

Washington State Gambling Commission

License Fee's in Today's Environment Part 1



Mission Statement:

*"Protect the Public by Ensuring that
Gambling is Legal and Honest"*

January 2015



Today's Topics

- Legislative Declaration and Funding
- Chronological Changes to License Fees
- Current License Fee Structure
- Other Fees Paid by Licensees
- Analysis of Gambling Receipts, Licensee Levels, Fees and License Fees as a Percentage of Receipts



Today's Topics

- Taxes on Gambling Activities
- Challenges with the Current Fee Schedule
- Public Input



February's Topics

- Follow-up from January's Presentation
- How Other States Fund Gambling Regulation
- Regulation of Activities
 - Licensed
 - Unlicensed
- Analysis of Revenue Received by Activity
- Public Input



March's Topics

- Follow-up from February's Presentation
- Suggestions for Creating a New Fee Structure in Today's Environment
- Public Input



If we were to create
a new fee structure
today, what would it
be?



Legislative Declaration and Funding



Legislative Declaration

RCW 9.46.010, “The public policy of the state of Washington on gambling is to keep the criminal element out of gambling and to promote the social welfare of the people by limiting the nature and scope of gambling activities and by strict regulation and control.”



Powers & Duties

RCW 9.46.070(5), “Establish a schedule of annual license fees for carrying on specific gambling activities upon the premises, and for such other activities as may be licensed by the commission, which fees shall provide to the commission not less than an amount of money adequate to cover all costs incurred by the commission relative to licensing under this chapter and the enforcement by the commission...”



Powers & Duties

RCW 9.46.070(5), “...Provided, That all licensing fees shall be submitted with an application therefor and *such portion of said fee as the commission may determine, based upon its cost of processing and investigation*, shall be retained by the commission upon *the withdrawal or* denial of any such license as its reasonable expense *processing the application and investigation* into the granting thereof...”



Powers & Duties

RCW 9.46.070(5), “...*Provided Further, That if in a particular case the basic license fee established by the commission for a particular class of license is less than the commission’s actual expenses to investigate that particular application, the commission may at any time charge to that applicant such additional fees as are necessary to pay the commission for those costs.*



Powers & Duties

RCW 9.46.070(5), “... *The commission may decline to proceed with its investigation and no license shall be issued until the commission has been fully paid therefor by the applicant.*”



Powers & Duties

RCW 9.46.070(5), “...Provided Further, That the commission may establish fees for the furnishing by it to licensees of identification stamps to be affixed to such devices and equipment as required by the commission and for such other services or programs required or offered by the commission...”



Powers & Duties

RCW 9.46.070(5), “...the amount of each of these fees to be not less than is adequate to offset the cost to the commission of the stamps and of administering their dispersal to licensees or the cost of administering such other special services, requirements or programs;”



Chronological Changes to License Fees



Original Fee Schedule - 1973

License Type	Class Levels Based on Annual Net Receipts	Fees
Bingo	Class A – less than \$500	\$10
	Class G – over \$500,000	\$2,500
Raffles	Class A – single raffle; less than \$5,000	No charge
	Class F – over \$15,000	\$150
Amusement Games	Class A – less than \$500	\$10
	Class E – over \$15,000	\$125



Original Fee Schedule - 1973

License Type	Fees
Punch board/pull-tab	\$125 per premises
Manufacturer	\$2,500
Distributor	\$750
Distributor's Representative	\$50
Agricultural Fair permit	\$15
Change of Name	\$10
Duplicate License	\$10



New Gambling Activities to the Original 1973 Fee Schedule

Year	New Activity	Classes	Fees
1973	Manufacturer Representatives		\$50
1974	Card Rooms	4	\$35 to \$250
1976	Commercial Amusement Games	5	\$100 to \$3,000
1977	Fund Raising Events	2 based on length of event	\$50 and \$100
1978	Card Room Employees		\$100



New Gambling Activities or Changes to the Original 1973 Fee Schedule

Year	New Activity/Change	Classes	Fees
1981	Renewal Fees for Card Room Employees and Representatives		\$50 for CRE \$75 for Reps
1981	Bingo Managers		\$100 License \$50 Renewal
1983 – 1985	PB/PT - Added License Classes	6 - Based on Gross Receipts	\$450 to \$3,000
1983 – 1985	Bingo License Class Based on Gross Receipts		



New Gambling Activities or Changes to the Original 1973 Fee Schedule

Year	New Activity/Change	Classes	Fees
1985	Distributor license – added classes	2	\$2,750 License \$1,250 or \$1,700 Renewal
1986-87	6 month payment plan for annual license fees of \$800 or more		
1988-9	Raffle based on Gross Receipts		
1989	Amusement Game based on Gross Receipts		
1989	Manufacturer – added classes	6	\$500 - \$3,200
1989	Distributor – added classes	4	\$500 - \$3,200



New Gambling Activities or Changes to the Original 1973 Fee Schedule

Year	New Activity/Change	Classes	Fees
1989	Variance for PB/PT Licensees		
1991-3	Fund Raising Equipment Distributor	2	\$200 and \$500
1991-3	Recreational Gaming Activity Permit		\$50
1995-7	Combination License	3	\$100/\$260/\$600
1995	Special Sales Permit		\$200 Non-Renewable
1997	Service Suppliers and Representatives		\$575 \$219 License/\$135 Renewal



New Gambling Activities or Changes to the Original 1973 Fee Schedule

Year	New Activity/Change	Classes	Fees
1997	PB/PT Service Businesses		\$200 License \$125 Renewal
1997	Key Card Room Employee		\$217 In-State/\$271 Out-of-State /\$135 Renewal
1998-9	Variances for Bingo Licensees		
1999	Enhanced Card Room		\$1,500 Annual Fee + Per Table Fee
1999	House-Banked Card Room		\$6,000 Annual Fee + \$1,500 Per Table
1999	Linked Bingo Providers and Representatives		\$3,693 \$219 License/\$135 Renewal



New Gambling Activities or Changes to the Original 1973 Fee Schedule

Year	New Activity/Change	Classes	Fees
2002	Shared Bingo Facilities and Operate 7 Days a Week	<ul style="list-style-type: none"> • 6 New Bingo Classes • 7 New PB/PT Classes 	
2009	Raffle Ticket Increase from \$25 to \$100		
2013	Enhanced Raffles		\$6,000 Annual + \$7,800 Per Raffle
2013	Call Centers for Enhanced Raffles and Representatives		\$4,500 \$260 License/\$158 Renewal



Current License Fee Structure



Summary of Current License Fees

- 194 Different Fees
- Legislative Changes Lead to Changes in Fees
- License Fees are Based on Annual Gross Receipts
-  Gross Receipts =  License Fees



Current License Types and Fees

- Charitable Nonprofit Organizations – 82 Fees
- Commercial Stimulant Businesses – 36 Fees
- Individuals – 20 Fees
- Other Businesses – 56 Fees



Charitable/Nonprofit Licenses – 82 Fees

- Amusement games (5 classes)
- Bingo (19 classes)
- Card Games (4 classes)
- Punchboard/Pull-Tab (22 classes)
- Raffles (6 classes) and Enhanced Raffle (2 classes)
- Fund Raising Events (11 classes)
- Combination Licenses (3 classes)
- Special Property Permit
- Recreational Gaming Activity Permit
- Other fees (8 fees)



Commercial Stimulant Businesses - 36 Fees

- Card Games
 - Nonhouse-banked (12 fees)
 - House-banked (2 fees)
- Punchboard/Pull-Tab (22 classes)



Individuals – 20 Fees

- Public card room employees (6 fees)
- Manufacturer, distributor, call center, linked bingo prize provider, and service supplier representatives (6 fees)
- Commercial and non-profit gambling managers (6 fees)
- Change of Name
- Duplicate License



Other Businesses – 56 Fees

- Amusement Games (8 fees)
- Distributor (6 fees)
- Fund Raising Event Equipment Distributor (2 fees)
- Manufacturer (6 fees)
- Service Supplier (2 fees)
- Linked Bingo Prize Provider (2 fees)
- Call Centers for Enhanced Raffles



Other Businesses – 56 Fees

- Permits:
 - Punchboard/Pull-Tab Service Supplier
 - Recreational Gaming Activity
 - Agricultural Fair (2 fees)
 - Manufacturer's Special Sales
- Changes and Other Fees (10 fees)
- Identification Stamps (14 fees)



Other Fees Paid by Licensees



License Upgrade Fees

- Licensee must :
 - Monitor their gross receipt levels to ensure they operate within their license class
 - Upgrade their license prior to exceeding their license class
- Costs to upgrade:
 - \$29 processing fee plus
 - Difference between present license class and new license class



Exceeding Class Fees

- Failing to apply for a license class upgrade results in an additional fee
 - Up to 50% of the difference between our fees for the licensee's present license class and the new license class or
 - \$1,000, whichever is less
- Licensees must also pay the processing costs and difference in license class fees



Identification Stamps - 14 Fees

- Punchboard/Pull-tabs
- Pull-tab Dispensers
- Disposable Bingo Cards
- Electronic Bingo Card Daubers
- Coin and Token Amusement Games
- Electronic Card Facsimile Tables



Identification Stamp Fees

Punch Boards/Pull-Tabs	
Wagers below \$0.50	\$0.30
Wagers over \$0.50	\$1.18
Pull-Tabs	
Progressive jackpot	\$11.86
Carry-over jackpot and cumulative prize pools	\$1.18
Pull-Tab Dispensing Devices	
Mechanical and electro-mechanical	\$0.30
Electronic	\$118.76 Annual Fee
Replacement stamps	\$28.00



Identification Stamp Fees

Disposable Bingo Cards	
Single game sets of individual cards or sheets of cards	\$0.30
Multigame card packets	\$0.30
Cards used to play for linked bingo prizes	
Fee per 250 cards	\$0.47
Fee per 5,000 cards	\$9.50
Electronic Bingo Card Daubers	\$11.86 Annual Fee



Identification Stamp Fees

Coin or Token-Activated Amusement Games	
Operated at any Class A amusement game licensed location	\$29.68 Annual Fee
Electronic Card Facsimile Tables	\$404.39 Annual Fee



Quality Control Fees

- Defective punch boards and pull-tab cost recovery fees
 - Up to \$106



Fees for Game and Equipment Reviews

- Cost Reimbursement
- Deposits required with applications
 - New proprietary game reviews \$1,000
 - Changes to approved proprietary games \$500
 - Equipment reviews \$2,000
- FY 13 – Processed 22 proprietary game and 9 equipment reviews
- FY 12 – Processed 30 proprietary game and 11 equipment reviews



Special Investigative Fees

- Reimbursement of costs incurred to conduct licensing investigation that are not covered by the application fee
 - Manufacturing pre-licensing investigations
 - Change of stock
- Received in:
 - FY 13 \$96,000
 - FY 12 \$22,000



Manufacturing Audit Costs

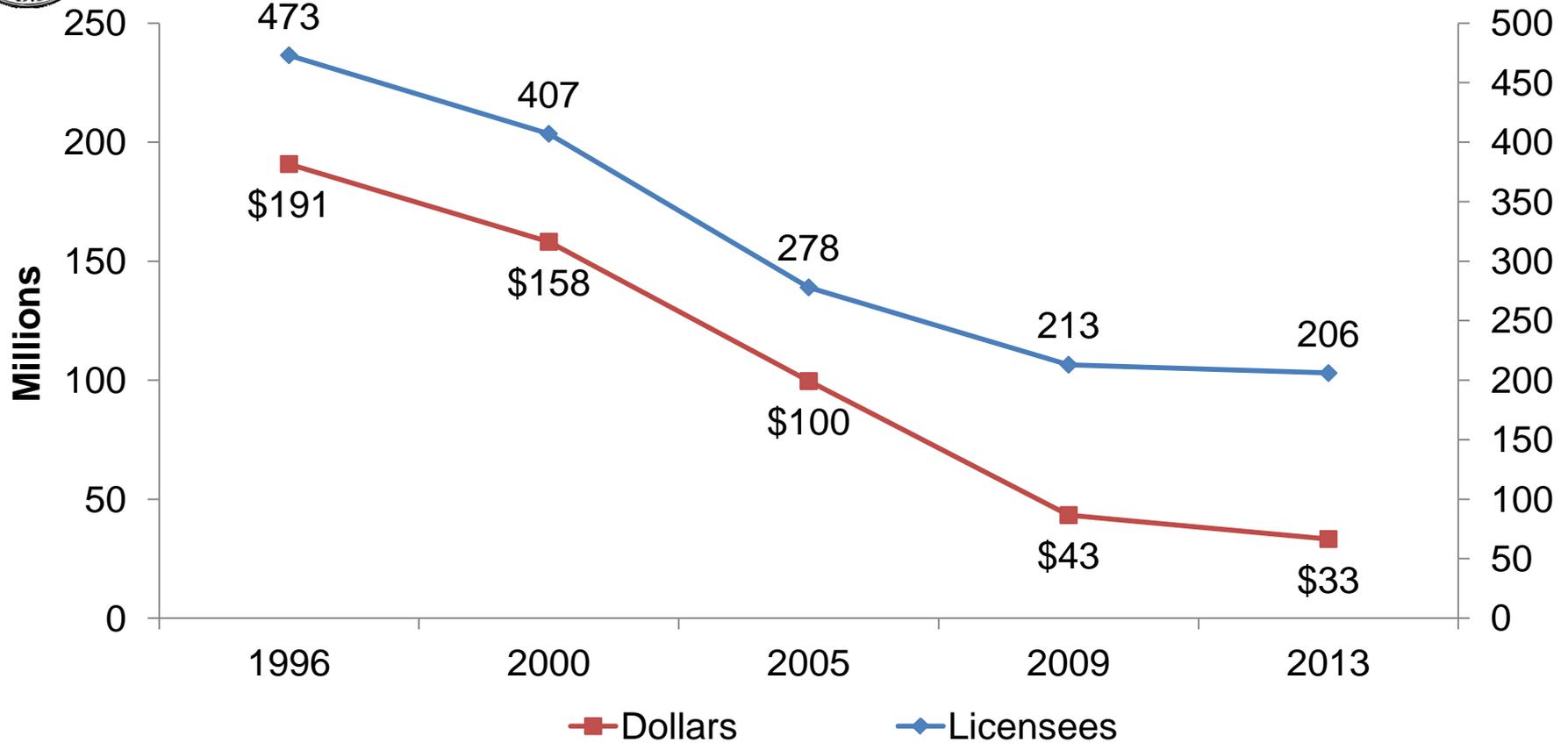
- Cost reimbursement
- Conducted every 3 to 5 years on license class E and F licensees
- FY 13 – 2 Audits; reimbursement of fees totaling \$55,000
- FY 12 – 2 Audits conducted; reimbursement of fees totaling \$48,000



Analysis of Gambling Receipts, Licensee Levels, Fees and License Fees as a Percentage of Receipts



Bingo Gross Receipts and License Levels



<u>Fiscal Year</u>	<u>Dollars</u>	<u>Licensees</u>
1996	\$190,799,825	473
2000	\$158,144,377	407
2005	\$99,633,547	278
2009	\$43,319,813	213
2013	\$33,257,238	206

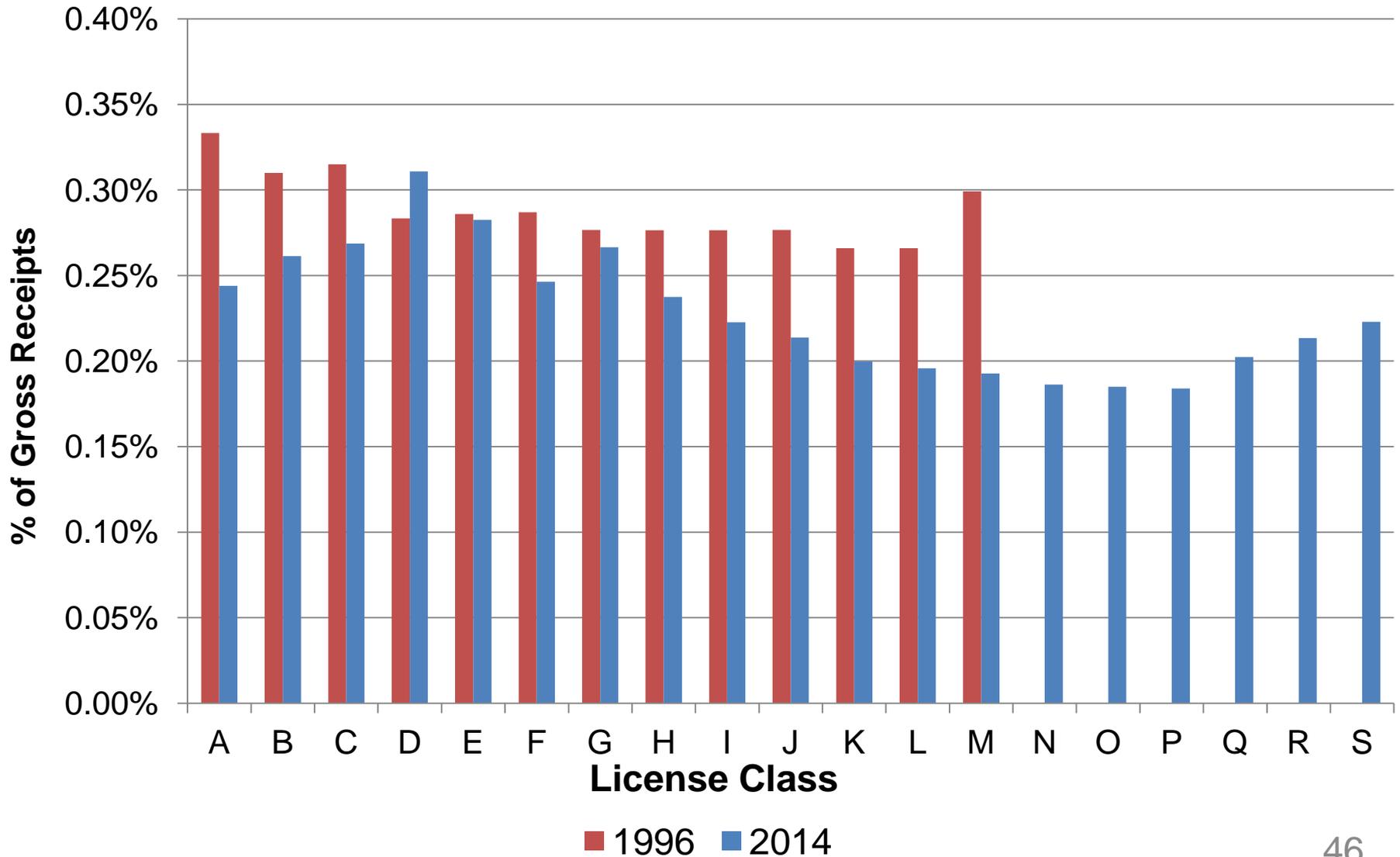


Bingo License Fees and Licensees by Class

	1996 Fees	1996 % of Bingo Licensees	2014 Fees	2014 % of Bingo Licensees
Class A	\$50	24%	\$61	50%
Class B	\$155	20%	\$196	27%
Class C	\$315	20%	\$403	10%
Class D	\$850	15%	\$1,088	6%
Class E	\$1,430	5%	\$1,836	1%
Class F	\$2,870	3%	\$3,696	1%
Class G	\$4,150	1%	\$5,330	-
Class H	\$5,530	5%	\$7,126	2%
Class I	\$6,910	2%	\$8,904	2%
Class J	\$8,300	2%	\$10,684	1%
Class K	\$9,310	1%	\$11,984	-
Class L	\$10,640	1%	\$13,698	-
Class M	\$11,970	1%	\$15,416	-

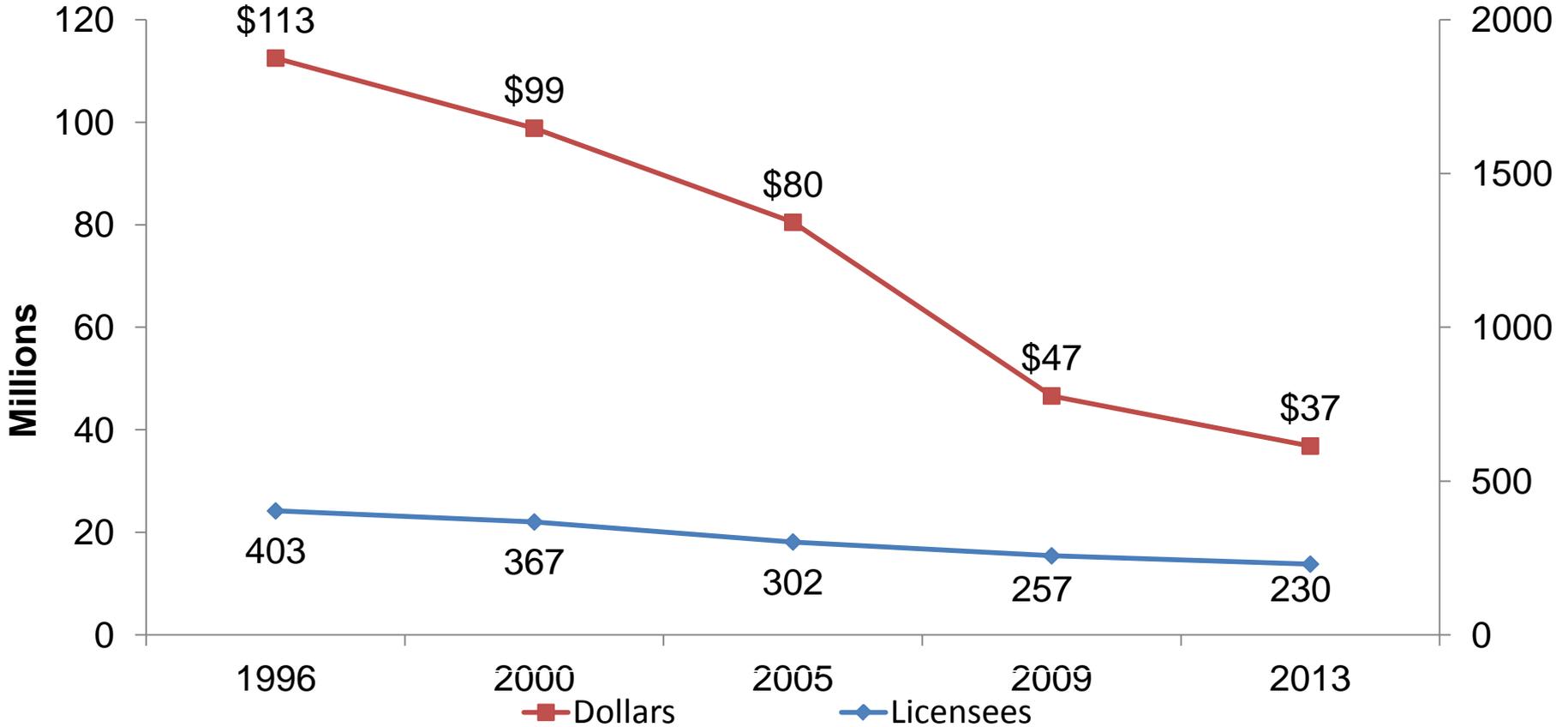


Bingo License Fees by Class as a Percentage of Gross Receipts





Nonprofit PB/PT Gross Receipts and License Levels



Dollars **Licensees**

<u>Fiscal Year</u>	<u>Dollars</u>	<u>Licensees</u>
1996	\$112,518,418	403
2000	\$98,835,263	367
2005	\$80,484,117	302
2009	\$46,606,470	257
2013	\$36,830,021	230

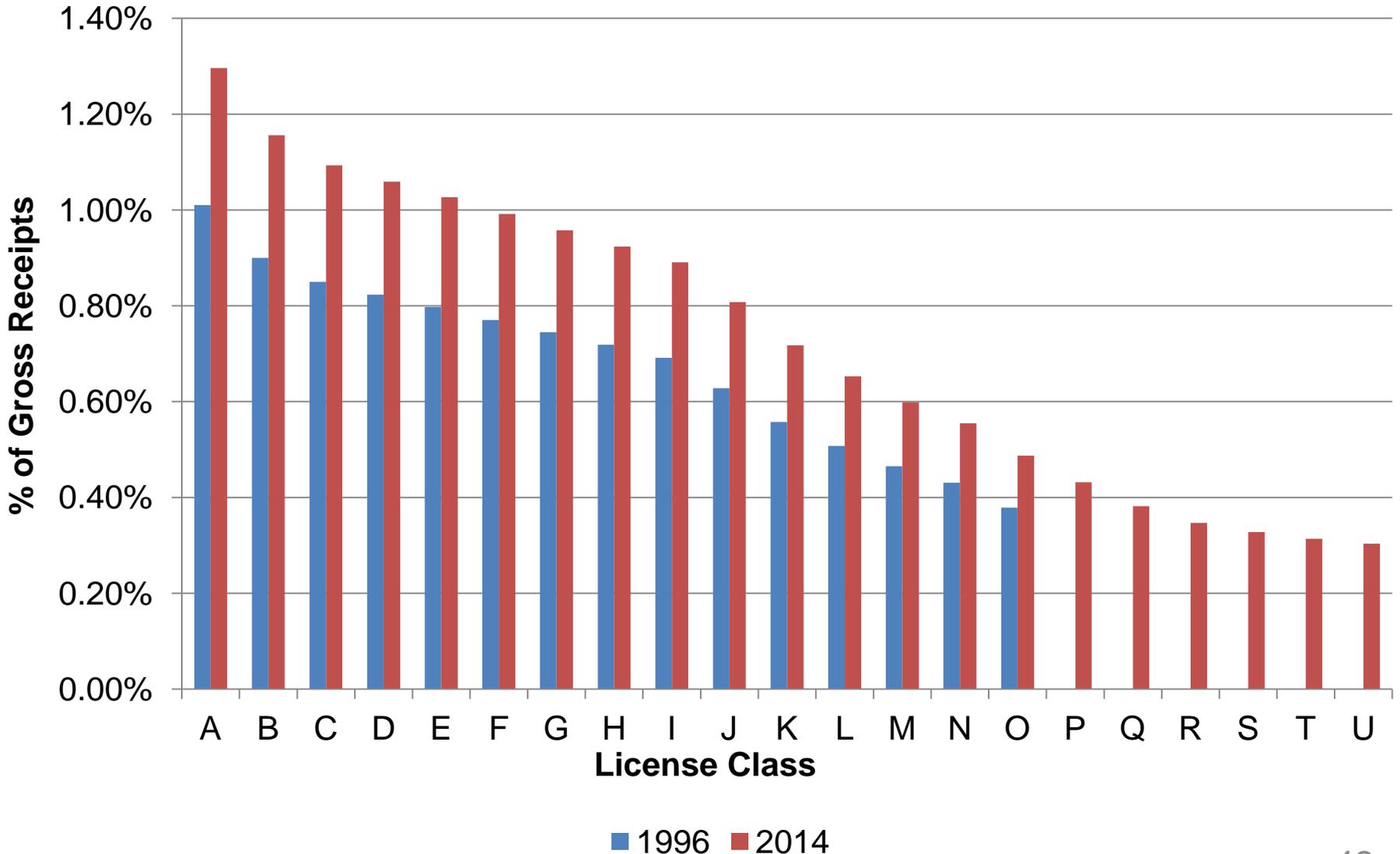


Nonprofit PB/PT License Fees and Licensees by Class

	1996 Fees	1996 % of PB/PT Licensees	2014 Fees	2014 % of PB/PT Licensees
Class A	\$505	23%	\$648	29%
Class B	\$900	19%	\$1,156	17%
Class C	\$1,700	20%	\$2,186	27%
Class D	\$2,470	12%	\$3,178	11%
Class E	\$3,190	6%	\$4,106	6%
Class F	\$3,850	3%	\$4,958	5%
Class G	\$4,470	3%	\$5,746	1%
Class H	\$5,030	3%	\$6,466	1%
Class I	\$5,530	1%	\$7,126	-
Class J	\$6,280	3%	\$8,078	1%
Class K	\$6,970	2%	\$8,968	1%
Class L	\$7,610	2%	\$9,794	-
Class M	\$8,140	1%	\$10,474	1%
Class N	\$8,620	1%	\$11,094	-
Class O	\$9,470	1%	\$12,190	-

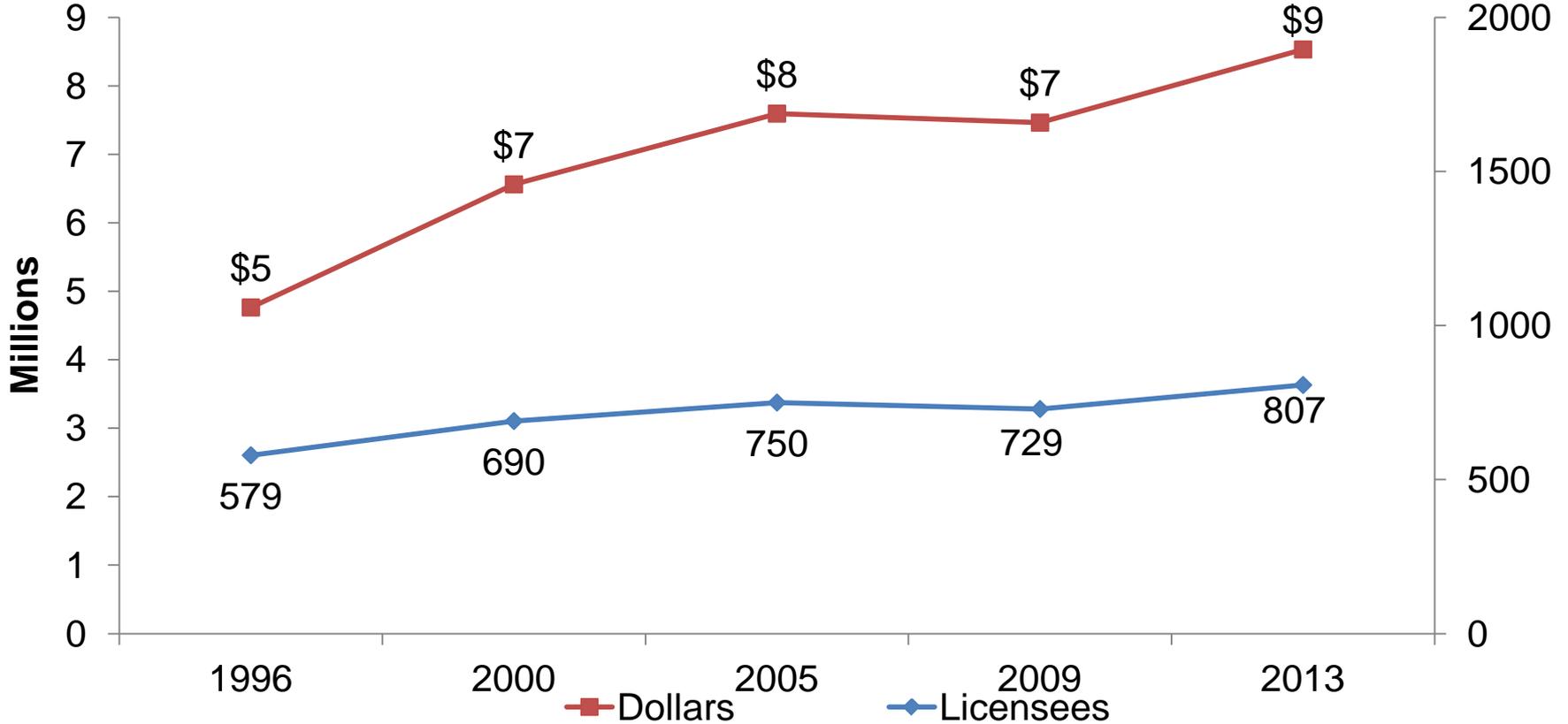


Nonprofit PB/PT License Fees by Class as a Percentage of Gross Receipts





Raffle Gross Receipts and Licensee Levels



<u>Fiscal Year</u>	<u>Dollars</u>	<u>Licensees</u>
1996	\$4,763,435	579
2000	\$6,561,220	690
2005	\$7,594,803	750
2009	\$7,463,120	729
2013	\$8,531,971	807

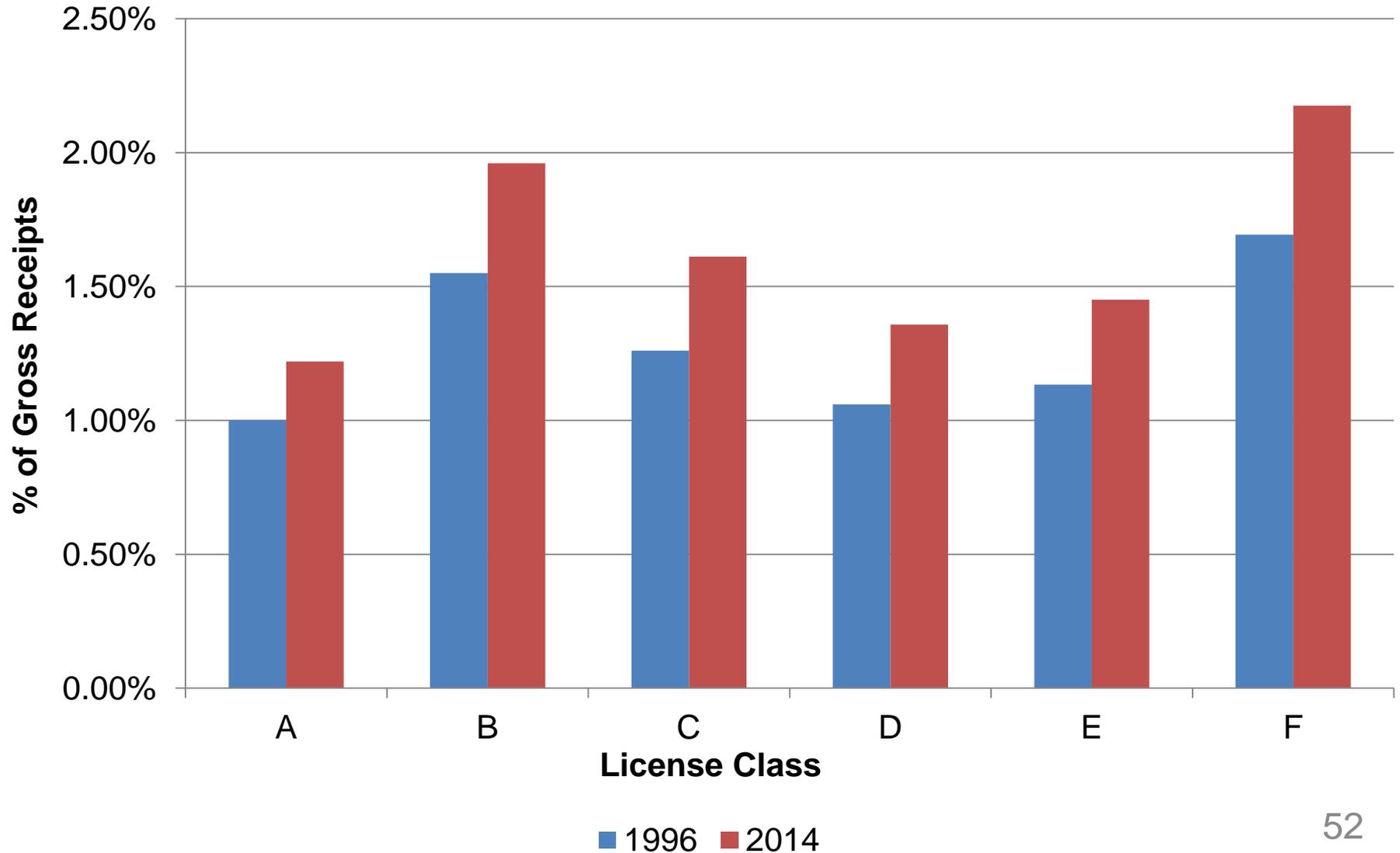


Raffle License Fees and Licensees by Class

	1996 Fees	1996 % of Raffle Licensees	2014 Fees	2014 % of Raffle Licensees
Class A	\$50	47%	\$61	31%
Class B	\$155	24%	\$196	25%
Class C	\$315	18%	\$403	28%
Class D	\$530	7%	\$679	11%
Class E	\$850	1%	\$1,088	2%
Class F	\$1,270	3%	\$1,632	3%

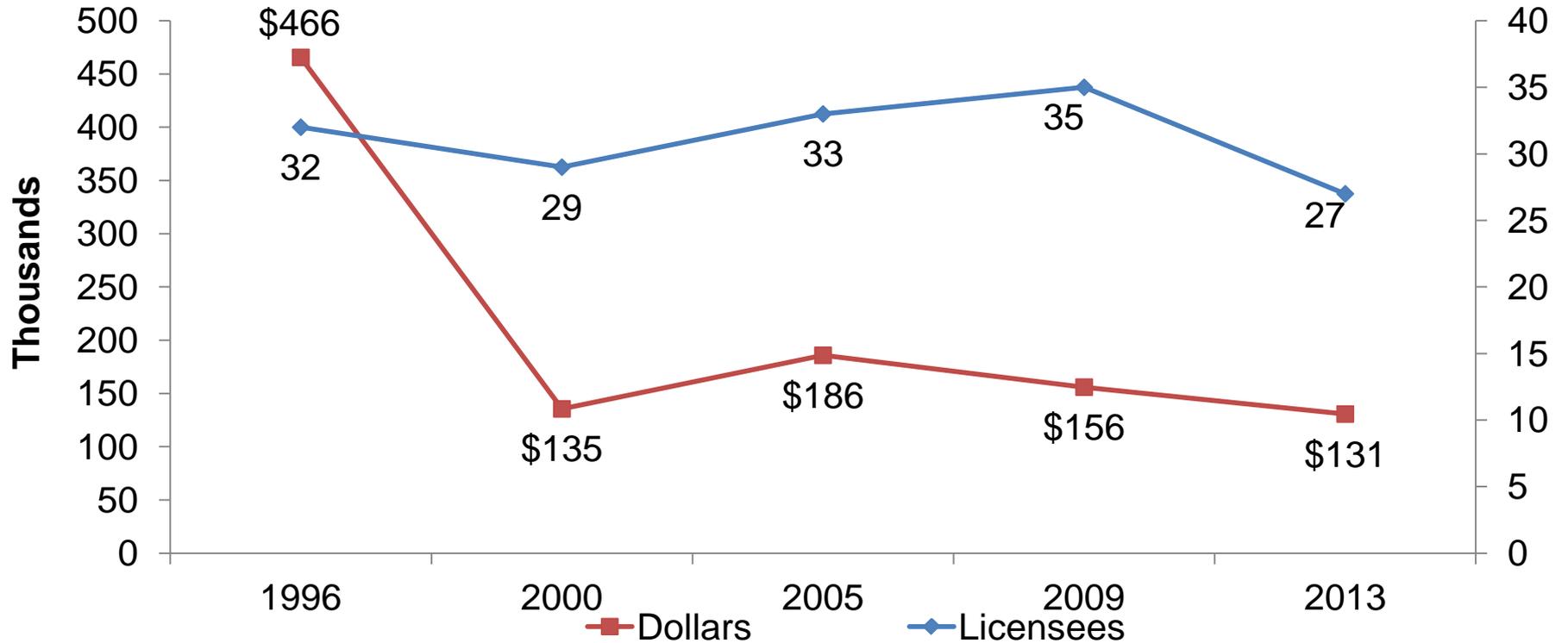


Raffle License Fees by Class as a Percentage of Gross Receipts





Nonprofit Amusement Game Gross Receipts and Licensee Levels



<u>Fiscal Year</u>	<u>Dollars</u>	<u>Licensees</u>
1996	\$465,584	32
2000	\$135,496	29
2005	\$185,865	33
2009	\$155,914	35
2013	\$130,638	27

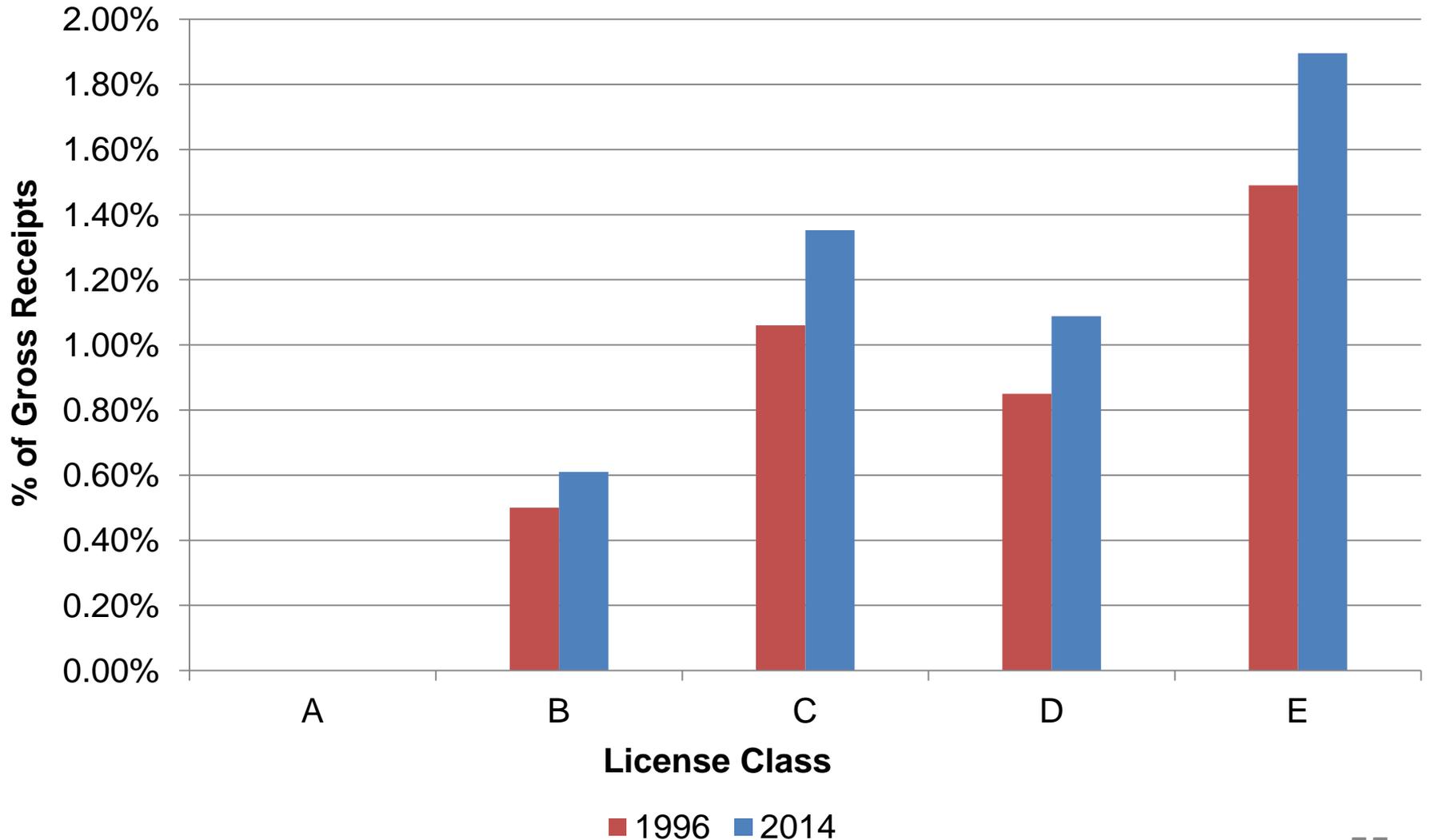


Nonprofit Amusement Game License Fees and Licensees by Class

	1996 Fees	1996 % of Amusement Game Licensees	2014 Fees	2014 % of Amusement Game Licensees
Class A	\$50	80%	\$61	80%
Class B	\$50	15%	\$61	16%
Class C	\$265	4%	\$338	-
Class D	\$425	1%	\$544	4%
Class E	\$745	-	\$948	-

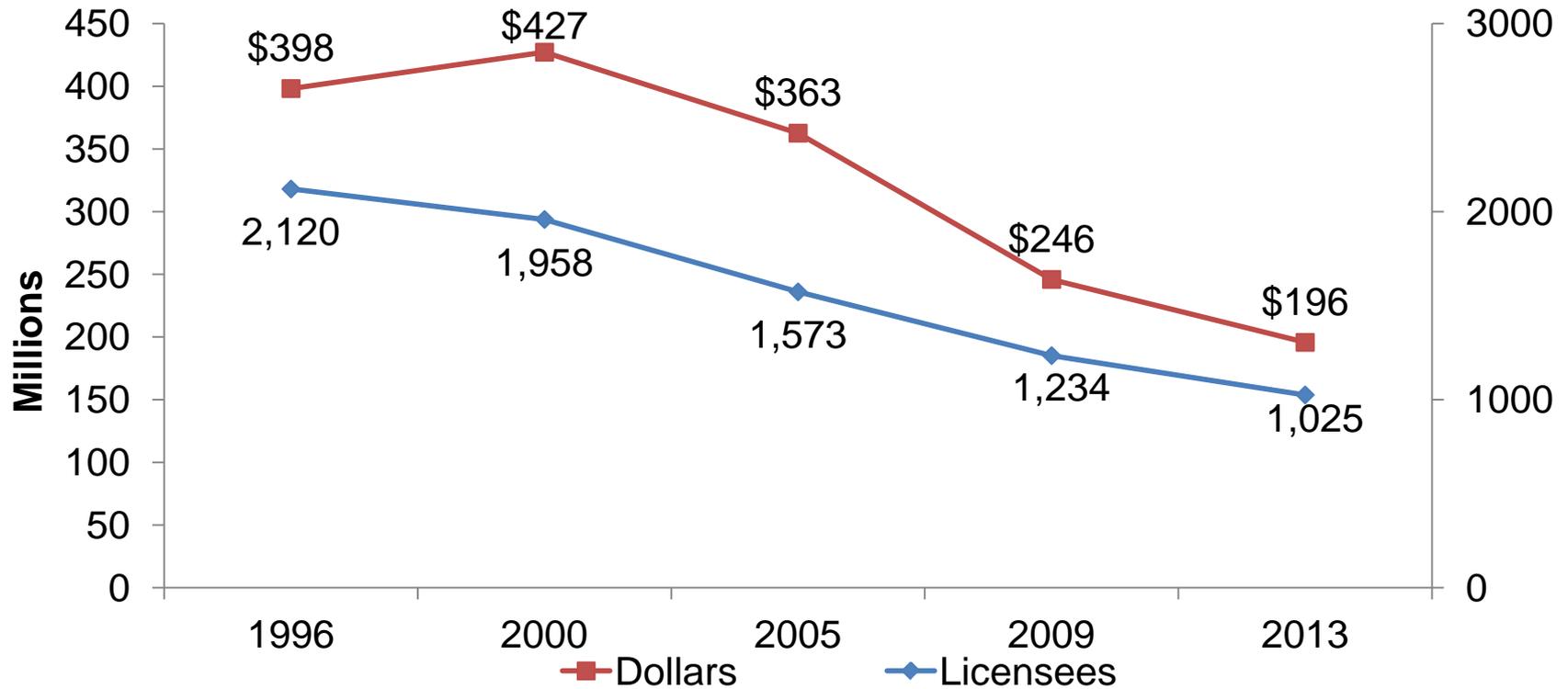


Nonprofit Amusement Game License Fees by Class as a Percentage of Gross Receipts





Profit PB/PT Gross Receipts and Licensee Levels



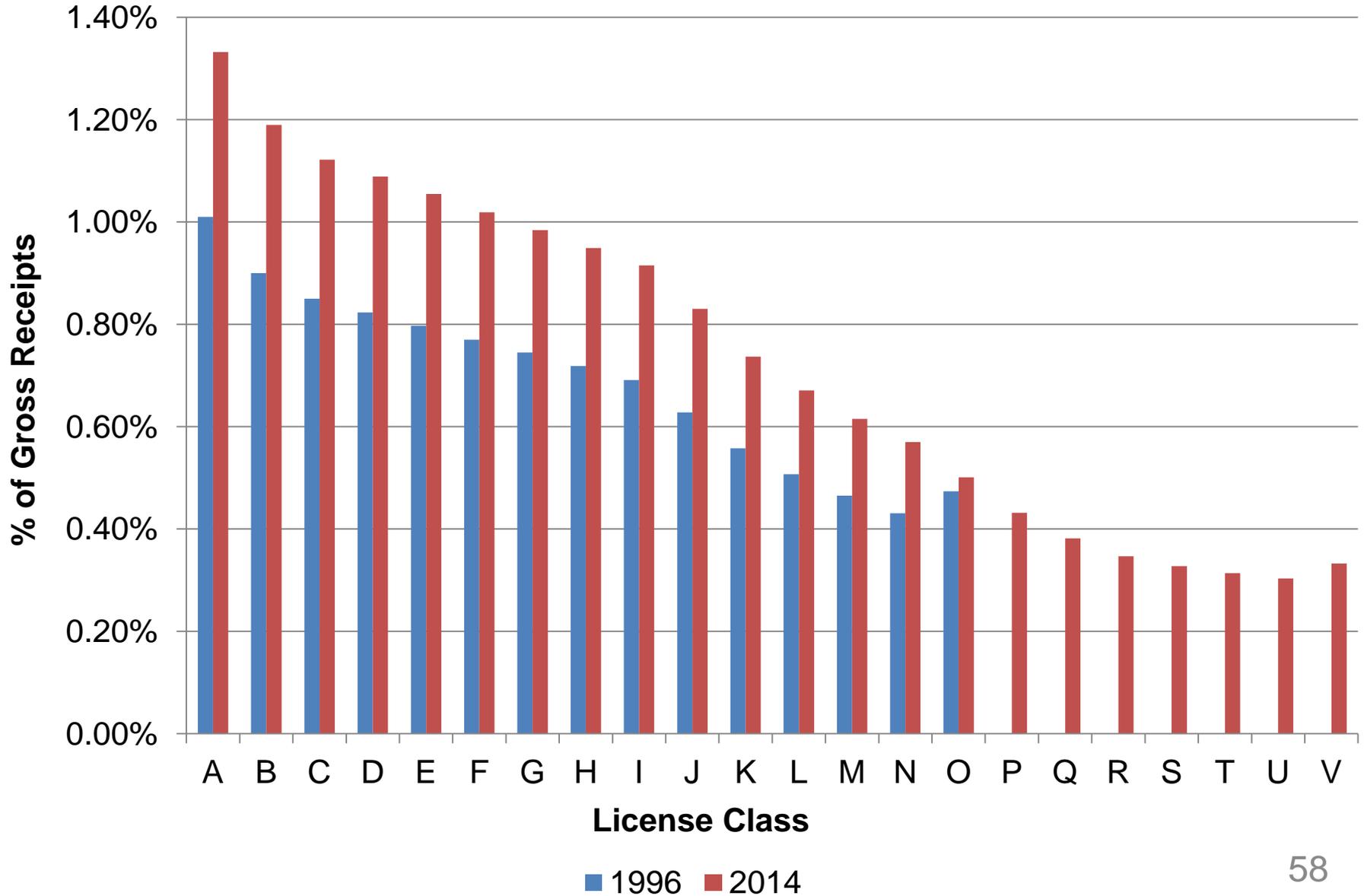
<u>Fiscal Year</u>	<u>Dollars</u>	<u>Licensees</u>
1996	\$398,145,103	2,120
2000	\$427,131,841	1,958
2005	\$362,556,888	1,573
2009	\$245,857,639	1,234
2013	\$195,661,244	1,025

PB/PT License Fees and Licensees by Class

	1996 Fees	1996 % of PB/PT Licensees	2014 Fees	2014 % of PB/PT Licensees
Class A	\$505	24%	\$666	22%
Class B	\$900	24%	\$1,190	21%
Class C	\$1,700	24%	\$2,244	21%
Class D	\$2,470	11%	\$3,266	12%
Class E	\$3,190	6%	\$4,220	7%
Class F	\$3,850	4%	\$5,094	5%
Class G	\$4,470	2%	\$5,904	4%
Class H	\$5,030	1%	\$6,646	2%
Class I	\$5,530	0.7%	\$7,320	1%
Class J	\$6,280	0.8%	\$8,302	1%
Class K	\$6,970	0.9%	\$9,214	1%
Class L	\$7,610	0.3%	\$10,064	1%
Class M	\$8,140	0.4%	\$10,766	1%
Class N	\$8,620	0.3%	\$11,402	-
Class O	\$9,470	0.6%	\$12,530	1%

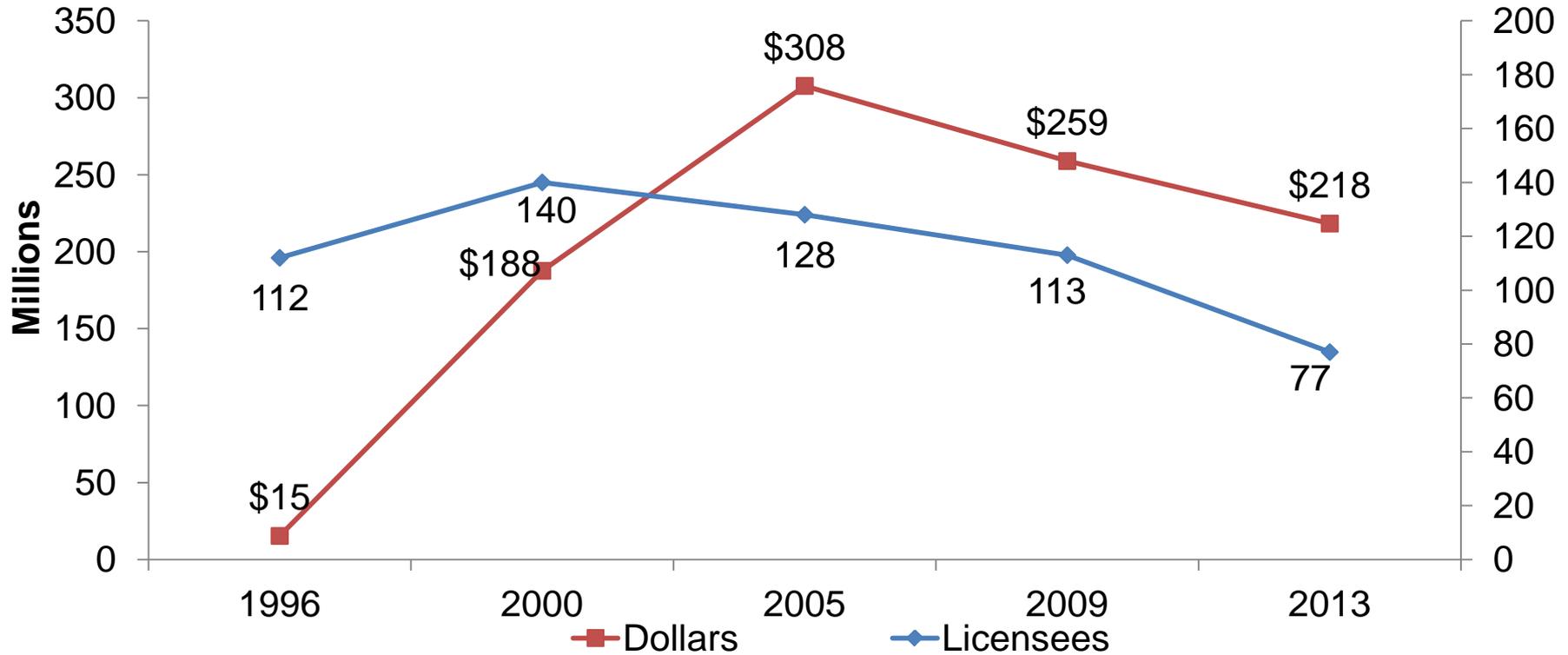


PB/PT License Fees by Class as a Percentage of Gross





House-Banked and Social Card Room Gross Receipts and Licensee Levels



<u>Fiscal Year</u>	<u>Dollars</u>	<u>Licensees</u>
1996	\$15,324,632	112
2000	\$187,547,447	140
2005	\$307,675,709	128
2009	\$258,880,130	113
2013	\$218,237,907	77



House-Banked and Social Card Room License Fees and Licensees by Class

	1996 Fees	1996 % of Card Room Licensees	2014 Fees	2014 % of Card Room Licensees
Class D	\$50	62%	\$63	66%
Class E-1	\$370	5%	\$488	3%
Class E-2	\$635	8%	\$840	1%
Class E-3	\$1,060	10%	\$1,398	1%
Class E-4	\$2,120	4%	\$2,804	-
Class E-5	\$3,190	11%	\$4,220	-
Class F-4			\$4,640	0.5%
Class F-6			\$7,278	0.5%
Class F-7			\$8,500	0.5%
Class F-10			\$12,166	0.5%
Class F-11			\$13,388	0.5%

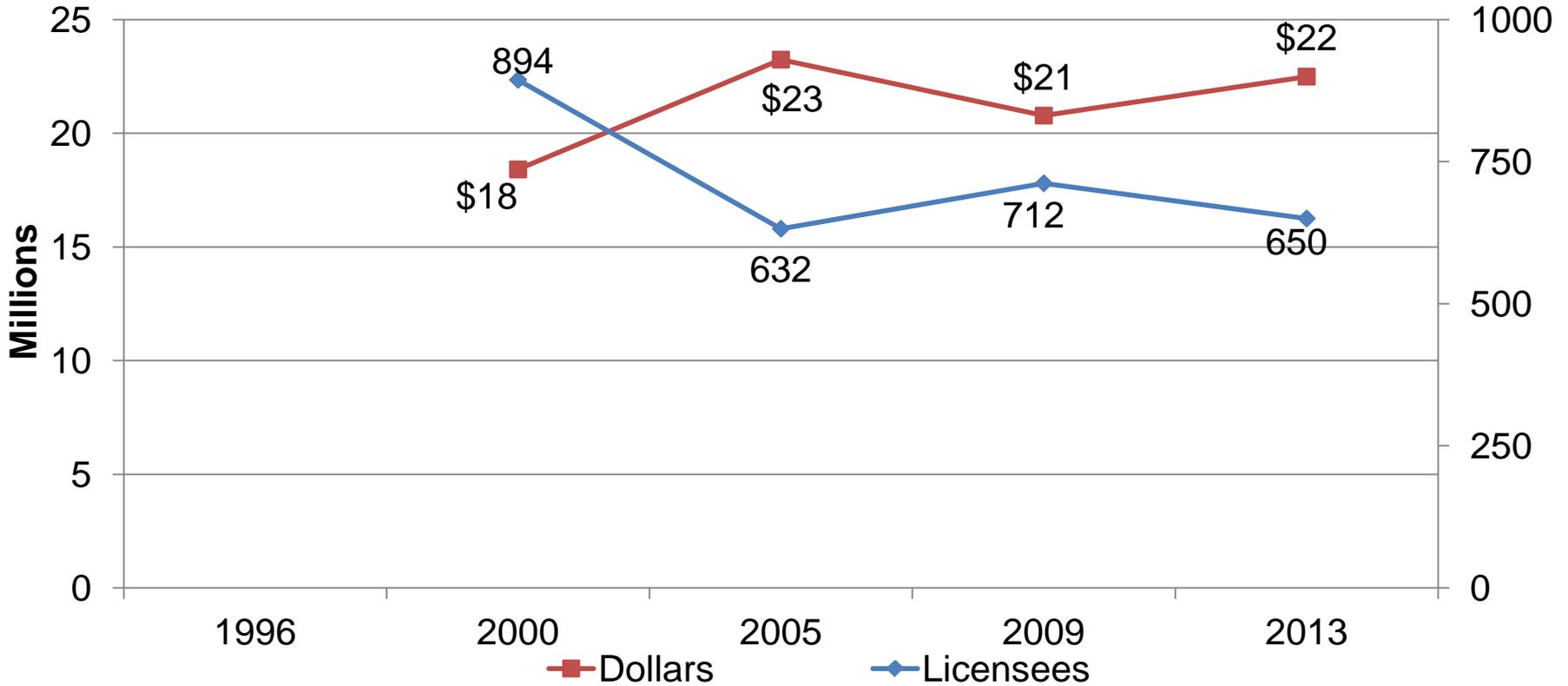


House-Banked and Social Card Room License Fees and Licensees by Class

	1996 Fees	1996 % of Card Room Licensees	2014 Fees	2014 % of PB/PT Licensees
HBCR 6			\$18,378	2%
HBCR 7			\$20,214	1%
HBCR 9			\$23,886	2%
HBCR 10			\$25,722	2%
HBCR 11			\$27,558	1%
HBCR 12			\$29,394	2%
HBCR 13			\$31,230	0.5%
HBCR 14			\$33,066	2%
HBCR 15			\$34,902	14%



Amusement Game Gross Receipts and Licensee Levels



<u>Fiscal Year</u>	<u>Dollars</u>	<u>Licensees</u>
2000	\$18,410,793	894
2005	\$23,241,849	632
2009	\$20,779,270	712
2013	\$22,494,953	650

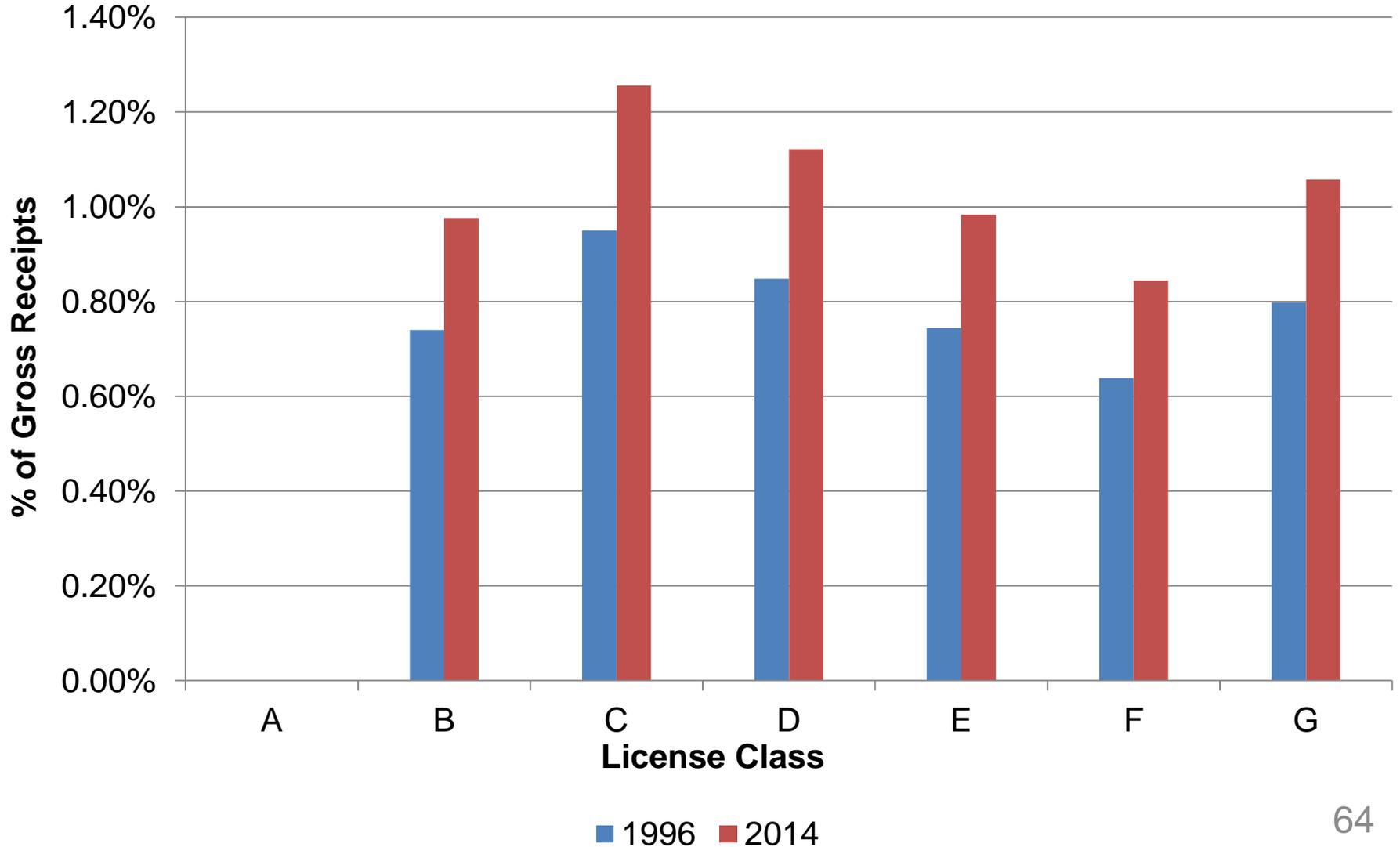


Amusement Game License Fees and Licensees by Class

	1996 Fees	1996 % of Amusement Game Licensees	2014 Fees	2014 % of Amusement Game Licensees
Class A	\$265	88%	\$347	86%
Class A1	\$115		\$159	4.6%
Class B	\$370	6.7%	\$488	3.9%
Class C	\$950	1.8%	\$1,256	1.7%
Class D	\$2,120	2.0%	\$2,804	1.4%
Class E	\$3,720	0.9%	\$4,918	0.9%
Class F	\$6,380	0.2%	\$8,446	0.6%
Class G	\$7,980	0.4%	\$10,568	0.9%

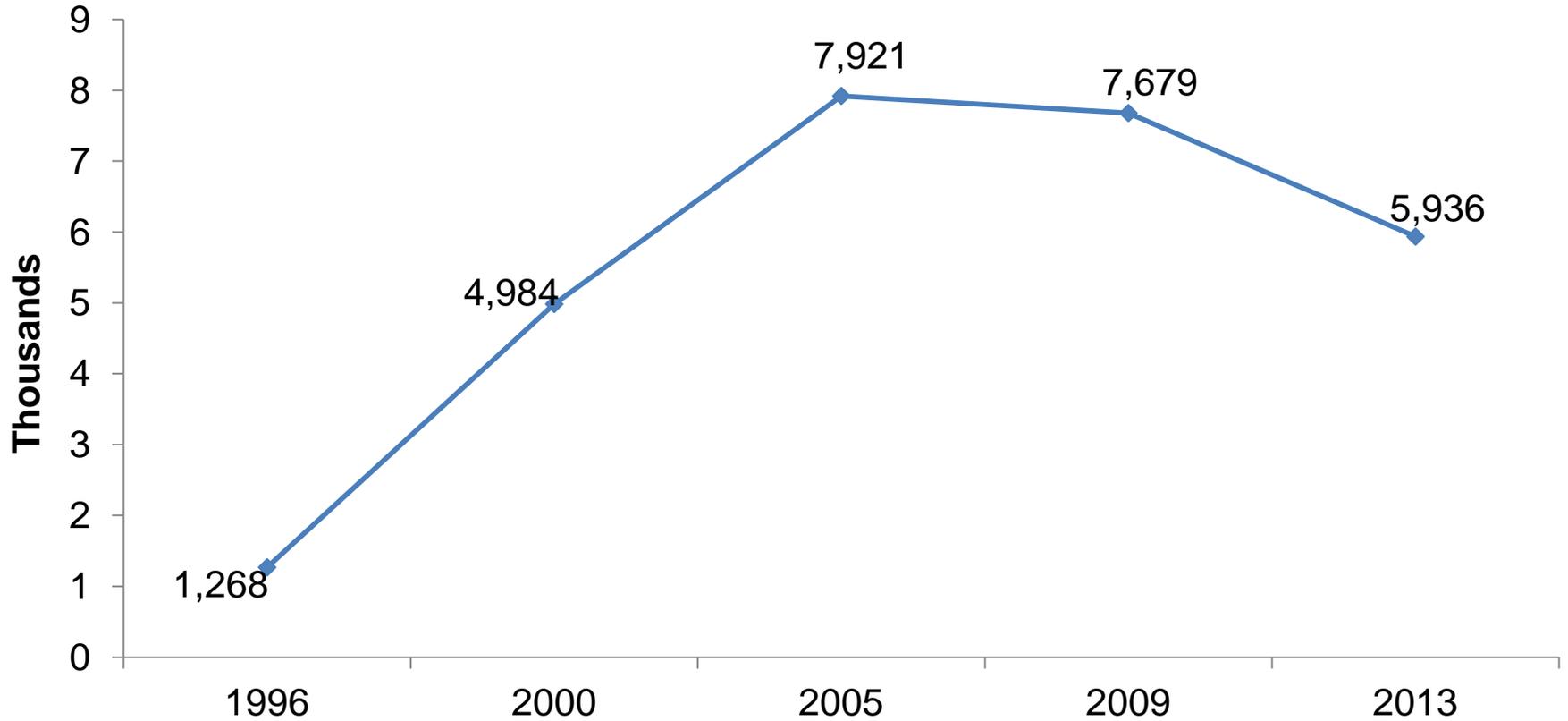


Amusement Game License Fees by Class as a Percentage of Gross Receipts





Individual License Levels



◆ Licensees

Fiscal Year	Licensees
1996	1,268
2000	4,984
2005	7,921
2009	7,679
2013	5,936

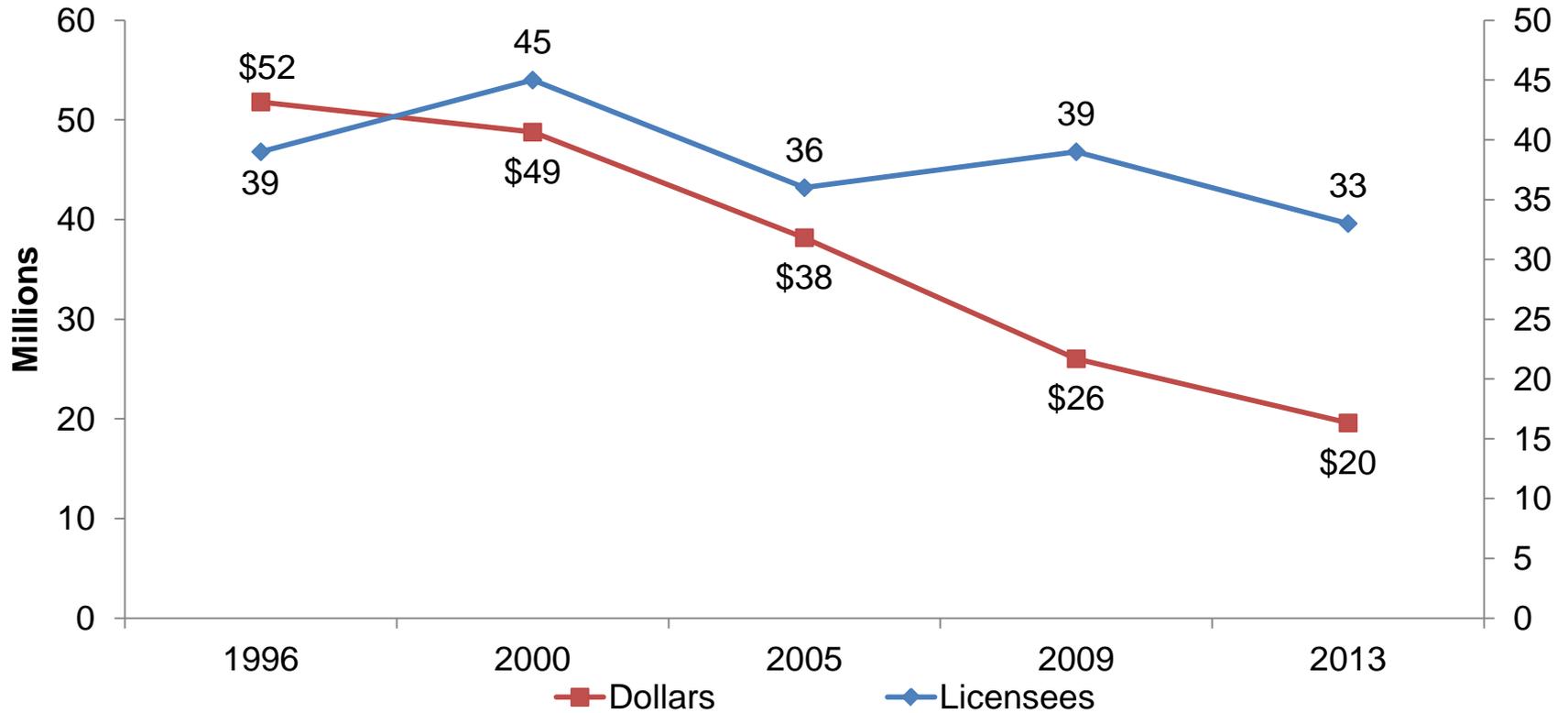


Individual License Fees and Licensees by Class

	1996 Fees	1996 % of Individual Licensees	2014 Fees	2014 % of Individual Licensees
CRE Class A	\$155/\$130 renewal	36%	\$200/\$95 renewal	0.2%
CRE Class B		-	\$273 in-state/ \$339 out-of-state/ \$167 renewal	82.4%
Representatives	\$210 /\$130 renewal	14%	\$276/\$167 renewal	14.1%
Nonprofit Managers	\$155/\$75 renewal	50%	\$196/\$93 renewal	3.3%



Distributor Gross Receipts and License Levels



<u>Fiscal Year</u>	<u>Dollars</u>	<u>Licensees</u>
1996	\$51,806,072	39
2000	\$48,776,631	45
2005	\$38,176,624	36
2009	\$26,029,423	39
2013	\$19,588,724	33

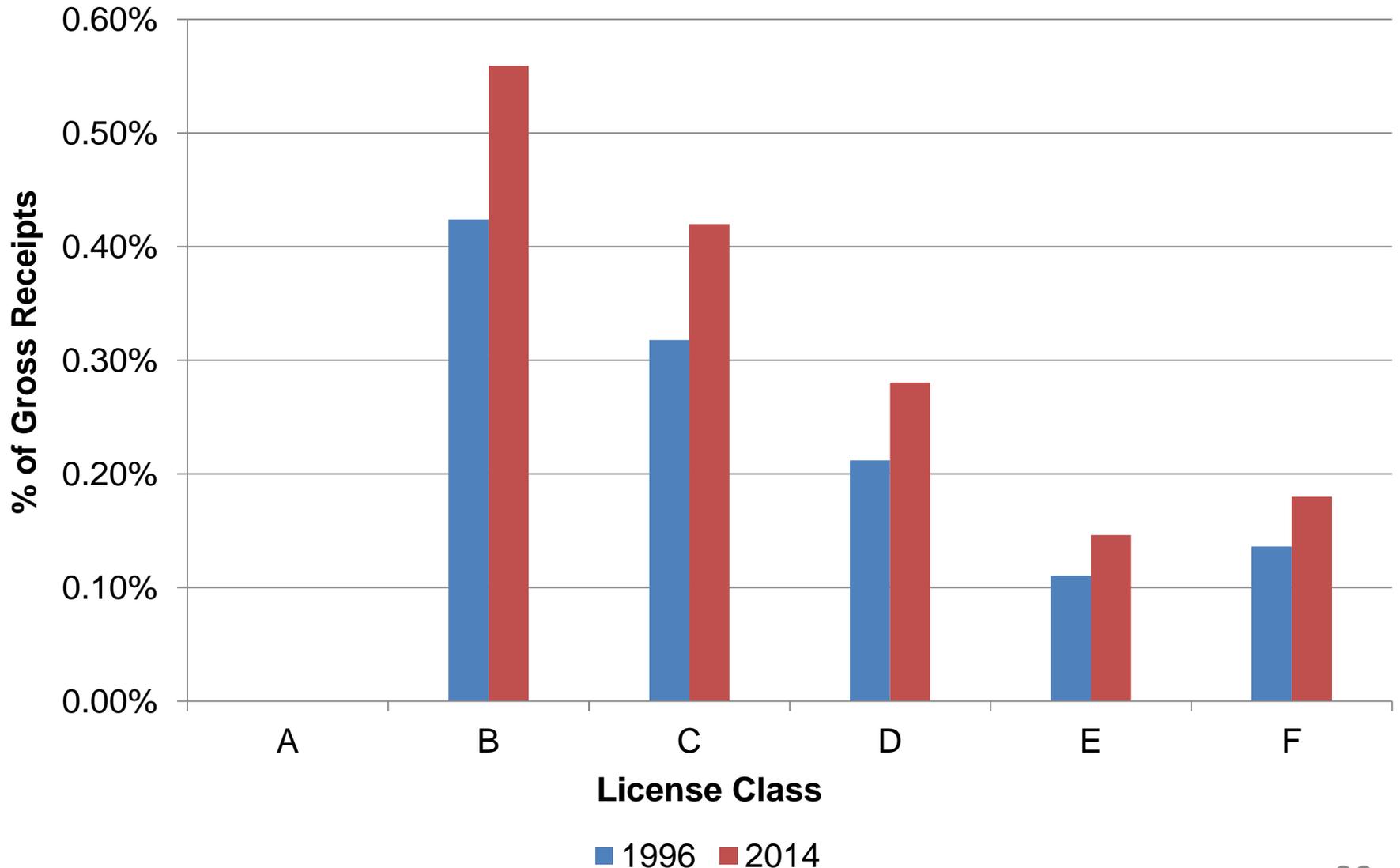


Distributor License Fees and Licensees by Class

	1996 Fees	1996 % of Distributor Licensees	2014 Fees	2014 % of Distributor Licensees
Class A	\$530	6%	\$699	49%
Class B	\$1,060	32%	\$1,398	18%
Class C	\$1,590	11%	\$2,100	4%
Class D	\$2,210	20%	\$2,804	9%
Class E	\$2,760	17%	\$3,654	13%
Class F	\$3,400	14%	\$4,498	7%

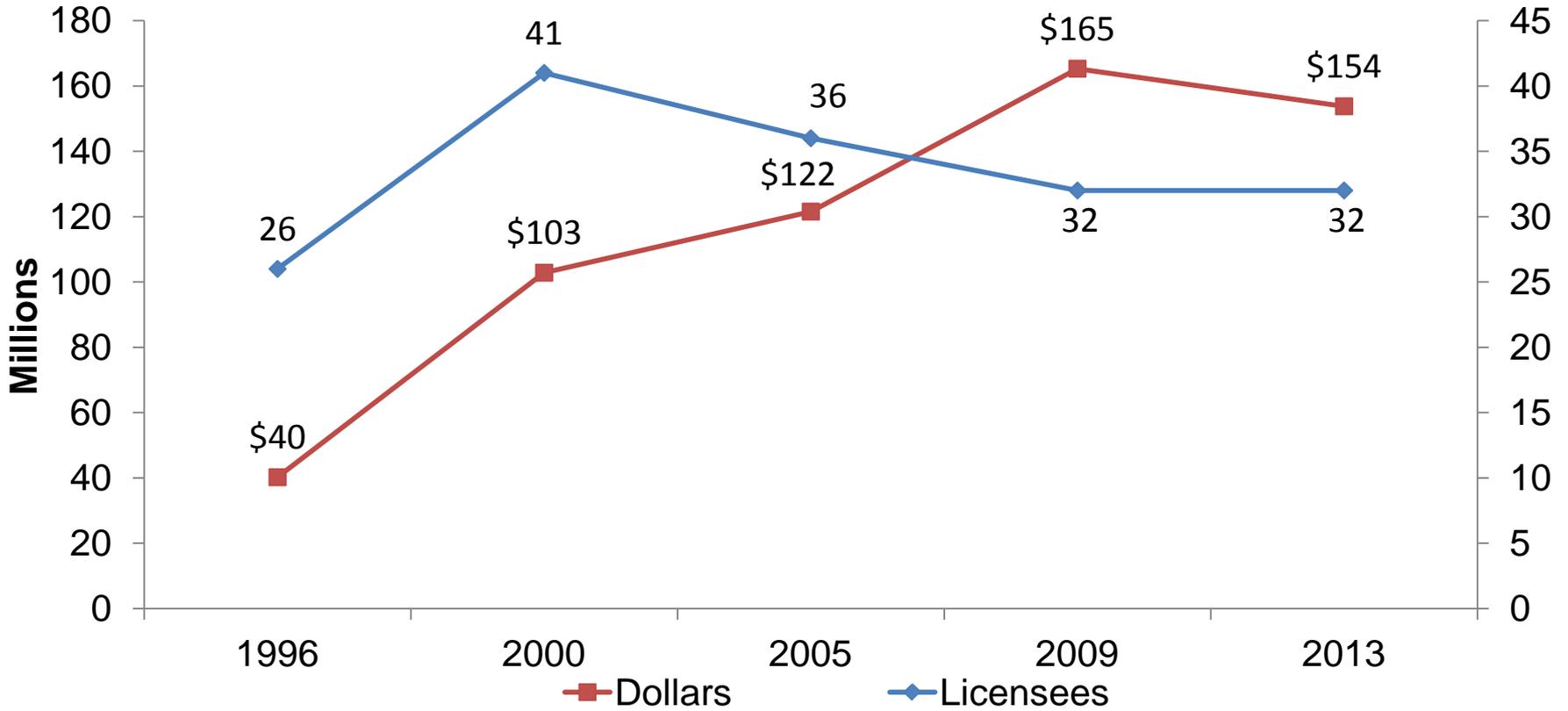


Distributor License Fees by Class as a Percentage of Gross Receipts





Manufacturer Gross Receipts and License Levels



<u>Fiscal Year</u>	<u>Dollars</u>	<u>Licensees</u>
1996	\$40,215,804	26
2000	\$102,823,910	41
2005	\$121,542,903	36
2009	\$165,285,461	32
2013	\$153,779,340	32

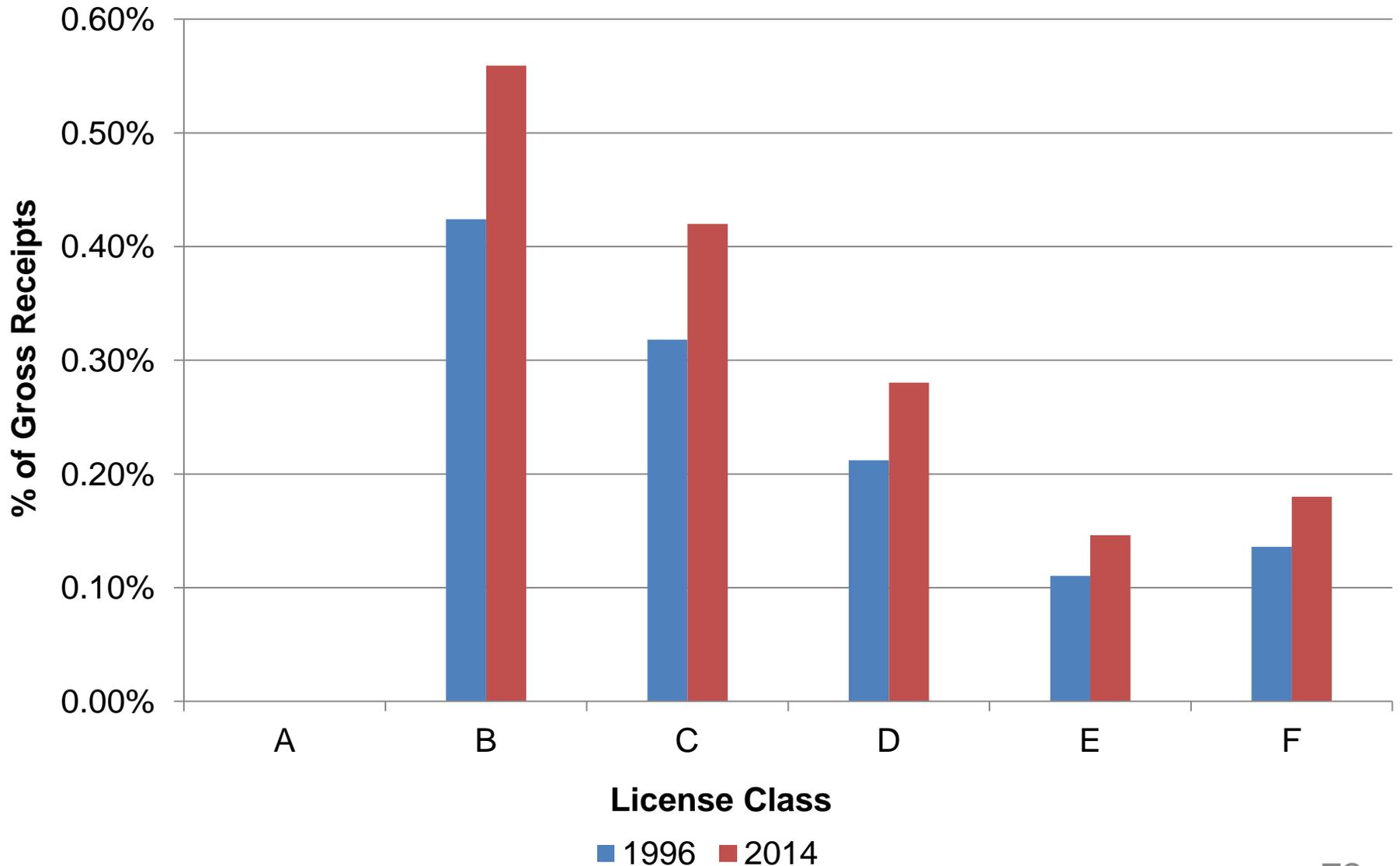


Manufacturer License Fees and Licensees by Class

	1996 Fees	1996 % of Manufacturer Licensees	2014 Fees	2014 % of Manufacturer Licensees
Class A	\$530	36%	\$699	-
Class B	\$1,060	16%	\$1,398	33%
Class C	\$1,590	12%	\$2,100	17%
Class D	\$2,210	-	\$2,804	12%
Class E	\$2,760	3%	\$3,654	17%
Class F	\$3,400	6%	\$4,498	21%



Manufacturer License Fees by Class as a Percentage of Gross Receipts



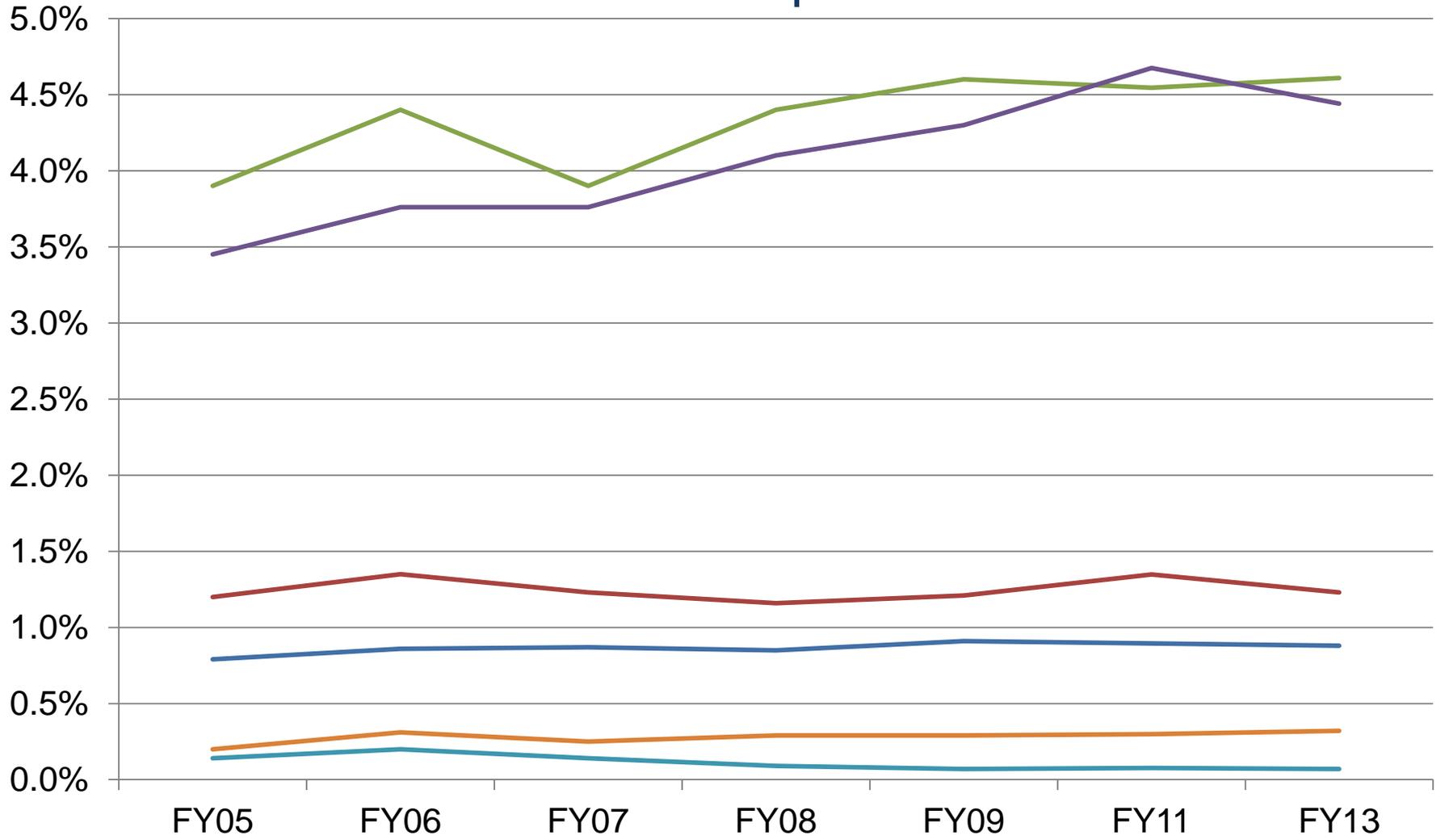


Total Fees Paid by Manufacturers 2008 – 2013

Calendar Year	License Fees	ID Stamp Fees	Quality Controls	Equipment Review Fees	Audit Fees	Mfg. Rep Fees	Total Fees Paid
2008	\$104,481	\$408,773	\$28,900	\$765,435	\$107,448	\$108,535	\$1,523,572
2009	\$136,233	\$232,002	\$21,900	\$620,885	\$13,253	\$79,816	\$1,104,088
2010	\$105,824	\$303,193	\$23,800	\$861,281	\$54,245	\$76,988	\$1,425,331
2011	\$114,245	\$254,178	\$18,100	\$786,596	\$41,624	\$95,330	\$1,310,073
2012	\$119,012	\$262,352	\$11,600	\$864,010	\$35,459	\$100,658	\$1,393,091
2013	\$118,003	\$218,228	\$15,100	\$784,913	\$85,838	\$123,000	\$1,345,081



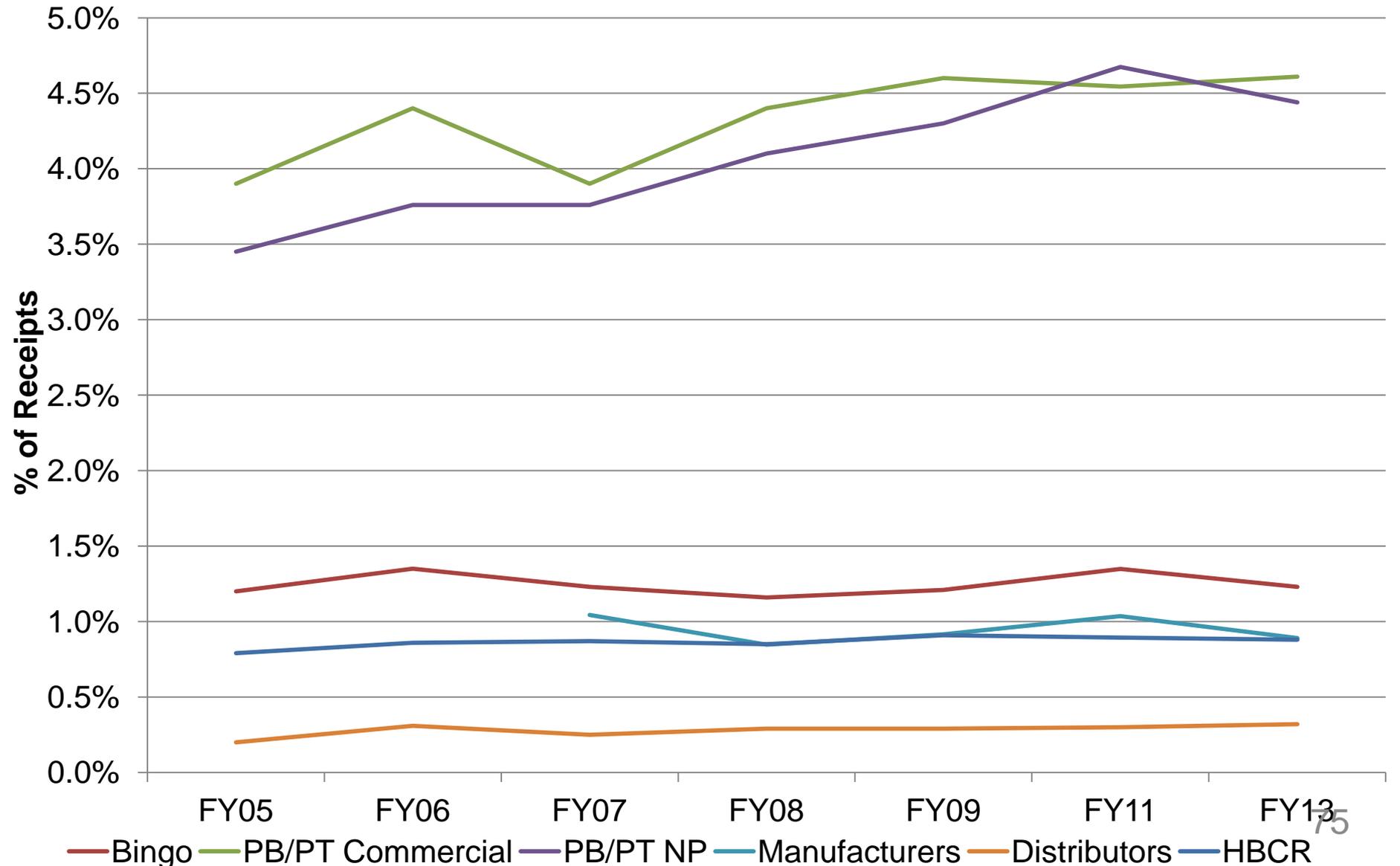
License Fees as a Percentage of Receipts



— Bingo — PB/PT Commercial — PB/PT NP — Manufacturers — Distributors — HBCR



License Fees as a Percentage of Receipts with Manufacturer Total Fees Paid





Taxes On Gambling Activities



Taxes Paid by Licenses

- State B&O Taxes
- Local Gambling Taxes



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State B & O Taxes – What is Taxed

- Sale, rental, and lease of Gambling Equipment, except to Tribal Governments
- Amusement Games
- Contests of Chance
 - Social Card Games
 - Bingo
 - Raffles
 - PB/PT



State B & O Taxes - Sale, Rental, and Leases of Gambling Equipment

- Tax Rate is .00471%
- Reported as Retail Activity
- Exemption for sales to Tribal Governments
- Taxes collected for the sale, lease, rental, or repair of gambling equipment are not identifiable



State B&O Taxes – Amusement Games

- Tax Rate 1.5%
- Reported as “Service and Other Activities”
- Taxes collected are not identifiable



State B&O Taxes – Contests of Chance

- Tax rate is 1.5% for gross income is less than \$50,000 annually
- Reported as “Service and Other Activities”
- Taxes collected are not identifiable



State B&O Taxes – Contests of Chance

- Tax rate is 1.63% if gross income is greater than \$50,000 annually
 - State B&O tax rate is 1.5%
 - Tax collected for Problem Gambling is .13%
- Reported and tracked separately
- Estimated to be:
 - 2013: \$5.1 million (inclusive of fees for problem gambling)
 - 2012: \$5.2 million (inclusive of fees for problem gambling)



Local Gambling Taxes

- RCW 9.46.110 gives cities and counties the authority to tax authorized gambling activities within their jurisdiction
- Sets out how the tax is to be computed and the maximum tax rates
 - bingo, punchboard/pull-tabs, social card rooms, raffles, and amusement games



King County

EVERETT WASHINGTON USA



seattle.gov



Activity	Maximum Local Tax Rates per RCW 9.46.110
Bingo *	5% of net receipts
PB/PT	Nonprofits – 10% of net receipts Commercial – 5% of gross receipts or 10% of net receipts
Card rooms	20% of gross receipts
Raffles *	5% of gross receipts; no tax imposed on first \$10,000 of net receipts
Amusement Games *	2% of net receipts

*No taxes can be imposed on unlicensed bingo, raffles and/or amusement games operated by charitable or nonprofit organizations.



Local Gambling Taxes on House-Banked and Social Card Rooms

- Social Card Game Tax Rates
 - Range from 4% to 20%
 - Refer to “Comparison of 2014, 2010, and 2002 HBCR Local Gambling Tax Rates”



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Local Gambling Taxes Reported in the Last 20 Years

<u>Year</u>	<u>Total Taxes Reported</u>
1993	\$24,992,240
1998	\$26,260,642
2003	\$43,774,245
2008	\$38,998,139
2013	\$28,783,985



Challenges with the Current Fee Structure



Summary of Challenges

- Ability to Use the Business License Service (BLS)
- License Classes Are Labor Intensive
- Fee Structure Has Not Been Changed Since 1973
- Fees as a Percentage of Receipts Are Not Proportional



What is Business License Service (BLS)?

- Operated by the Dept. of Revenue
- One-stop system for the business community to acquire and maintain the necessary licenses to conduct business



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Challenges in Using BLS With Our Current License Structure

- Complex fee structure – 194 fees
- Upgrades and downgrades during license year
- Two-part payment of annual license fee



License Classes Are Labor Intensive

- Class Level Upon Licensure
- Class Compliance
- Variances
- Upgrades
- Gambling Activity Reports
- Downgrades
- Previous Year Refunds



Exceeding Class Fees and Penalties Collected

Year	Exceeding Class Fees and Penalties Collected
2010	\$202,656
2011	\$170,508
2012	\$204,330
2013	\$175,220
2014	Approx. \$175,000



Refunds Issued to Licenses for Operating in a Lower License Class

Year	Refunds Issued For Not Operating Within License Class	
2010	99	\$117,380
2011	67	\$68,144
2012	53	\$55,683
2013	47	\$39,648
2014	Over 40	Approx. \$43,000



Administrative Cases Based on License Classes

- Cases for Exceeding Class
 - 2013: 4 cases
 - 2012: 7 cases
- Cases for Failing to Submit Gambling Activity Reports
 - 2013: 95 administrative actions
 - 2012: 100 administrative actions

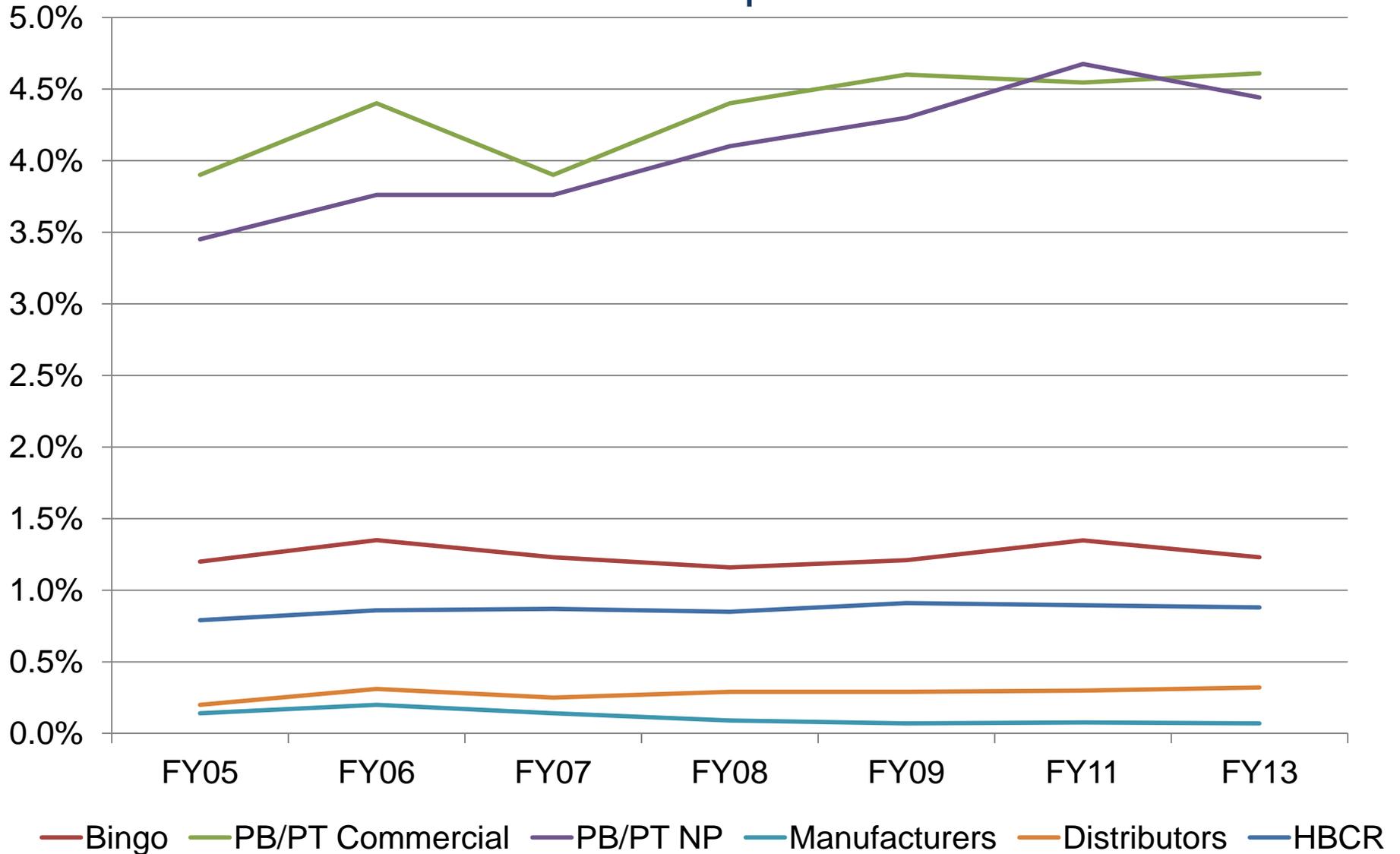


Fee Structure Has Not Been Changed Since 1973

- The only changes to the 1973 original fee schedule have been to :
 - Add new activities
 - Add new license classes
 - Raise fees

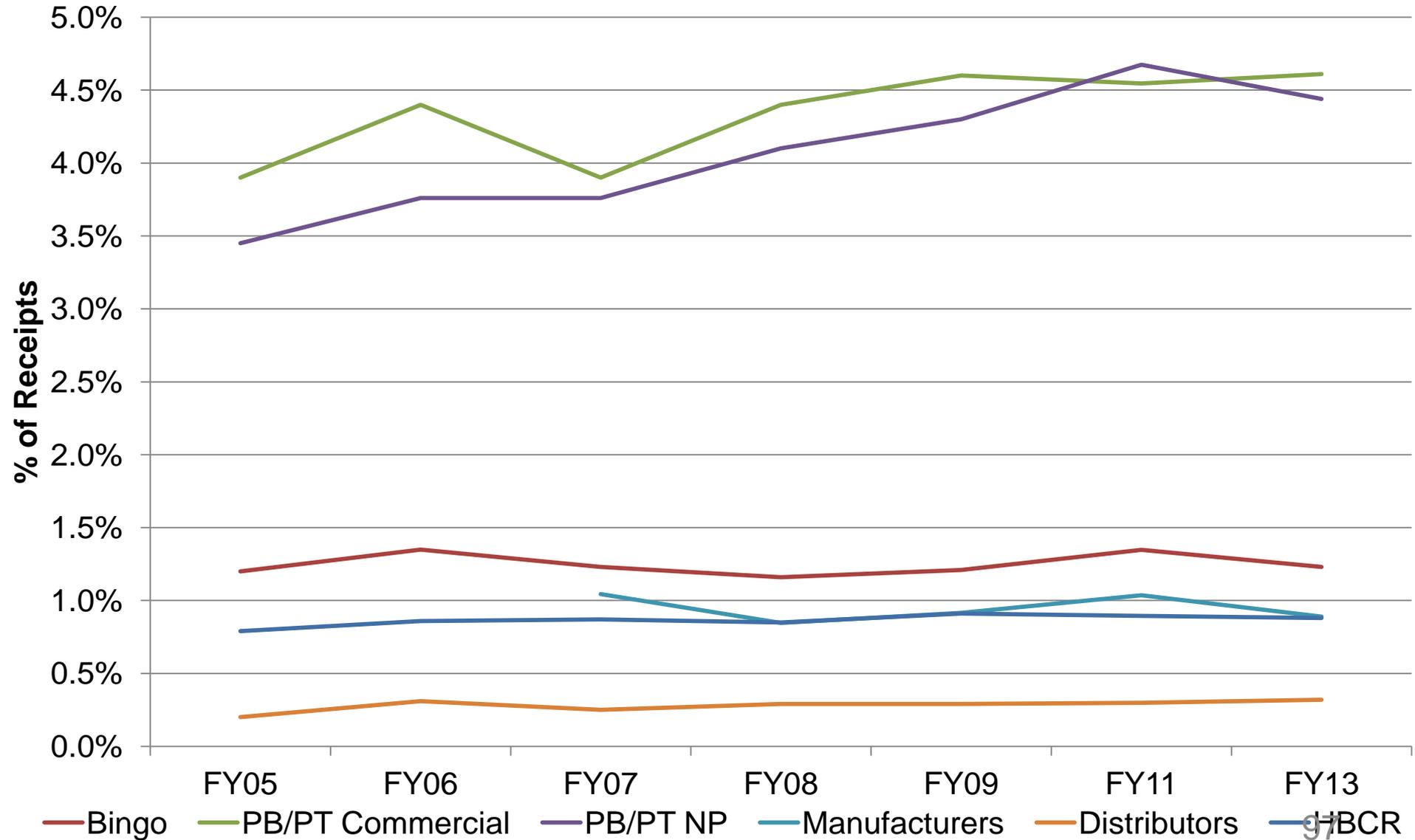


License Fees as a Percentage of Receipts





License Fees as a Percentage of Receipts with Manufacturer Total Fees Paid





Public Comment



February's Topics

- Follow-up from January's Presentation
- Regulation of Activities
 - Licensed
 - Unlicensed
- Analysis of Revenue Received by Activity
- Public Input



If we were to create
a new fee structure
today, what would it
be?