



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 4612 (as enrolled)

Sponsor: Representative Rich Brown

House Committee: Agriculture and Resource Management

PUBLIC ACT 306 of 2004

Date Completed: 8-23-04

CONTENT

The bill amends the Michigan Gaming Control and Revenue Act to do the following:

- **Impose a wagering tax of 6% on a casino licensee's adjusted gross receipts from gaming, in addition to the existing 18% wagering tax.**
- **Allocate the additional wagering tax revenue to the city where the casino is located, the State's General Fund, and the Michigan Agriculture Equine Industry Development Fund.**
- **Provide for increases in the additional wagering tax if the casino is not fully operational by specified dates.**
- **Reduce a casino's additional tax to 1%, and allocate it entirely to the city, if the Gaming Control Board finds that the casino is fully operational and in compliance with its development agreement for at least 30 consecutive days.**
- **Provide that, if the Lottery Act is amended to allow the operation of video lottery at horse racetracks, and if video lottery is being conducted at tracks, casino licensees no longer will have to pay the additional wagering tax, and they may apply for authorization to simulcast horse races.**

The bill will take effect on September 1, 2004.

Additional Wagering Tax

The Act currently imposes a wagering tax of 18% of a licensee's adjusted gross receipts

received from gaming. The city in which a casino is located may collect 9.9% of the licensee's adjusted gross receipts by including a provision in the city's development agreement with the casino, or levying the tax by ordinance. If the city does so, the State's portion of the wagering tax rate is 8.1% and the revenue must be deposited in the State School Aid Fund. (Under the Act, the term "city" applies only to the City of Detroit, which does collect its 9.9% share of the wagering tax. If the city did not collect its portion, the 18% rate would be deposited into the State Gaming Casino Fund, and allocated 55% to Detroit and 45% to the School Aid Fund.)

The bill imposes a wagering tax of 6%, in addition to the existing 18% tax, on a licensee's adjusted gross receipts from gaming, subject to provisions for increasing or reducing the additional tax. Revenue from the 6% additional tax must be deposited in the State Casino Gaming Fund and allocated as follows:

- 1/3 to the city for use in connection with specified purposes (e.g., hiring and training of street patrol officers; neighborhood and downtown economic development programs; and public safety programs).
- 7/12 to the General Fund.
- 1/12 to the Agriculture Equine Industry Development Fund.

The city may collect its share of this tax directly either through a provision in its development agreement or by ordinance. While licensee is paying the city's share of the tax directly to the city, the payment to

the State Casino Gaming Fund will be 4% and allocated 7/8 to the General Fund and 1/8 to the Agriculture Equine Industry Development Fund.

Unless an act of God, war, disaster, or act of terrorism has a direct and substantial impact on the ability of a casino licensee to complete construction of its casino and casino enterprise, if the licensee is not fully operational by July 1 of 2009, 2010, or 2011, the additional wagering tax will be increased and allocated as shown in Table 1.

Table 1

Date	Tax Rate	Allocation
July 1, 2009	7%	1/2 to the General Fund 1/14 to the Agriculture Equine Industry Development Fund 3/7 to the city
July 1, 2010	8%	7/16 to the General Fund 1/16 to the Agriculture Equine Industry Development Fund 1/2 to the city
July 1, 2011	9%	7/18 to the General Fund 1/18 to the Agriculture Equine Industry Development Fund 5/9 to the city

(Under the bill, "fully operational" means that a certificate of occupancy has been issued to the licensee for the operation of a hotel with at least 400 guest rooms and the casino, casino enterprise, and 400-guest-room hotel have been opened and made available for public use at their permanent location and maintained in that status.)

After a licensee has been fully operational for 30 consecutive days, it may apply to the Gaming Control Board for certification (regardless of whether the additional wagering tax has been increased). The Board must certify the licensee and the additional tax will be reduced to 1%, if the Board determines that the licensee has been fully operational and in compliance with its development agreement that existed on July 1, 2004, or a subsequent original development agreement, for at least 30 consecutive days. The reduction to 1% will be retroactive to the first day of the 30-consecutive-day period, and the revenue will be allocated entirely to the city.

Video Lottery; Simulcasting

If the Lottery Act is amended to allow the operation of video lottery at horse racetracks in this State, and if video lottery is being conducted at horse racetracks, a casino licensee no longer will be obligated to pay the additional wagering tax. In addition, after obtaining approval from the Gaming Control Board, a licensee may apply to the Racing Commissioner for authorization to simulcast horse races under the Horse Racing Law. If the licensee receives authorization, it may display and allow wagering on simulcast horse races only at the licensee's casino, and will have to comply with all applicable provisions of the Horse Racing Law, rules promulgated under the Law, the written permit to conduct simulcasting, and any related order issued by the Racing Commissioner.

Simulcasting and wagering under these provisions will be under the primary control of the Commissioner, who may revoke or suspend the licensee's authorization, or take other disciplinary action against the licensee, for failure to comply with a law, rule, permit, or order. The simulcasting and wagering will be part of the licensee's casino operation under the Gaming Control and Revenue Act, however, and will be subject to the same control by the Gaming Control Board as are other parts of the licensee's casino operation. The Board also may take disciplinary action against the licensee for failure to comply with a law, rule, permit, or order.

A casino licensee will be entitled to the same commission from money wagered on horse races simulcast by the licensee as a race meeting licensee is entitled to receive from wagering on simulcast horse races. The same taxes, fees, and other deductions will have to be subtracted and paid from the licensee's commission as are subtracted and paid from a race meeting licensee's commission.

MCL 432.212

Legislative Analyst: Julie Koval
Suzanne Lowe

FISCAL IMPACT

The bill will increase State General Fund and local unit revenue. Assuming that no casinos will begin operating permanent facilities during either FY 2003-04 or FY 2004-05 and that video lottery is not yet being conducted in Michigan, in FY 2003-04 the bill will increase State General Fund revenue by approximately \$3.6 million, Michigan Agriculture Equine Industry Development Fund revenue by \$0.5 million, and City of Detroit revenue by \$2.1 million. Under the same assumptions, in FY 2004-05 the bill will increase State General Fund revenue by \$42.9 million, Agriculture Equine Industry Development Fund revenue by \$6.1 million, and City of Detroit revenue by \$24.5 million.

It is unknown when the permanent casinos will begin operation, although current estimates suggest that the earliest will be during 2006 or 2007. Similarly, it is unknown if and when video lottery terminals will become operational. Should video lottery become operational and casino licensees begin offering simulcast racing, current law requires that revenue from simulcast wagering be deposited in the Michigan Agriculture Equine Industry Development Fund, which distributes revenue to community fairs and racing industry program grants.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.