

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 18, 2019

TO: Honorable Tracy O. King, Chair, House Committee on Licensing & Administrative Procedures

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: HB914 by Thompson, Senfronia (Relating to the regulation of bingo games.), As
Introduced

Depending upon the number of counties and municipalities that elect to impose a prize tax, there could be an indeterminate fiscal impact to the state.

The bill would amend the Occupations Code as it relates to the regulation of bingo games.

The bill would transfer certain responsibilities from an organization that holds a license to conduct bingo to the Texas Lottery Commission (commission). The bill would extend the amount of time a licensed authorized organization can employ certain individuals while the employee awaits the results of a background check by the commission.

The bill would expand the number of bingo occasions that can be held during a week under certain circumstances. The bill would expand the timeframe in which cards, tickets, and devices could be sold for a bingo occasion. The bill would make modifications to reporting procedures related to sales. The bill would extend the amount of time a licensed authorized organization has to deposit funds into the bingo account. The bill would require that the bingo operations of a licensed authorized organization or unit would have to result in net proceeds over each 24-month period.

The bill would change the bingo prize fee currently collected to a prize tax.

The bill would require a licensed authorized organization or unit to remit 50 percent of the amount collected as prize tax to the commission. The bill would require counties and municipalities not currently collecting bingo prize fees to vote to impose the prize tax before November 1, 2019 in order to receive a percentage of the amount collected as prize tax. The bill would deposit 50 percent of the amount collected as prize tax to the general fund of the charitable organization if a county or municipality is not entitled to a percentage of the prize tax collected, or voted to discontinue the tax after November 1, 2019. Under the provisions of the bill, prize tax would not apply to a merchandise prize awarded for winning a bingo game. The bill would require counties or municipalities currently entitled to receive a portion of the prize fee to continue to receive a portion of the prize tax if a majority vote of the members of the governing body approves the continued receipt of funds and notifies the commission and each licensed authorized organization within the county's or municipality's jurisdiction of the continuance of the tax.

The bill would allow the commission to make certain determinations related to termination of entitlement to prize tax share. The bill would require the commission to provide a notice of determination to the Comptroller, the county, each licensed authorized organization or unit that conducts bingo in the county, and each municipality in the county that is entitled to a local share of a prize tax. The bill would allow a county or municipality to challenge a determination of termination of entitlement to prize tax share and request an administrative hearing.

The bill would make conforming changes and repeal various sections of the Occupations Code. The bill would eliminate certain refunds under the Occupations Code related to bingo. The bill would also make conforming changes to the Government Code.

The termination of entitlement to prize tax share would only apply to a tax on a bingo prize that is awarded on or after September 1, 2020. The prize tax would take effect September 1, 2020; all other provisions of the bill would take effect September 1, 2019.

The bill would change the bingo prize fee to a prize tax. Bingo prize fee revenue is currently collected by the commission and deposited to GR Account 5175 - Bingo Administration. The commission determines the local share of revenue and at the end of each fiscal year sends the local share to local governments and transfers the remaining amount to General Revenue Fund 0001. Interest earned on funds in GR Account 5175 - Bingo Administration Account is deposited to General Revenue Fund 0001.

Under the provisions of the bill, the prize tax would be deposited to General Revenue Fund 0001.

Under current statute, a county that imposed a gross receipts tax on the conduct of bingo as of January 1, 1993, is entitled to 50 percent of bingo prize fees collected. Under the provisions of the bill, a county or municipality in which a bingo game is conducted is entitled to 50 percent of the amount of the collected prize tax if the county or municipality votes to impose the prize tax before November 1, 2021. The bingo prize tax is the same amount as the bingo prize fee currently collected. The allocation of the prize tax is similar to current statute except in cases where a county or municipality is not entitled to a percentage of the amount of taxes collected or votes to discontinue the tax after November 1, 2019. The bill would allow counties and municipalities not currently collecting bingo prize fees to vote to impose the prize tax before November 1, 2019. These provisions could affect revenue collected by units of local government, however the impact cannot be determined.

Provisions of the bill that expand the number of bingo occasions that can be held during a week could increase bingo fee/tax revenue. However, the amount of the increase cannot be determined

In fiscal 2018, \$607,131 was collected under comptroller object code 3152 Bingo Operators/Lessors. Based on the 2020-21 Biennial Revenue Estimate, collections are projected to be \$629,000 per fiscal year. As the revenue collected under comptroller object code 3152 cannot be separated from the revenue that will not be affected by the provisions of the bill, the revenue impact of the refund provisions of the bill cannot be determined.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either in, with, or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

In FY 2018, 54 counties and 95 cities received charitable bingo allocations. Any bingo prize fee designated for those counties and municipalities not voted on by the local jurisdiction by November 2019 will be retained in the general charitable fund of the organization or unit and no longer remitted to the local jurisdictions.

According to Ector and Smith counties, no fiscal impact to their counties is anticipated.

Travis County anticipates an annual revenue loss from the Bingo Gross Receipts Tax of \$450,000.

Source Agencies: 304 Comptroller of Public Accounts, 360 State Office of Administrative Hearings, 362 Texas Lottery Commission

LBB Staff: WP, CLo, SD, AF