

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0048-01  
Bill No.: HB 117  
Subject: Lotteries; Taxation and Revenue - General  
Type: Original  
Date: March 8, 2019

Bill Summary: This proposal changes the tax rate for promotional play gross receipts received from gambling games.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2024)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2024)
Gaming Proceeds for Education (0285)	(\$8,043,803)	(\$17,492,054)	(\$28,528,666)	(\$56,211,994)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(\$8,043,803)</b>	<b>(\$17,492,054)</b>	<b>(\$28,528,666)</b>	<b>(\$56,211,994)</b>

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Fully Implemented (FY 2024)</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Fully Implemented (FY 2024)</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Fully Implemented (FY 2024)</b>
<b>Local Government</b>	<b>(\$893,756)</b>	<b>(\$1,943,562)</b>	<b>(\$3,169,852)</b>	<b>(\$6,245,777)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Public Safety - Missouri Gaming Commission (MGC)** assume this legislation decreases the tax rate on adjusted gross receipts from promotional play by 4.2% each fiscal year until the tax rate on promotional adjusted gross receipts is 0%. Below are the promotional play tax rates for each fiscal year per the proposed legislation:

FY 2020	16.8%
FY 2021	12.6%
FY 2022	08.4%
FY 2023	04.2%
FY 2024 and forward	00.0%

The current tax rate imposed on all adjusted gross receipts received from gambling games authorized pursuant to sections 313.800 to 313.850 is 21%. Each excursion gambling boat has a designated city or county as its home dock. The home dock city or county receives ten percent of the adjusted gross receipts tax collections and the remaining amount of the adjusted gross receipts tax is deposited in the state treasury to the credit of the "Gaming Proceeds for Education Fund" (fund number 0285). The state's portion of the tax is collected and accounted for through revenue source code 1076-Gaming Gross Receipts Tax. Due to the decrease in the tax rate on adjusted gross receipts from promotional play both home dock cities and the Gaming Proceeds for Education Fund will see a significant decrease in the gaming adjusted gross receipts tax collected each fiscal year through fiscal year 2024 and forward.

In FY 2018 the tax collected from promotional play was \$37,799,857. Over the last four fiscal years (FY 2015 through FY 2018) there has been an average increase of 8.73% year over year in the tax collected on promotional play. Assuming this trend continues we estimated tax collections on promotional play would increase year over year by 8.73%. Below is a table showing:

- The estimated tax collection on promotional play for FY 2019 through FY 2024 at the 21% tax rate.
- The estimated tax collection on promotional play for FY 2019 through FY 2024 based on the proposed legislation declining tax rate.
- The estimated promotional play tax loss if the legislation is passed.
- The estimated loss to the home dock city or county and the state treasury.

ASSUMPTION (continued)

GAM notes that “Promotional Activities” are described in 11 CSR 45-5.181. A “promotional game” is defined as a drawing, event, contest or game in which patrons of a class B license may, without giving consideration, participate or compete for the chance to win a prize or prizes of different values.

GAM noted that the following amount of Promotional Play Tax received over the last five years:

	FY 14	FY 15	FY 16	FY 17	FY 18
Table Coupons	\$ 1,357,190	\$ 2,021,921	\$ 3,140,109	\$ 4,783,246	\$ 5,695,877
Slot Coupons	\$ 3,658,007	\$ 2,714,350	\$ 2,688,298	\$ 3,630,186	\$ 3,863,419
Net NCEP (non-cashable electronic promotion)	\$ 22,064,049	\$ 25,027,737	\$25,272,108	\$ 26,350,310	\$ 28,240,561
Total Tax	\$ 27,079,246	\$ 29,764,008	\$31,100,515	\$ 34,763,742	\$ 37,799,857
State Portion	\$ 24,371,321	\$ 26,787,607	\$27,990,464	\$ 31,287,368	\$ 34,019,871
Home Dock Portion	\$ 2,707,925	\$ 2,976,401	\$ 3,110,052	\$ 3,476,374	\$ 3,779,986
Percentage increase over prior year		9.9%	4.5%	11.8%	8.7%
Percentage of Gaming Proceeds to Education from Promotional Play	7.8%	8.4%	9.0%	9.6%	10.3%

	<b>FY 2019 (21%)</b>	<b>FY 2020 (16.8%)</b>	<b>FY 2021 (12.6%)</b>	<b>FY 2022 (08.4%)</b>	<b>FY 2023 (04.2%)</b>	<b>FY 2024 and forward (0.00%)</b>
<b>Promotional Play Tax Collected at 21%</b>	\$41,099,784	\$44,687,796	\$48,589,040	\$52,830,863	\$57,442,998	\$62,457,772
<b>Promotional Play Tax Collected at the Proposed Legislation Rate</b>	\$41,099,784	\$35,750,237	\$29,153,424	\$21,132,345	\$11,488,600	\$0
<b>Promotional Play Tax Loss</b>	\$0	\$8,937,559	\$19,435,616	\$31,698,518	\$45,954,398	\$62,457,772
<b>Home Dock City or County Loss (10%)</b>	\$0	\$893,756	\$1,943,562	\$3,169,852	\$4,595,440	\$6,245,777
<b>State Treasury Loss (90%)</b>	\$0	\$8,043,803	\$17,492,054	\$28,528,666	\$41,358,958	\$56,211,994

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal reduces the tax on Adjusted Gross Receipts from Promotional Play Gaming. B&P defers to the Gaming Commission for an estimate of reduced revenues.

**Oversight** notes that the Department of Public Safety - Missouri Gaming Commission (MGC) and the Office of Administration - Budget and Planning have stated the proposal would have a direct fiscal impact on total state revenue and home dock cities and counties. Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated loss provided by the MGC.

Officials from the **Department of Revenue** assume the proposal will have no fiscal impact on their organization.

**Oversight** notes that the Department of Revenue has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for that agency.

FISCAL IMPACT -  
State Government

**GAMING  
PROCEEDS FOR  
EDUCATION  
FUND**

Loss - DPS-MGC

Decreased tax rate  
on adjusted gross  
receipts

FY 2020  
(10 Mo.)

FY 2021

FY 2022

Fully  
Implemented  
(FY 2024)

(\$8,043,803)

(\$17,492,054)

(\$28,528,666)

(\$56,211,994)

**ESTIMATED NET  
EFFECT TO THE  
GAMING  
PROCEEDS FOR  
EDUCATION  
FUND**

(\$8,043,803)

(\$17,492,054)

(\$28,528,666)

(\$56,211,994)

<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2024)
<b>LOCAL POLITICAL SUBDIVISIONS</b>				
<u>Loss - Home Dock Cities and Counties Decreased tax rate on adjusted gross receipts</u>	<u>(\$893,756)</u>	<u>(\$1,943,562)</u>	<u>(\$3,169,852)</u>	<u>(\$6,245,777)</u>
<b>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(\$893,756)</u></b>	<b><u>(\$1,943,562)</u></b>	<b><u>(\$3,169,852)</u></b>	<b><u>(\$6,245,777)</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill amends the tax imposed on adjusted gross receipts received from gambling games. The tax on promotional play receipts shall be taxed at a rate of 16 8/10% in fiscal year 2020. The tax rate decreases each fiscal year through 2023, and promotional play receipts shall not be taxed after June 30, 2023.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

L.R. No. 0048-01  
Bill No. HB 117  
Page 8 of 8  
March 7, 2019

SOURCES OF INFORMATION

Department of Public Safety  
Missouri Gaming Commission  
Department of Revenue  
Office of Administration  
Budget and Planning



Kyle Rieman  
Director  
March 8, 2019

Ross Strobe  
Assistant Director  
March 8, 2019