

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1047

Tax on Revenues from Slot Machines

SPONSOR(S): Seiler

TIED BILLS:

IDEN./SIM. BILLS: SB 218

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Committee on Business Regulation</u>	<u>7 Y, 2 N</u>	<u>Livingston</u>	<u>Liepshutz</u>
2) <u>Jobs & Entrepreneurship Council</u>	<u></u>	<u>Livingston</u>	<u>Thorn</u>
3) <u>Policy & Budget Council</u>	<u></u>	<u></u>	<u></u>
4) <u></u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

SUMMARY ANALYSIS

Chapter 849, F.S., relates to gambling in general. Existing s. 849.16, F.S., describes machines or devices that are slot machines or gambling devices.

Article X, Section 23 of the State Constitution authorizes the operation of slot machines at certain pari-mutuel facilities in Broward and Miami-Dade Counties if approved by local referendum. Broward county has approved the use of slot machines.

Chapter 551, F.S., sets forth the regulatory structure for the operation of slot machines by the Division of Pari-mutuel Wagering (Division) in the Department of Business and Professional Regulation (DBPR). The chapter authorizes slot machines, limits the number of machines that may be operated at a facility to no more than 1,500 per facility, limits hours of operation to 16 hours per day, prohibits the placement of ATM machines on the licensed premises, and imposes a flat tax of 50% on slot machine revenue. Taxes are to be used to supplement public education funding statewide.

The bill amends s. 849.16, F.S., to provide that a licensed pari-mutuel facility that conducts slot machine gaming in Broward County shall pay to the state a tax of 35 percent of slot-machine revenues for the purpose of supplementing public education funding.

The bill authorizes a licensed pari-mutuel facility where slot machines are operated to remain open and operate slot machines 24 hours a day, 7 days a week, place an unlimited number of slot machines on the gambling floor, and place automated teller machines on the premises but not on the gambling floor.

Fiscal

According to the Department of Business and Professional Regulation, any fiscal impact related to this proposed legislation is indeterminate. The legislation would ultimately allow Broward County pari-mutuel permitholders who operate slot machines to be exempt from Chapter 849, Florida Statutes, which the department analysis indicates could potentially result in full casino gambling at those facilities.

See III. D. of this analysis: STATEMENT OF THE SPONSOR

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide limited government; ensure lower taxes; safeguard individual liberty; promote personal responsibility; empower families; maintain public security:

The bill amends the general gambling statutes to provide that a licensed pari-mutuel facility that conducts slot machine gaming in Broward County shall pay to the state a tax of 35 percent rather than the current 50 percent for purposes of supplementing public education funding. The bill revises certain operational guidelines to authorize a licensed facility where slot machines are operated to remain open and operate slot machines 24 hours a day, 7 days a week, place an unlimited number of slot machines on the gambling floor, and place automated teller machines on the premises.

B. EFFECT OF PROPOSED CHANGES:

Present situation

Chapter 849, F.S., relates to gambling in general. Existing s. 849.16, F.S., provides that any machine or device is a slot machine or gambling device if it is one that is adapted for use in such a way that the machine operates as a result of the insertion of any piece of money, coin, or other object and the user, by reason of any element of chance, may receive or become entitled to receive money, credit, tokens, etc. which may be exchanged for money or other thing of value, or secure additional chances to use the machine.

Article X, Section 23 of the State Constitution authorizes the operation of slot machines at certain pari-mutuel facilities in Broward and Miami-Dade Counties if approved by local referendum. Broward county has approved the use of slot machines. Chapter 551, F.S., sets forth the regulatory structure for the operation of slot machines by the Division within the DBPR.

The chapter authorizes slot machines, limits the number of machines that may be operated at a facility to no more than 1,500 per facility, and imposes a flat tax of 50% on slot machine revenue. Taxes are remitted weekly to be used to supplement public education funding statewide.

Slot machine gaming may be conducted up to 16 hours per day year-round. Players must be at least 21 years of age. Progressive games whereby slot machines in one or more facilities are linked and offer higher jackpots are prohibited. The payout rate per machine is required to be no less than 85 percent. The placement of ATM machines on the licensed premises is prohibited. The division is authorized to contract with an independent testing laboratory to ensure slot machines are operated in accordance with these and other requirements of this act.

The regulatory framework for entities involved in the operation of slot machine gaming is within regulatory responsibility of the Division in the DBPR. All regulation of slot machine gaming is preempted to the state. Authority is provided for a significant law enforcement presence through the Florida Department of Law Enforcement and local law enforcement agencies.

Effect of proposed changes

The bill creates s. 849.16(3), F.S., to provide that a licensed pari-mutuel facility that conducts slot machine gaming in Broward County shall pay to the state a tax of 35 percent of slot-machine revenues for the purpose of supplementing public education funding.

The bill defines "slot machine revenues" as the total of all cash and property received by the licensed pari-mutuel facility from slot machine gaming minus the amount of cash, cash equivalents, credits and prizes paid to winners.

The bill provides that the pari-mutuel facility shall remit the tax proceeds at the end of each month to the Department of Revenue (DOR) in a form set forth by the DOR. It provides that the DOR adopt rules for the collection and auditing of the tax proceeds.

The bill provides that the funds collected by the DOR be deposited in the State School Trust Fund for the purpose of supplementing public education funding. The bill specifies that the monies be distributed to the counties annually through the General Appropriations Acts as follows: Broward county is to receive \$75 per full-time student to offset the impact of slot machines and the remaining revenues would be distributed in accordance with the Florida Education Finance Program, as determined by the General Appropriations Act, to all counties including Broward county.

Failure to timely pay the tax subjects the licensee to enforcement proceedings by the Division.

The bill provides that the Division adopt rules governing licensure and regulation of the suppliers and of the operators of slot machines.

The bill authorizes a licensed pari-mutuel facility where slot machines are operated to:

- (a) remain open and operate slot machines and allow gaming 24 hours a day, 7 days a week;
- (b) place an unlimited number of slot machines on the gambling floor; and
- (c) place automated teller machines on the premises, except on the gambling floor.

C. SECTION DIRECTORY:

Section 1. Creates s. 849.16(3), F.S., to provide that a licensed pari-mutuel facility that conducts slot machine gaming in Broward County shall pay to the state a tax of 35 percent and revises certain operational guidelines.

Section 2. Effective date - upon becoming a law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:
Indeterminate.
2. Expenditures:
Indeterminate.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:
Indeterminate.
2. Expenditures:
Indeterminate.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

It is currently indeterminate what kind of impact this legislation will have on the private sector.

D. FISCAL COMMENTS:

According to the Department of Business and Professional Regulation, any fiscal impact related to this proposed legislation is indeterminate. The legislation would ultimately allow Broward County pari-mutuel permitholders who operate slot machines to be exempt from Chapter 849, Florida Statutes, which the department analysis indicates could potentially result in full casino gambling at those facilities.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to take an action requiring the expenditure of funds, does not reduce the authority that counties or municipalities have to raise revenue in the aggregate, and does not reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None noted.

B. RULE-MAKING AUTHORITY:

The bill specifies that the DOR adopt rules for collecting and auditing the tax proceeds.

The bill specifies that the Division adopt rules governing licensure and regulation of the suppliers of slot machines and of the operators of those slot machines.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

D. STATEMENT OF THE SPONSOR

No statement submitted.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

On March 22, 2007, the Committee on Business Regulation adopted a strike all amendment, as amended, and passed the bill out of committee.

The amendment [as amended]

- Removes reference to a 35% tax rate and a \$75 per full-time student allocation in Broward county;
- Provides for free spins on a slot machine not to be taxed as revenue, for a fixed \$2 million licensee bond, for clarification of the time for payment of the \$3 million licensee fee, for a universal occupational license, for additional storage facilities for the machines and possession for training purposes, for an increase in the number of machines from 1,500 to 2,000, for 18 cumulative hours per day for operations [rather than a maximum of 16 hours per day] and 24 hours on weekends and holidays, for progressive jackpots by linking machines within a facility, for the location of ATM machines on the licensed facilities, for cashing of checks of persons employed within the facility, and for an appropriation to offset potential additional expenses of the State Attorney in Broward, 17th judicial circuit.
- Amends the title to clarify the narrow application of the provisions of the bill to slot machine gaming, only as authorized by Section 23 of Article X of the State Constitution.