

**Interim Judiciary Committee
Fiscal Impact of Tax Rate Changes
September 8, 2010**

Currently Gross Proceeds (wagers) from charitable gaming has been averaging about \$250 million per year or \$500 million for the biennium. The original bill draft indicates that pull tab and bingo excise taxes (3% of gross wagers on these game types) and gaming taxes (5 – 20% of adjusted gross for all game types) amounts to an average tax rate of 3.16% of Gross Proceeds or \$7.9 million per year or \$15.8 million for the biennium.

At the May 10, 2010, Judiciary Committee meeting the Office of Attorney General was asked to provide the committee with the fiscal impact of various gaming tax rates less than the current average tax rate of 3.16% which is revenue-neutral to the state. The various tax rates included 1%, 1.5%, 2%, and 2.5% of Gross Proceeds.

Based on the current wagering level and average tax rate, each ½% decrease in the tax rate on Gross Proceeds represents a \$1,250,000 decrease in taxes collected per year or \$2.5 million per biennium. Therefore, if the tax rate was reduced from 3.16% to 2.5% on \$250 million in Gross Proceeds, the taxes collected would be \$6,250,000 per year ($\$250,000,000 \times 2.5\% = \$6,250,000$) or \$12.5 million for the biennium. The actual gaming tax collections for the state during the biennium would therefore be reduced by \$3,300,000 ($\$15,800,000 - \$12,500,000 = \$3,300,000$).

Furthermore, if the tax rate was reduced from 3.16% to 2% the taxes collected would be reduced to \$5 million per year ($\$250,000,000 \times 2\% = \$5,000,000$) or \$10 million for the biennium. A tax reduction to 1.5% of Gross Proceeds would reduce tax collection to \$3,750,000 per year ($\$250,000,000 \times 1.5\% = \$3,750,000$) or \$7,500,000 for the biennium and a tax reduction to 1% of Gross Proceeds would reduce tax collections to \$2,500,000 per year ($\$250,000,000 \times 1\% = \$2,500,000$) or \$5 million for the biennium.

Note - Because the original bill was revenue-neutral to the state, the new subsection 3 of Section 3 of the bill (top of page 4) was not adjusted from the current three percent of total gaming taxes collected which is allocated back to cities and counties for law enforcement purposes. Currently the tax payback to cities and counties is limited to a maximum of \$510,000 per biennium and the percentage of taxes used for this purpose would need to be adjusted if the consolidated gaming tax is reduced from 3.16% and the legislature desires to continue this payback practice to local cities and counties.

North Dakota Office of Attorney General
Analysis of Gaming Activity

For the three months ended March 31, 2010

	Gross Proceeds	Prizes	Adjusted Gross Proceeds	Percentage Of Gross Proceeds (Rate of Profit)
Bingo	\$8,211,741	\$6,420,957	\$1,790,784	21.8%
Raffles	2,096,331	929,163	1,167,168	55.7%
Pull Tabs	20,761,972	16,380,536	4,381,436	21.1%
Pull Tabs - Dispensing Device	13,480,155	10,434,413	3,045,742	22.6%
Club Specials, Tip, Seal, and Prize Boar	236,128	174,781	61,347	26.0%
PunchBoards	0	0	0	0.0%
Sports Pools	59,586	47,931	11,655	19.6%
Twenty-One	18,138,235	15,195,869	2,942,366	16.2%
Calcuttas	44,115	35,888	8,227	18.6%
Paddlewheels	48,450	27,413	21,037	43.4%
Paddlewheels - With Table	1,461,904	1,087,244	374,660	25.6%
Poker	471,776	378,634	93,142	19.7%
Description Other (Cash Long/Interest)	5962	0	5962	100.0%
Subtotals	\$65,016,355	\$51,112,829	\$13,903,526	21.4%

Less: ND Pull Tab Excise Tax
Federal Excise Tax
ND Bingo Excise Tax

1,003,282

22,710

238,959

\$2,056,893

Average Tax Rate: 3.16%

Total Adjusted Gross Proceeds

\$12,638,575

Less: Gaming Tax

\$814,652

Total Allowed Expenses

7,182,052

7,996,704

Net Proceeds

\$4,641,871

Eligible Use Contributions

\$4,657,935