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House BILL NO. *209*

INTRODUCED BY _____

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING VIDEO GAMBLING MACHINE GROSS INCOME TAXES; DEDICATING THE INCREASED PERCENTAGE OF THE TAX TO REIMBURSEMENTS FOR PERSONAL PROPERTY TAX REDUCTION; AMENDING SECTION 23-5-610, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

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

"23-5-610. Video gambling machine gross income tax -- records -- distribution -- quarterly statement and payment. (1) A licensed operator issued a permit under this part shall pay to the department a video gambling machine tax of ~~45%~~ 30% of the gross income from each video gambling machine licensed under this part. A licensed operator may deduct from the gross income amounts equal to amounts stolen from machines if the amounts stolen are not repaid by insurance or under a court order, if a law enforcement agency investigated the theft, and if the theft is the result of either unauthorized entry and physical removal of the money from the machines or of machine tampering and the amounts stolen are documented.

(2) A licensed operator issued a permit under this part shall keep a record of the gross income from each machine in the form the department requires. 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 income from each video gambling machine licensed to the operator, 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 that the department requires.

(4) (a) The department shall, in accordance with the provisions of 15-1-501, forward ~~one-third~~ 16% of the tax collected under subsection (3) to the general fund.

(b) The department shall, in accordance with the provisions of 15-1-501, forward ~~the remaining~~

1 ~~two-thirds~~ 34% of the tax collected under subsection (3) to the treasurer of the county or the clerk, finance
2 officer, or treasurer of the city or town in which the licensed machine is located, for deposit to the county
3 or municipal treasury. Counties are not entitled to proceeds from taxes on income from video gambling
4 machines located in incorporated cities and towns. The ~~two-thirds~~ local government portion of tax collected
5 under subsection (3) is statutorily appropriated to the department as provided in 17-7-502 for deposit to
6 the county or municipal treasury.

7 (c) The department shall deposit the remaining 50% of the tax collected under subsection (3) in
8 the state special revenue fund to be used for reimbursements to local governments as provided in
9 15-1-112."

10
11 NEW SECTION. Section 2. Applicability. [Section 1] applies to taxes for the quarter commencing
12 July 1, 1997.

13
14 NEW SECTION. Section 3. Effective date. [This act] is effective July 1, 1997.

15 -END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0209, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act increasing video gambling machine gross income taxes; dedicating the increased percentage of the tax to reimbursements for personal property tax reduction.

ASSUMPTIONS:

1. There would be no change in the number of machines permitted by location operators as a result of implementation of this bill.
2. The video gambling machine tax would increase from 15 percent to 30 percent of the gross income from each licensed machine.
3. Reported gross income would be in line with amounts projected by the Revenue Oversight Committee. Figures below are estimated on revenue collections of \$69,406,000 in fiscal 1998 and \$71,930,000 in fiscal 1999 (with 30% tax).
4. The Department of Revenue would establish a state special revenue account for the deposit of 50 percent of the tax collected under this bill, to replace the general fund used in carrying out 15-1-112, MCA.
5. Any increase in Department of Justice expenditures resulting from implementation of this bill will be negligible. The change represents an increase in the percentage and would require a modification of the Video Gambling Machine Tax Quarterly Report. However, the cost of making such a change would be negligible.
6. Under the aforementioned assumptions video gambling machine tax revenue collected will double. All of the increase will be dedicated to reimbursements of personal property tax. However, the distribution percentages used in this bill represent a 0.5 percent reduction in the percentage now used to determine the state general fund share.

FISCAL IMPACT:

Net Impact:

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
General Fund (01)	(462,707)	(479,533)
State Special Revenue (02)	<u>34,703,000</u>	<u>35,965,000</u>
	34,240,293	35,485,467

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The distribution percentages contained in this bill represent an increase in the local government share of revenue of approximately 0.5 percent over the percentage now used.

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
Local General Fund	462,707	479,533

TECHNICAL NOTES:

(Continued)

Dave Lewis 1-15-97
 DAVE LEWIS, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

ROD MARSHALL, PRIMARY SPONSOR DATE

Fiscal Note for HB0209, as introduced

HB 209

1. If the sponsor's intent was that the impact on state and local government general funds would be revenue neutral, the state general fund distribution percentage will have to be raised to sixteen and one-half percent (16.5%), and the local government share will have to be decreased to thirty three and one-half percent (33.5%)
2. The bill is unclear how it would interact with the reimbursement procedures contained in 15-1-112(4-13), MCA. Current law allows local governments to deduct their reimbursement from 40 mill revenues remitted to the state. The proposal implies the state would directly reimburse local governments from the new state special revenue account. Coordinating language is necessary.
3. The proposal generates approximately twice the amount of revenue needed for reimbursements under 15-1-112 relative to HJR 2 amounts. The excess funds would remain in the state special revenue account in the current form of the bill.

DEDICATION OF REVENUE:

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (Please explain)

The intent of the bill is to use the increased video gambling tax to off set general fund reimbursements of personal property tax to local governments. The funds should be deposited in the general fund rather than establishing a state special revenue account.

- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund? None.
- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program/activity that is intended? X Yes No (if no, explain)
- d) Does the need for this state special revenue provision still exist? X Yes X No (Explain) The funds should be deposited to the general fund. Putting the funds in a state special revenue account is an unnecessary step.
- e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please explain) No.
- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please explain) Increased revenues to the state.
- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?) n/a