



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0297 - Revise video gambling machine taxes to allow a deduction for negative income (Welch, Tom)

Status: As Amended in House Committee

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$402,000)	(\$402,000)	(\$402,000)	(\$402,000)
State Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$402,000)</u>	<u>(\$402,000)</u>	<u>(\$402,000)</u>	<u>(\$402,000)</u>

Description of fiscal impact: HB 297, as amended, reduces general fund revenue sourced from the video gambling tax by approximately \$400,000 per year.

FISCAL ANALYSIS

Assumptions:

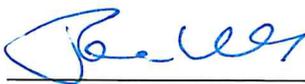
Department of Justice

1. HB 297 creates a definition of negative income within 23-5-602, MCA. Negative income is any amount paid out in cash from a video gambling machine that exceeds cash put into the machine.
2. A licensed machine owner must keep a record of negative income for each video gambling machine.
3. HB 297, as amended, instructs a licensed machine owner to pay the 15% video gambling machine tax on the net gross income from a machine.
4. The process for paying the tax is to be determined by the Department of Justice.
5. Net gross income, while not specifically defined in the bill, is assumed to be gross income minus negative income.
6. For an owner of multiple machines, negative net gross income from one or more machines will offset positive net gross income from all other machines, which will reduce the owner's video gambling tax liability. Video

gambling tax collections are deposited fully into the state general fund; thus, the fiscal impact of HB 297, as amended, is a reduction in general fund revenue.

7. Using video gambling machine data for the first quarter of FY 2023, 626 machines recorded what would be classified as negative income as defined in HB 297. Total negative income from these machines was about \$670,000 for the quarter. Taking this amount from total gross income reported from all machines across the state results in a total tax liability reduction and decline in general fund revenue of \$100,500.
8. Assuming spending at video gambling machines remains relatively flat through the period FY 2023 – FY 2027, the fiscal impact of HB 207 is a loss of general fund revenue equal to \$402,000 per year.
9. The bill is effective July 1, 2023.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	(\$402,000)	(\$402,000)	(\$402,000)	(\$402,000)
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>(\$402,000)</u>	<u>(\$402,000)</u>	<u>(\$402,000)</u>	<u>(\$402,000)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$402,000)	(\$402,000)	(\$402,000)	(\$402,000)
State Special Revenue (02)	\$0	\$0	\$0	\$0



 Sponsor's Initials

2/6/23

 Date



 Budget Director's Initials

2-6-23

 Date