16 treasurer of the county or the clerk, finance officer, or  
17 treasurer of the city or town in which the licensed machine  
18 is located, for deposit to the county or municipal treasury.  
19 Counties are not entitled to proceeds from taxes on income  
20 from video gambling machines located in incorporated cities  
21 and towns. The two-thirds local government portion of tax  
22 collected under subsection (3) is statutorily appropriated  
23 to the department as provided in 17-7-502 for deposit to the  
24 county or municipal treasury.

25 23-5-610. (Effective on receipt of taxes for calendar

quarter ending June 30, 1993) Video gambling machine gross income tax -- records -- distribution -- quarterly statement and payment. (1) (a) A licensed operator issued a permit under this part shall pay to the department a video gambling machine tax ~~of--15%--of--the~~ on gross income for each establishment from each all video gambling machine machines licensed for use in the establishment under this part, according to the following schedule:

(i) 14% on the first \$30,000 or less of gross machine income;

(ii) 16% on the next \$10,000 or less of gross machine income;

(iii) 18% on the next \$10,000 or less of gross machine income; and

(iv) 20% on the gross machine income in excess of \$50,000.

(b) A licensed operator may deduct from the gross income amounts equal to amounts stolen from machines if the amounts are not repaid by insurance and if a law enforcement agency investigated the theft.

(2) A licensed operator issued a permit under this part shall keep a record of the gross income from each machine in such the form as the department may require. The records must at all times during the business hours of the licensee be subject to inspection by the department.

(3) A licensed operator issued a permit under this part shall, within 15 days after the end of each quarter, complete and deliver to the department a statement showing the total gross machine income for the establishment from each all video gambling machine machines licensed to him the operator for the establishment, together with the total amount due the state as video gambling machine gross income tax for the preceding quarter. The statement must contain other relevant information as the department may require.

(4) (a) The department shall forward one-third to the state general fund the amount of the tax collected under subsection (3) to-the-general-fund that is in excess of an amount calculated to represent a tax rate of 10% on the gross machine income for each establishment.

(b) The department shall forward the remaining two-thirds amount that is calculated to represent a tax rate of 10% on the gross machine income for each establishment and that was of-the-tax collected under subsection (3) to the treasurer of the county or the clerk, finance officer, or treasurer of the city or town in which the licensed machine establishment is located, for deposit to the county or municipal treasury. Counties are not entitled to proceeds from taxes on income from video gambling machines in establishments located in incorporated cities and towns. The two-thirds local government portion of tax collected under

1 subsection (3) is statutorily appropriated to the department  
2 as provided in 17-7-502 for deposit to the county or  
3 municipal treasury."

4 NEW SECTION. **Section 2.** Effective date. [This act] is  
5 effective July 1, 1993.

6 NEW SECTION. **Section 3.** Applicability. [This act]  
7 applies to all video gambling machine tax revenue recorded  
8 on or after July 1, 1993, regardless of when the tax  
9 obligation accrued.

-End-

## STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0669, as introduced.

**DESCRIPTION OF PROPOSED LEGISLATION:** An act generally revising the taxation of video gambling machine income; basing a tax on the video gambling machine income for each establishment; revising the distribution of video gambling machine taxes; and providing an effective date and an applicability date.

**ASSUMPTIONS:****Department of Revenue**

1. Total current law video gambling tax collections are \$30,094,008 in FY94 and \$32,412,029 FY95 (ROC).
2. Total gross machine income from video gambling is \$200,627,000 in FY94 and \$216,080,000 in FY95 (MDOR).
3. The distribution of gross machine income across establishments will be the same in FY94 and FY95 as it was in FY92.
4. The current law tax rate on gross machine income is 15.00%.
5. The proposed law quarterly tax rate is 14% on the first \$30,000 of gross establishment income; 16% on the next \$10,000 of gross establishment income; 18% of the next \$10,000 of gross establishment income; and 20% on the gross establishment income in excess of \$50,000.
6. Tax revenue received within 60 days of the close of a fiscal year is accrued to that fiscal year (MDOR).
7. The proposed legislation is applicable to gross establishment earned after June 30, 1993 (MDOR).

**Department of Justice**

8. The gaming tax distribution computer programs would have to be rewritten in FY93, at a cost of approximately \$10,000 (250 hours x \$40), in order to provide the proper distribution of revenue received on or after July 1, 1993. A budget amendment may be necessary to provide sufficient state special revenue appropriation authority.
9. The proposed revisions to tax "establishment" gross income rather than machine gross income may have some impact on the ability of current level staff, as reduced during this legislative session, to perform compliance work on a timely basis.

**FISCAL IMPACT:**

	FY '94			FY '95		
Revenues:	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
General Fund	10,031,000	13,611,000	3,580,000	10,804,00	14,869,000	4,065,000
Local Governments	20,063,000	20,063,000	0	21,608,000	21,608,000	0
Total Video Gaming Tax	30,094,000	33,674,000	3,580,000	32,412,000	36,477,000	4,065,000

**EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:**

There is no impact on local government video gambling tax revenues.

*David Lewis* 3-15-93  
 DAVID LEWIS, BUDGET DIRECTOR DATE  
 Office of Budget and Program Planning

*Russell Fagg* 3-16-93  
 RUSSELL FAGG, PRIMARY SPONSOR DATE

Fiscal Note for HB0669, as introduced.

HB 669

APPROVED BY COMMITTEE  
ON TAXATION

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2 INTRODUCED BY Jess Barber  
3

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