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FISCAL IMPACT STATEMENT

LS 6357

BILL NUMBER: SB 403

NOTE PREPARED: Dec 17, 2010

BILL AMENDED:

SUBJECT: Taxation of Racetrack Casinos.

FIRST AUTHOR: Sen. Lanane

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill provides that the slot machine wagering tax imposed on racetrack casinos is determined using taxable receipts that are calculated by excluding some of the racing support fees, county slot machine wagering fees, and supplemental fees remitted by the racetrack casinos. It allows all of the remitted fees to be excluded in 2013. The bill renames the amounts paid to support horse racing from slot machine revenues as racing support fees and requires that the fees must be remitted on a daily basis. It establishes the Indiana Horse Racing Support Fund for the deposit of the racing support fee. It requires the Department of State Revenue to collect the racing support fee, the county slot machine wagering fee, and the supplemental fee. The bill also repeals an obsolete definition and makes an appropriation.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The bill requires the DOR to collect from the Hoosier Park and Indiana Live racinos: (1) the county slot machine wagering fee; (2) the supplemental slot machine wagering fee; and (3) the 15% assessment on slot machine adjusted gross revenue for horse racing (named the Horse Racing Support Fee by the bill). The bill would require the racinos to remit these fees on a daily basis to the DOR beginning in FY 2012. Currently, the fees in (1) and (2) are collected by the Indiana Gaming Commission (IGC) twice per month, and the assessment in (3) is paid monthly under the oversight of the Indiana Horse Racing Commission (IHRC). These collection changes facilitate the implementation of the state slot machine wagering tax deduction established by the bill (see *Explanation of State Revenues* for explanation of deduction).

The change would have an indeterminable but probably minimal administrative impact on the DOR, since the DOR already collects the state slot machine wagering tax from the racinos on a daily basis. The collection

changes would not affect the distribution of revenue from these fees to the local units, entities, or purposes that receive this revenue under current statute.

Explanation of State Revenues: *Slot Machine Wagering Tax Deduction:* The bill reduces the taxable base for the state slot machine wagering tax beginning in FY 2012 by allowing a deduction for the county and supplemental slot machine taxes and the required payments to the horse racing industry. The bill phases in the deduction over three years. Under the bill, a 33% deduction is allowed in FY 2012, a 67% deduction is allowed in FY 2013, and a full deduction is allowed beginning in FY 2014. The estimated revenue loss from the deduction as it phases in is summarized in the table below.

Fiscal Year	Revenue Loss
2012	\$10.1 M
2013	\$18.7 M
2014	\$26.1 M

The revenue loss could grow by 2% annually beginning in FY 2015 when the deduction is fully phased in. Revenue from the tax is distributed to the state General Fund. The revenue loss estimate is based on the December 15, 2010, Revenue Technical Committee forecast of adjusted gross receipts (AGR) from gaming at the state’s two racinos for FY 2012 and FY 2013. The FY 2014 estimate includes a base AGR reduction of 14% at Hoosier Park due to Ohio casino competition, with incremental growth beyond FY 2014 assumed to be 2% annually.

Background Information: Under current statute, the Hoosier Park and Indiana Live racinos pay the taxes and assessments described in (1) to (4), below. Taxable receipts for purposes of the state slot machine wagering tax would, under the bill, be slot machine adjusted gross receipts minus the tax and assessment payments described in (2) to (4).

(1) The state slot machine wagering tax on AGR generated on slot machines during the fiscal year. The Revenue Technical Committee forecast (December 15, 2010) estimates this tax could generate \$131.7 M in FY 2012 and \$131.2 M in FY 2013. Revenue from this tax is distributed to the state General Fund. The rate structure of the tax is summarized in the table below:

Taxable AGR Increment Earned July 1st to June 30th	Tax Rate on AGR Increment
\$100 M and under	25%
Over \$100 M up to \$200 M	30%
Over \$200 M	35%

(2) The county slot machine wagering tax equal to 3% of AGR generated during the fiscal year, up to a maximum of \$8.0 M in annual tax liability. It is estimated that this tax could generate a total of \$13.9 M in FY 2012 and \$13.8 M in FY 2013. Revenue from this tax is distributed to local units in Madison County and

Shelby County.

(3) The supplemental slot machine wagering tax equal to 1% of AGR generated during the fiscal year. It is estimated that this tax could generate \$4.6 M in FY 2012. The revenue from this tax is distributed to the French Lick Casino. This tax sunsets on July 1, 2012.

(4) The racinos are required to pay 15% of AGR generated during the fiscal year for following purposes: (a) the state Gaming Integrity Fund; (b) the state Breed Development Funds; (3) private horsemen's associations; (d) horse racing purses; and (e) the state General Fund under an inflationary limitation on the other payments. It is estimated the 15% payment could total \$69.3 M in FY 2012 and \$69.1 M in FY 2013.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR; IGC; IHRC; State Auditor.

Local Agencies Affected:

Information Sources: Revenue Technical Committee forecast, December 15, 2010.

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