

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 10, 2007

**TO:** Honorable Kino Flores, Chair, House Committee on Licensing & Administrative Procedures

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB3615** by Goolsby (Relating to the regulation, operation, and taxation of certain coin-operated machines; providing a penalty.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3615, As Introduced: a positive impact of \$5,478,000 through the biennium ending August 31, 2009.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	\$1,695,000
2009	\$3,783,000
2010	\$5,671,000
2011	\$6,404,000
2012	\$6,927,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1	Probable Revenue Gain/(Loss) from Municipalities and Counties
2008	\$1,695,000	\$305,000
2009	\$3,783,000	\$1,320,000
2010	\$5,671,000	\$2,236,000
2011	\$6,404,000	\$2,651,000
2012	\$6,927,000	\$2,846,000

Fiscal Analysis

The bill would amend the Occupations Code and the Tax Code to allow, regulate, and impose a tax on the operation of coin-operated machines used for gaming at locations licensed to conduct bingo.

Under the bill, operators of the machines would be required to pay 10 percent of their net revenues from the machines to the authorized organization conducting bingo on the premises and a tax of five percent of net revenues to the state. Personal property distributed to patrons as prizes could be deducted from net revenue. The coin-operated machines covered by the bill would be operated by Class B general license holders and would include only those that award a prize on a stored value card. The value of the stored value card could be exchanged for goods or services but not for cash. Coin-operated machines for children and those entertainment machines without a pecuniary payment would not be affected.

The bill would allow a municipality and/or county to impose an additional tax on the machines, up to one-fourth of the state tax. Local entities that do not already impose a tax on the current annual \$60

license tax per machine would be allowed to tax the machines at up to \$15 per machine.

The bill would require that each gaming machine provide a continuous electronic record of its operations to the Comptroller's Office. The Comptroller would adopt rules and technical standards necessary to monitor the machines. The bill would provide for penalties for violations, including the late payment of tax.

The bill would take effect on September 1, 2007.

**Methodology**

The bill would allow an operator with a Class B general business license or a Class B import license to set up authorized gaming machines at licensed bingo locations. These machines could include machines commonly known as "8-liners," with the requirement under current law that prizes per play would be limited to non-cash wins valued no greater than \$5 per play or ten times the value of the cost of the play, whichever is greater.

The bill would be expected to increase revenues for bingo charities, pursuant to the requirement that 10 percent of net operating revenues be paid to the organization conducting bingo at the location, but this payment would not have a revenue impact on the state. The revenues for municipalities and county governments cannot be estimated separately. Local revenues would entail a time lag for local governments to impose a tax.

Data on the number of machines and revenue per machine were available from a current operator of amusement redemption machines using stored value cards and operating in Killeen, Fort Worth, and other locations in the state.

The net fiscal impact was adjusted to account for likely negative impacts on existing bingo revenues.

**Local Government Impact**

The fiscal impact to local government is reflected in the above table.

**Source Agencies:** 304 Comptroller of Public Accounts, 362 Texas Lottery Commission

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