

Multiple Agency Fiscal Note Summary

Bill Number: 6561 SB	Title: Excise tax/gambling
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Estimated Cash Receipts

Agency Name	2001-03		2003-05		2005-07	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	71,100,000	71,100,000	150,200,000	150,200,000	152,000,000	152,000,000
Total \$	71,100,000	71,100,000	150,200,000	150,200,000	152,000,000	152,000,000

Local Gov. Courts *						
Local Gov. Other **	Indeterminate					
Local Gov. Total						

Estimated Expenditures

Agency Name	2001-03			2003-05			2005-07		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Washington State Gambling Commission	.0	0	1,000	.0	0	0	.0	0	0
Department of Revenue	1.0	143,600	143,600	2.3	289,900	289,900	2.3	278,600	278,600
Total	1.0	\$143,600	\$144,600	2.3	\$289,900	\$289,900	2.3	\$278,600	\$278,600

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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Prepared by: Doug Jenkins, OFM	Phone: 360-902-0563	Date Published: Final 2/ 6/2002
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Individual State Agency Fiscal Note

Bill Number: 6561 SB	Title: Excise tax/gambling	Agency: 117-Washington State Gambling Comm
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND					
Total \$					

Estimated Expenditures from:

	FY 2002	FY 2003	2001-03	2003-05	2005-07
FTE Staff Years	0.0	0.0	0.0	0.0	0.0
Fund					
Gambling Revolving Account-Non-Appropriated 884-6	0	1,000	1,000	0	0
Total \$	0	1,000	1,000	0	0

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☒ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/25/2002
Agency Preparation: Cam Dightman	Phone: (360) 486-3497	Date: 02/05/2002
Agency Approval: Rick Day	Phone: (360)486-3446	Date: 02/06/2002
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 02/06/2002

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Sec. 4(1) of SB6561 imposes a state tax equal to 10% of gross receipts for all punchboard/pull-tab and 10% of net win for social card room licensees. Because local jurisdictions have been permitted to tax up to 20% of net win of social card rooms, Sec. 4(3) establishes a maximum tax rate of 25% for these activities, and sets the state tax equal to 10% of net win less any percent above 15% being imposed by local taxing jurisdictions for social card game licensees.

Relatively few punchboard/pull-tab licensees derive net income in excess of 10% of gross from punchboard/pull-tab activity, with some experiencing net losses. Because punchboard/pull-tab activity is a "stimulant" activity, it is probable that licensees expect marginal income or losses from the activity as part of their overall business plan. A 10% state tax will make this "stimulant" less attractive, and some may decide to cease offering punchboards/pull-tabs to their customers. To the extent that any licensees decide to do this, revenue to the Gambling Revolving Fund (884-6) will be reduced, and the punchboard/pull-tab regulatory workload will contract.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Rule making activity to adopt the revised wagering limit will consume 16 staff hours at an estimated cost of \$1,000.

While there would be some reduction in expenditures related to regulation of punchboard/pull tab licensees if current licensees drop this activity, it is not possible to develop an estimate of the number who might do so.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2002	FY 2003	2001-03	2003-05	2005-07
FTE Staff Years		0.00			
A-Salaries and Wages		750	750		
B-Employee Benefits		200	200		
C-Personal Service Contracts					
E-Goods and Services		50	50		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total \$	0	1,000	1,000	0	0

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2002	FY 2003	2001-03	2003-05	2005-07
Rules Coordinator	45,600		0.0			
Total FTE's			0.0			0.0

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Sec. 1 (11) increases the maximum single wager in Phase II house-banked card games from \$100 to \$300. The Commission would revise its rules (WAC 230-40-120(6)) to conform to this revised limit if it is enacted.

Department of Revenue Fiscal Note

Bill Number: 6561 SB	Title: Excise tax/gambling	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2002	FY 2003	2001-03	2003-05	2005-07
GF-STATE-State 00 - 00 -		71,100,000	71,100,000	150,200,000	152,000,000
Total \$		71,100,000	71,100,000	150,200,000	152,000,000

Estimated Expenditures from:

	FY 2002	FY 2003	2001-03	2003-05	2005-07
FTE Staff Years	1.0	1.0	1.0	2.3	2.3
Fund					
GF-STATE-State 001-1	79,500	64,100	143,600	289,900	278,600
Total \$	79,500	64,100	143,600	289,900	278,600

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/25/2002
Agency Preparation: Mary Welsh	Phone: 570-6076	Date: 02/01/2002
Agency Approval: Don Taylor	Phone: 360-570-6083	Date: 02/01/2002
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 02/04/2002

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 1. Provides that the maximum single wager for house-banked card games is increased from \$100 to \$300.

Section 2. Reduces the maximum city and county gambling tax rate on card rooms from 20% to 15%.

Section 3. Restricts local jurisdictions from increasing the tax rate on card rooms above 15% unless adopted before January 1, 2002.

Section 4. Imposes a state gambling tax at ten percent of the gross receipts of punchboards and pulltabs without deduction for amounts awarded as cash or merchandize prices. A state tax on social card rooms is imposed at 10% of gross receipts, but is reduced if the local tax exceeds 15 percent such that the combined state and local rate is twenty-five percent. The tax imposed by the state is in addition to any tax imposed under Title 82 RCW on the business of operating punchboards, pulltabs, or social card games.

Section 5. Effective date of this act is June 1, 2002.

Section 6. Effective date of the provision limiting the local rate on card rooms is January 1, 2002.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

Based on information supplied by the Washington State Gambling Commission and gambling tax rates reported by municipals to the Association of Washington Cities.

AUDIT ASSESSMENTS (Impact resulting from recent audit activity)

There are no current audit assessments because this will be a new tax.

CURRENTLY REPORTING TAXPAYERS (Impact for taxpayers who are known or estimated to be currently paying the tax in question)

According to the Commission, receipts of card rooms, punchboards and pulltabs totaled \$728.5 million in FY 2001. The Commission has issued 2,227 licenses for punchboards and pulltabs and 94 for card rooms. In the last five years there has been rapid growth in card room activity because of legislation allowing house-banked card rooms and up to 15 card tables per establishment. Revenues are expected to increase gradually because of the increase in the share of higher volume house-banked card rooms and the increase in the table amount from \$100 to \$300. Punchboard and pulltab revenues appear to be leveling based on historical trends.

The gain to the general fund is estimated at \$71.1 million in FY 2003. Because the effective date is June 1, 2002, the Department expects collections on a full 12 months of activity in the first fiscal year.

TAXPAYERS NOT CURRENTLY REPORTING (Although some taxpayers may not now be paying the tax in question,

some of them will become aware of their liability in the future, as a result of normal enforcement activities or education programs by the Department. The impact for such taxpayers is based on the Department's studies of average tax compliance)

Approximately 25% of the state gambling revenues will generated in jurisdictions that do not currently impose a local tax. Gambling establishments located in these jurisdictions will be reporting a gambling tax for the first time. While, most of these businesses are believed to be registered and reporting excise taxes to the Department, approximately two-thirds of them are incorrectly identified on Gambling Commission records. It is assumed that this group would present a compliance problem for the Department and would become aware of their tax obligation at a rate of 13% a year up to a maximum of 52% after 4 years. This is a standard compliance assumption in tax-related fiscal notes for currently non-reporting taxpayers.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2002	-	0
FY 2003	-	\$71,100
FY 2004	-	74,500
FY 2005	-	75,700
FY 2006	-	75,800
FY 2007	-	76,100

Local Government, if applicable (cash basis, \$000): None

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

The Department will incur costs of approximately \$73,400 in FY 2002 to implement this legislation. These costs include the following:

This bill would have the State of Washington administering and collecting a new state gambling tax. The tax would take effect at the start of the last month of the current fiscal year. In addition, the Department will need to revise current combined excise tax returns to allow businesses to report and remit the state tax to the Department. This effort involves software programming and form development with an estimated immediate ITAS 3 & 4 combined FTE impact of 0.88.

Specific information about the tax will be sent to businesses that engage in conducting punchboard, pulltab and card game gambling activities. The cost of developing and printing the forms and the information sent to businesses and local governments will total \$1,000.

There is an expected impact on the Department's Compliance and Audit Divisions as a result of this new tax. The Compliance Division expects an additional 0.5 FTE impact at the revenue officer level starting in the second year for collection purposes, as well as an additional 0.5 FTE at the Taxpayer Service Rep classification for additional taxpayer service and education. The Audit Division expects an impact starting in the third year after implementation of this tax of an additional 1.3 FTEs for audit purposes.

Unless the Department receives an appropriation to cover the expenditure impact, the level of effort required to fully implement this legislation will not be possible.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2002	FY 2003	2001-03	2003-05	2005-07
FTE Staff Years	1.0	1.00	1.0	2.3	2.3
A-	51.400	39,600	91,000	197,800	197,800
B-	13.400	10,300	23,700	51,400	51,400
E-	6.600	5,700	12,300	26,400	26,400
G-				3,000	3,000
J-	8.100	8,500	16,600	11,300	
Total \$	\$79,500	\$64,100	\$143,600	\$289,900.00	\$278,600

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2002	FY 2003	2001-03	2003-05	2005-07
FISCAL TECH	28.869		0.0			
HEARINGS SCHEDULER	30.900	0.0				
INFO TECH APP SPEC 3	49.088	0.4		0.2		
INFO TECH APP SPEC 4	54.189	0.4		0.2		
REVENUE AGENT 3	44.482		0.5	0.3	0.5	0.5
REVENUE AUDITOR 3	45.593				1.3	1.3
REVENUE AUDITOR 4	52.864	0.0				
Rules Manager	68.598	0.0				
RULES POLICY SPECIALIST	67.568	0.0				
TAX POLICY SPEC 2	52.839	0.0				
TAX POLICY SPECIALIST 3	59.740	0.1				
TAX SERVICE REP 2	32.417		0.5	0.3	0.5	0.5
Total FTE's		1.0	1.0	1.0	2.3	2.3

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

WAC 458-20-131 would need to be modified as a result of this new legislation. Those parties interested in a rule revision would be restaurants, taverns, and various other establishments operating pulltab, punch board and card room activities.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 6561 SB	Title: Excise tax/gambling
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities:
- ☒ Counties:
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☒ Key variables cannot be estimated with certainty at this time: Jurisdictions near tribal gambling operations could potentially see an indeterminate amount of revenue loss.

Estimated revenue impacts to:

Indeterminate Impact

Estimated expenditure impacts to:

Jurisdiction	FY 2002	FY 2003	2001-03	2003-05	2005-07
City					
County					
Special District					
TOTAL \$					
GRAND TOTAL \$					0

Part III: Preparation and Approval

Fiscal Note Analyst: Steve Salmi	Phone: (360) 725-5038	Date: 01/25/2002
Leg. Committee Contact:	Phone:	Date: 01/25/2002
Agency Approval: Val Richey	Phone: 360-725-5036	Date: 02/04/2002
OFM Review: Mike Cheney	Phone: 360-902-0582	Date: 02/04/2002

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

Sect. 1 provides that the maximum single wager for house-banked card games is increased from \$100 to \$300.

Sect. 2 reduces the maximum city and county gambling tax rate on card rooms from 20 percent to 15 percent.

Sect. 3 restricts local jurisdictions from increasing the tax rate on card rooms above 15 percent unless adopted before January 1, 2002.

Sect. 4 imposes a state gambling tax at 10 percent of the gross receipts of punchboards and pulltabs without deduction for amounts awarded as cash or merchandise prizes. A state tax on social card rooms is imposed at 10 percent of gross receipts, but is reduced if the local tax exceeds 15 percent such that the combined state and local rate is 25 percent. The tax imposed by the state is in addition to any tax imposed under RCW 82 on the business of operating punchboards, pulltabs or social card games.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

This bill has no expenditure impacts to local government.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

This bill could have an indeterminate revenue impact on cities and counties with gambling taxes.

DISCUSSION:

The higher cumulative local and state tax rate could put financial pressure on some gambling operators. Jurisdictions near tribal gambling operations could see negative impacts to their revenues if gambling operators increase charges to offset higher total state and local tax rates, and this leads a portion of their customer base to patronize lower-priced tribal operations. Other outcomes may be that the higher cumulative rate may lead to calls for local jurisdictions to lower their gambling taxes, or some operators could go out of business. In either case, according to some city officials, the result could be a loss of local gambling tax revenue.

Note:
Jurisdictions would lose future taxing potential due to the taxing levels proposed in the bill.

SOURCES OF DATA:

- Department of Revenue
- Association of Washington Cities
- Washington State Association of Counties
- LGFN survey of cities and counties