

REVENUE ESTIMATING CONFERENCE

TAX: Slot Machines
ISSUE: 1,500 machines, 50% tax rate
BILL NUMBER(S): Chapter 362, 2005 Laws of Florida
SPONSOR(S): Business Regulation Committee and Atkisson
MONTH/YEAR COLLECTION IMPACT BEGINS: Upon becoming law
DATE OF ANALYSIS: February 20, 2006

SECTION 1: NARRATIVE

a. Current Law: No taxes are imposed on slot machines in pari-mutuel facilities.

b. Proposed Change: Chapter 551, F.S., is created to regulate and tax slot machines in pari-mutuel facilities. The bill allows for 1,500 machines per facility, with no restriction on whether the machines must be Class 2 only. The following taxes and fees are imposed:

- Tax to EETF on slot machine revenues on each facility: 50%
- License fee: \$3.0 million per facility per year
- Compulsive or Addictive Gambling Prevention Program Regulatory Fee: \$250,000 per facility per year
- Occupational Licenses: General up to \$50 per year, set by the Department of Business and Professional Regulation
 - Business up to \$1,000 per year, set by DBPR
 - Professional up to \$50 per year, set by DBPR

The bill also imposes various fines and penalties which are not addressed by this analysis. The tax on slot machine revenues is explicitly exempt from the General Revenue Service Charge, while the other fees are not. Because of the sweep to General Revenue of unexpended funds in the Parimutuel Wagering Trust Fund it is not clear whether General Revenue will net any additional revenue from the service charge.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

- LaFleur’s 2005 World Lottery Almanac
- Iowa Racing and Gaming Commission Web Page
- Discussions with the industry concerning facilities plans
- Discussions with DBPR concerning implementation

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

SEE ATTACHED.

SECTION 4: PROPOSED FISCAL IMPACT

State Impact—All Funds	FY 2006-07 Annualized	FY 2006-07 Cash	FY 2007-08 Cash
High Slot machine revenue tax			
Sales Tax			
Lottery to EETF			
Facility license fees			
Gambling Regulatory Fee			
Occupational License Fees			
Middle Slot machine revenue tax	\$270.0	\$97.5	\$225.0
Sales Tax	(\$21.1)	(\$7.6)	(\$17.6)
Lottery to EETF	(\$15.7)	(\$5.7)	(\$13.1)
Facility license fees	\$12.0	\$12.0	\$12.0
Gambling Regulatory Fee	\$1.0	\$1.0	\$1.0
Occupational License Fees	Indeterminate	Indeterminate	Indeterminate
Low Slot machine revenue tax			
Sales Tax			
Lottery to EETF			
Facility license fees			
Gambling Regulatory Fee			
Occupational License Fees			

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SECTION 5: CONSENSUS ESTIMATE (ADOPTED 2/20/06) The conference adopted the proposed estimate, but chose to have an indeterminate estimate for 2006-07 due to uncertainty about when operations would actually be able to begin. It is possible that some license fees would be received in 2005-06 if temporary licenses are granted before June 30, 2005.

	FY 2006-07 Annualized	FY 2006-07 Cash	FY 2007-08 Cash
General Revenue—Sales Tax	(\$18.8)	(Indeterminate)	(\$15.7)
General Revenue—Service Charge, Gaming License	.9	.9	.9
General Revenue—Service Charge, Gambling Fee	.1	.1	.1
General Revenue—Service Charge, Occupational Licenses	Indeterminate	Indeterminate	Indeterminate
State Trust:			
EETF Lottery Loss	(\$15.7)	(Indeterminate)	(\$13.1)
EETF Slot machine revenue tax	\$270.0	Indeterminate	\$225.0
Parimutuel Wagering Trust Fund Gaming License	\$11.1	\$11.1	\$11.1
Parimutuel Wagering Trust Fund Gambling Regulatory Fee	\$.9	\$.9	\$.9
Occupational License Fees	Indeterminate	Indeterminate	Indeterminate
Total State Impact			
Revenue Sharing	(\$.6)	(Indeterminate)	(\$.5)
Local Gov't Half Cent	(\$1.7)	(Indeterminate)	(\$1.4)
Local Option	(\$1.7)	(Indeterminate)	(\$1.4)
Total Local Impact	(\$3.9)	(Indeterminate)	(\$3.3)
Total Impact			

Chapter 362, 2005 Laws of Florida
Slot Machine Amendment Implementation
1500 Class III Machines, 50% Tax rate
Revised 2/20/06

	2006-07	2007-08	2008-09	2009-10	2010-11
Slot machines per location	1,500	1,500	1,500	1,500	1,500
Net Machine Income/Machine	\$65,000	\$75,000	\$90,000	\$ 95,489	\$ 101,315
Implementation Factor	50%	100%	100%	100%	100%
Net Terminal Income/facility	\$48,750,000	\$112,500,000	\$135,000,000	\$143,233,500	\$151,972,500
Tax per facility: 50%	\$24,375,000	\$56,250,000	\$67,500,000	\$71,616,750	\$75,986,250
Number of facilities	4	4	4	4	4
Total Tax	\$97,500,000	\$225,000,000	\$270,000,000	\$286,467,000	\$303,945,000
Lottery Loss	\$5,655,000	\$13,050,000	\$15,660,000	\$16,615,086	\$17,628,810
Sales Tax Loss	\$7,605,000	\$17,550,000	\$21,060,000	\$22,344,426	\$23,707,710
Net Revenue from Slot Activity	\$84,240,000	\$194,400,000	\$233,280,000	\$247,507,488	\$262,608,480
Slot Machine Gaming License	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000
Gambling Regulatory Fee	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Occupational License Fees (General, Business, and Professional)	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Assumed source of spending					
% from tourists/non-taxable spending	25.0%	25.0%	25.0%	25.0%	25.0%
% from spending subject to Sales Tax	65.0%	65.0%	65.0%	65.0%	65.0%
% from current Lottery	10.0%	10.0%	10.0%	10.0%	10.0%
% from Parimutuels	0.0%	0.0%	0.0%	0.0%	0.0%

Video Lottery Terminals at Pari-Mutuel Locations

	Start Date	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Delaware	Dec. 1995													
Net Machine Income					76.7	254.6	326.7	377.7	450.1	501.0	565.5	524.5	530.0	573.8
% Change						231.94%	28.32%	15.61%	19.17%	11.31%	12.87%	-7.25%	1.05%	8.26%
Installed VLTs					1,287	2,580	2,702	3,493	5,037	5,151	5,327	5,430	6,410	6,581
Total VLT Locations					2	3	3	3	3	3	3	3	3	3
VLTs/Location					644	860	901	1,164	1,679	1,717	1,776	1,810	2,137	2,194
Total State Population					0.741	0.751	0.763	0.775	0.784	0.796	0.804	0.817	0.820	0.830
Per Capita Per'l Income					26,991	27,830	28,702	29,806	31,122	32,161	33,286			
% Change						3.11%	3.14%	3.85%	4.42%	3.34%	3.50%			
Net Mach Income/VLT					59,596	98,682	120,910	108,131	89,359	97,263	106,157	96,593	82,683	87,190
Net Mach Inc Per Capita					103.51	339.01	428.18	487.35	574.11	629.40	703.36	641.98	646.34	691.33
% of Per Capita Inc					0.38%	1.22%	1.49%	1.64%	1.84%	1.96%	2.11%			
R. Island	Start Date	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
	Sep. 1992													
Net Machine Income		16.4	27.7	57	86.6	112.3	131.5	155.3	194.7	229.1	281.0	314.8	358.9	399.2
% Change						29.68%	17.10%	18.10%	25.37%	17.67%	22.65%	12.03%	14.01%	11.23%
Installed VLTs		1282	1282	1628	1628	1628	1628	1628	1628	2478	2478	3272	3563	4072
Total VLT Locations		2	2	2	2	2	2	2	2	2	2	2	2	2
VLTs/Location		641	641	814	814	814	814	814	814	1,239	1,239	1,636	1,782	2,036
Total State Population			1,016	1,019	1,021	1,025	1,031	1,040	1,048	1,059	1,066	1,076	1,078	1,080
Per Capita Per'l Income					23,996	24,683	27,061	27,981	29,198	30,028	30,929			
% Change						2.86%	9.63%	3.40%	4.35%	2.84%	3.00%			
Net Mach Income/VLT		12,793	21,607	35,012	53,194	68,980	80,774	95,393	119,595	92,454	113,398	96,210	100,730	98,035
Net Mach Inc Per Capita			27.26	55.94	84.82	109.56	127.55	149.33	185.78	216.34	263.60	292.57	332.93	369.63
% of Per Capita Inc					0.35%	0.44%	0.47%	0.53%	0.64%	0.72%	0.85%			
W. Virginia	Start Date	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
	Jun. 1992													
Net Machine Income (tracks only)				28.1	47.2	82.3	131.5	190.6	283.2	438.1	595.9	717.1	854.9	894.5
% Change						74.36%	59.78%	44.94%	48.58%	54.70%	36.02%	20.34%	19.21%	4.64%
Installed VLTs				1130	1,885	2,305	2,880	3,435	4,590	6,240	7,021	10,240	10,802	11,426
Total VLT Locations				3	3	3	4	4	4	4	4	4	4	4
VLTs/Location				377	628	768	720	859	1,148	1,560	1,755	2,560	2,701	2,857
Total State Population					1,823	1,819	1,816	1,812	1,808	1,802	1,800	1,810	1,815	1,820
Per Capita Per'l Income					18,486	18,692	20,154	20,861	21,737	22,697	23,605			
% Change						1.11%	7.82%	3.51%	4.20%	4.42%	4.00%			
Net Mach Income/VLT				24,867	25,040	35,705	45,660	55,488	61,699	70,208	84,874	70,029	79,139	78,289
Net Mach Inc Per Capita					25.89	45.24	72.41	105.19	156.64	243.12	331.06	396.19	471.00	491.50
% of Per Capita Inc					0.14%	0.24%	0.36%	0.50%	0.72%	1.07%	1.40%			
Iowa	Start Date	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
	Mar. 1995													
Net Machine Income				271.5	253.3	259.2	280.9	300.8	300.8	298.0	314.7	314.9	336.0	350.4
% Change					-6.70%	2.33%	8.37%	7.08%	-0.93%	5.60%	0.06%	6.70%	4.30%	
Installed VLTs				2,820	2,851	2,910	3,008	3,126	3,503	3,574	3,574	3,505	3,513	3,736
Total VLT Locations				3	3	3	3	3	3	3	3	3	3	3
VLTs/Location				940	950	970	1,003	1,042	1,168	1,191	1,168	1,168	1,171	1,245
Total State Population				2,880	2,891	2,903	2,918	2,926	2,923	2,920	2,944	2,954		
Per Capita Per'l Income				22,326	22,829	24,389	25,188	26,452	27,301	28,256				
% Change					2.25%	6.83%	3.28%	5.02%	3.21%	3.50%				
Net Mach Income/VLT				96,277	88,846	89,072	93,384	96,225	85,070	88,053	89,843	95,645	93,801	
Net Mach Inc Per Capita				94.27	87.62	89.29	96.26	102.80	101.95	107.77	106.96	113.74		
% of Per Capita Inc				0.42%	0.38%	0.37%	0.38%	0.39%	0.37%	0.38%				
Average VLTs/Location		1997	1998	1999	2000	2001	2002	2003	2004	2005				
Average of two highest states (2001-02)		848	851	960	1,171	1,421	1,490	1,794	1,947	2,083				
Average of two lowest states (2001-02)		814	810	1,012	1,413	1,639	1,765	2,185	2,419	2,525				
		877	882	892	908	928	1,203	1,215	1,402	1,476				
Average Net Mach Inc/VLT		73,053	84,104	88,099	91,719	86,249	98,120	88,169	89,549	89,329				
Tax Rates:														
Delaware											36%			
Iowa											20%			
Louisiana											30%			
Montana											15.0%			
Oregon											59%			
Rhode Island											62%			
South Dakota											48%			
West Virginia											39%			

Source: La Fleur 2005 Video Lottery Terminal Report, State of Iowa Racing and Gaming Commission (<http://www.state.ia.us/irgc/gamingpage2.htm>), and the U.S. Statistical Abstract