

The Florida Senate
PROFESSIONAL STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: Regulated Industries Committee

BILL: SB 218

INTRODUCER: Senator Geller

SUBJECT: Tax on revenue from slot machines

DATE: March 25, 2007 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Sumner	Imhof	RI	Pre-meeting
2.			FT	
3.			GA	
4.				
5.				
6.				

I. Summary:

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, as authorized by s. 23, Art. X of the State Constitution, shall pay to the state a tax of 30 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 in a form or fashion set forth by the department. It provides that the department shall adopt rules for the collection and auditing of the tax proceeds remitted.

The bill provides that the funds collected by the department shall be deposited in the State School Trust Fund for the purpose of supplementing public education funding. The monies deposited into the State School Trust Fund shall be distributed to the counties annually through the General Appropriations Acts as follows:

- To offset the impact of slot machines in their respective areas with Broward receiving \$75 per full-time student;
- Remaining revenues shall 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 on slot-

machine revenues shall subject the licensed permitholder to enforcement proceedings by the Division of Pari-Mutuel Wagering; and

The bill provides that the division shall adopt rules governing licensure and regulation of the suppliers of slot machines to the authorized pari-mutuel facilities and of the operators of those slot machines.

The bill provides that, except for the provisions of the bill, s. 849.16, F.S., is not applicable to the slot machines facilities in Broward County if the voters in the respective counties have approved slot machines by referendum and the pari-mutuel facility complies with the payment of taxes under the subsection.

The bill provides that the slot machine facilities may be open 24 hours a day, seven days a week, have an unlimited number of slot machines, and place automated teller machines on the premises, except the gambling floor.

This bill substantially amends section 849.16, Florida Statutes.

II. Present Situation:

Amendment 4 codified at s. 23, Art. X, of the Florida Constitution authorizes Miami-Dade and Broward counties to hold referenda to determine whether slot machines should be allowed in existing, licensed pari-mutuel facilities. The referenda held March 8, 2005, passed in Broward County but failed in Miami-Dade County.

Under the provisions of the amendment, four pari-mutuel facilities are eligible to conduct slot machine gaming in Broward County – Gulfstream Park Racing Association – thoroughbred permitholder, Pompano Park Racing – a harness racing permitholder, Dania Jai Alai – a jai alai permitholder, and Hollywood Greyhound Track – a greyhound permitholder.

Legislation was passed during 2005 Special Session B, HB 1B, ch. 2005-362, L.O.F., that implemented Amendment 4. The Division of Pari-mutuel Wagering in the Department of Business and Professional Regulation is charged with regulating the operation of slot machines in the affected counties.

Definitions

Section 551.102, F.S., defines “slot machine revenues” as the total of all cash and property received by the slot machine licensee from slot machine gaming operations less the amount of cash, cash equivalents, credits, and prizes paid to winners of slot machine gaming.

Tax on slot machine revenues

Section 551.106(2), F.S., provides that the tax rate on slot machine revenues at each facility is 50 percent. The slot machine revenue tax is paid to the division for deposit into the Pari-mutuel Wagering Trust Fund for immediate transfer by the Chief Financial Officer for deposit into the

Educational Enhancement Trust Fund of the Department of Education. Any interest earnings on the tax revenues is be transferred to the Educational Enhancement Trust Fund.

Funds transferred to the Educational Enhancement Trust Fund are used to supplement public education funding statewide and shall not be used for recurring appropriations.

Payment for the tax on slot machine revenues is paid to the division. The division deposits these sums with the Chief Financial Officer, to the credit of the Pari-mutuel Wagering Trust Fund. The slot machine licensee remits to the division payment for the tax on slot machine revenues

Currently, funds in the State School Trust Fund are derived from the following sources pursuant to s. 1010.71:

- The proceeds of all lands that have been or may hereafter be granted to the state by the United States for public school purposes;
- Donations to the state when the purpose is not specified;
- Appropriations by the state;
- The proceeds of escheated property or forfeitures; and
- Twenty-five percent of the sales of public lands which are owned by the state.

A slot machine licensee who fails to make tax payments as required under this section is subject to an administrative penalty of up to \$10,000 for each day the tax payment is not remitted. All administrative penalties imposed and collected shall be deposited into the Pari-mutuel Wagering Trust Fund of the Department of Business and Professional Regulation. If any slot machine licensee fails to pay penalties imposed by order of the division under this subsection, the division may suspend, revoke, or refuse to renew the license of the slot machine licensee.

Days and hours of operation

Section 551.116, F.S., provides that the slot machine gaming areas may be open 365 days a year and open for a maximum of 16 hours per day.

Prohibited activities and devices

Section 551.121, F.S., prohibits:

- Complimentary or reduced-cost alcoholic beverages from being served to persons playing a slot machine. The cost of the alcoholic beverages shall cost at least the same amount as alcoholic beverages served to the general public at a bar within the facility;
- Making any loan, providing credit, or advancing cash in order to enable a person to play a slot machine;
- ATM's or similar devices designed to provide credit or dispense cash from a person's personal account to be located within the facilities of the slot machine licensee.
- Accepting or cashing, any personal, third-party, corporate, business, or government-issued check from any person.

III. Effect of Proposed Changes:

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

It creates s. 849.16(3)(b), F.S., to provide that the pari-mutuel facility must remit the tax to the Department of Revenue at the end of each month in a form or fashion set forth by the department.

It creates s. 849.16(3)(c), F.S., to provide that the funds collected must be deposited in the State School Trust Fund to supplement public education funding. The revenues from slot machines which have been deposited into the trust fund must be distributed to the counties annually through the General Appropriations Act as follows:

- To offset the effect of slot machines, Broward County shall receive \$75 per full-time equivalent student enrolled within the county;
- The remainder must 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 shall subject the licensed permit holder to enforcement by the Division of Pari-mutuel Wagering and to penalties set forth in s. 550.0951, F.S.

The bill creates s. 849.16(4) to provide that ss. 849.16 (3) and (4), F.S., may not be construed, interpreted, or applied to any licensed pari-mutuel facility in Broward county which qualifies under s. 23, Art. X of the State Constitution to operate slot machines if the pari-mutuel facility complies with the payment of taxes.

The bill creates s. 849.086(5), F.S., to provide Broward County slot machines facilities can remain open and operate 24 hours a day, 7 days a week, have unlimited number of slot machines on the gambling floor and place automated teller machines on the premises except on the gambling floor.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.:

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None

C. Government Sector Impact:

The reduction in the tax rate would mean less revenue for the state. Broward County will benefit from the \$75 per full-time student that is provided for in the bill.

VI. Technical Deficiencies:

None.

VII. Related Issues:

According to the Department of Revenue (DOR), the language in the bill that requires DOR to collect the tax, but gives the Division of Pari-mutuel Wagering(DPMW) enforcement authority could create administrative difficulties for both DOR and DPMW.

The department further states that sharing taxpayer information with DPMW violates the confidentiality provision of s. 213.053(2), F.S. The department states that an exception would need to be granted in s. 213.053(7), F.S.

The department points out that the bill directly contradicts existing statutory provisions in ch. 551, F.S.

VIII. Summary of Amendments:

None.

This Senate Professional Staff Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
