

FISCAL NOTE

Requested by Legislative Council
12/16/2010

Bill/Resolution No.: SB 2042

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2009-2011 Biennium | | 2011-2013 Biennium | | 2013-2015 Biennium | |
|----------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | (\$10,800,000) | | (\$10,800,000) | |
| Expenditures | | | | (\$10,000) | | (\$10,000) |
| Appropriations | | | | (\$10,000) | | (\$10,000) |

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

| 2009-2011 Biennium | | | 2011-2013 Biennium | | | 2013-2015 Biennium | | |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| | | | | | | | | |

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill significantly would reduce the gaming and excise taxes paid by charitable gaming organizations, which would result in a \$10.8 million general fund revenue reduction. It also would reduce the amount paid to cities and counties by \$10,000 in other funds as a result of this tax change.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Assuming no change in gross wagers, a 1% tax on gross wagers would reduce the total general fund taxes collected from the charitable gaming industry by \$10.8 million, from \$15.8 to \$5 million (\$500,000,000 gross wager x 1%) for the 2011-13 and 2013-15 biennia. The significant gaming and excise tax reduction reflected in Section 1 on page 3 of the bill would reduce by \$10,000 the amount paid to cities and counties for gaming enforcement, even with the gaming and excise tax payback rate increase from 3% to 10% of the amount of the taxes collected. The current tax payback is \$510,000 per biennium.

Based on current gaming and excise taxes paid by the charitable gaming organizations, the tax rate on gross wagers as outlined in Section 3 (page 3) of this bill would need to be 3.16% to bring in the current \$15.8 million in taxes per biennium on \$250,000,000 of wagers each year.

The increase in allowable expenses, from 51% to 60% on the first \$200,000 in adjusted gross proceeds and 45% over \$200,000 in adjusted gross proceeds, would have no fiscal impact on this bill because the tax is currently based on gross wagers.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Assuming no change in gross wagers, a 1% tax on gross wagers would reduce the total general fund taxes collected from the charitable gaming industry by \$10.8 million for the next biennium, from \$15.8 to \$5 million (\$500,000,000 gross wager x 1%) for the 2011-13 and 2013-15 biennia.

Based on current gaming and excise taxes paid by the charitable gaming organizations, the tax rate on gross wagers

as outlined in Section 3 (page 3) of this bill would need to be 3.16% to bring in the current \$15.8 million in taxes per biennium on \$250,000,000 of wagers each year.

The increase in allowable expenses, from 51% to 60% on the first \$200,000 of adjusted gross proceeds and 45% over \$200,000 of adjusted gross proceeds, would have no fiscal impact because the tax is currently based on gross wagers.

- B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Other funds expenditures would be reduced by \$10,000 for the 2011-13 and 2013-15 biennia. The significant gaming and excise tax reduction reflected in Section 1 on page 3 of the bill would reduce by \$10,000 the amount paid to cities and counties for gaming enforcement, even with the gaming and excise tax payback rate increase from 3% to 10% of the amount of the taxes collected. Currently \$510,000 is appropriated for the 2009-11 and 2011-13 biennia.

- C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Other funds appropriations would be reduced by \$10,000 for the 2011-13 and 2013-15 biennia. The significant gaming and excise tax reduction reflected in Section 1 on page 3 of the bill would reduce by \$10,000 the amount paid to cities and counties for gaming enforcement, even with the gaming and excise tax payback rate increase from 3% to 10% of the amount of the taxes collected. Currently \$510,000 is appropriated for the 2009-11 and 2011-13 biennia.

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