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BILL ANALYSIS

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House Bill 4612 (as enrolled)
Sponsor: Representative Rich Brown
House Committee: Agriculture and Resource Management

CONTENT

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

- Impose, under certain conditions, an additional 6% wagering tax on the adjusted gross receipts a casino licensee received from gaming.
- Provide for the distribution of the additional wagering tax revenue.
- Provide that the additional tax on casino licensees would be increased if a casino is not fully operational by specified dates.
- Exempt licensees from the bill's additional taxes if the McCauley-Traxler-Law-Bowman-McNeely Lottery Act were amended to allow the operation of video lottery and video at horse race tracks, and allow licensees to simulcast the races.

The Act currently imposes a State wagering tax of 18% of a licensee's adjusted gross receipts received from gaming, of which the State School Aid Fund (SAF) receives 45% of the revenue and the remaining 55% is distributed to a city in which a casino is located. The Act also allows the city in which a casino is located to collect 9.9% of the licensee's adjusted gross receipts. If the city does so, the State's wagering tax rate is 8.1% and the revenue must be deposited in the State SAF.

Under the bill, an additional wagering tax of 6% of adjusted gross receipts would be imposed. Revenue from the additional tax would be split between the city, which would receive 1/3 of the revenue from the additional tax, and the State, which would receive the remaining 2/3. Of the State's share, 7/8 would be deposited into the General Fund and the remaining 1/8 would be deposited into the Michigan Agriculture Equine Industry Development Fund. If a licensee directly paid the city the city's share of the additional 6% tax, the additional tax would be levied at a 4% rate, of which 7/8 would be deposited in the General Fund and 1/8 would be deposited in the Agriculture Equine Industry Development Fund.

Under the bill, the additional wagering tax would be increased if a casino licensee were not fully operational by certain dates. ("Fully operational" would mean that a certificate of occupancy had been issued to a casino licensee for the operation of a hotel with at least 400 guest rooms, and the casino, casino enterprise and hotel had been opened and made available for public use at its permanent location and maintained in that status.)

Table 1 illustrates the date by which a casino had to be fully operational, the percentage of the additional wagering tax to be imposed if it were not, and the manner in which the additional revenue would be allocated.

Table 1

Date	% Increase	Allocation
July 1, 2009	7%	1/2 to the General Fund, 1/14 to the Agriculture Equine Industry Development Fund, and 3/7 to the city in which the licensee's casino is located.
July 1, 2010	8%	7/16 to the General Fund, 1/16 to the Agriculture Equine Industry Development Fund, and 1/2 to the city.
July 1, 2011	9%	7/18 to the General Fund, 1/18 to the Agriculture Equine Industry Development Fund, and 5/9 to the city.

Once a casino licensee had been fully operational for 30 days, the licensee could apply to the Gaming Control Board for certification that it was fully operational and in compliance with its development agreement. Once certification was obtained, the additional tax, if still applicable, would be reduced to 1% and the revenue entirely allocated to the city in which the licensee operated its casino.

If the McCauley-Traxler-Law-Bowman-McNeely Lottery Act were amended to allow the operation of video lottery at horse racetracks in the State, and video lottery was being conducted at the racetracks, casino licensees could apply for authorization to conduct simulcast horse racing under the Horse Racing Law. Licensees engaged in simulcast broadcasting of horse races would be entitled to the same commission on wages as race meeting licensees, and would be required to subtract the same taxes, fees, and other deductions.

Finally, any additional tax created under the bill no longer would apply if the McCauley-Traxler-Law-Bowman-McNeely Lottery Act were amended to allow video lottery at horse racetracks, and video lottery was being conducted at those tracks.

The bill would be effective September 1, 2004.

MCL 432.212

Legislative Analyst: Julie Koval and David Zin

FISCAL IMPACT

The bill would increase State General Fund and local unit revenues. Assuming that no casinos would 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 would increase State General Fund revenue by approximately \$3.6 million, State 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 would increase State General Fund revenue by \$42.9 million, State 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 would begin operation, although current estimates suggest that the earliest would 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 revenues from simulcast wagering be deposited in the Michigan Agriculture Equine Industry Development Fund, which distributes revenues to community fairs and racing industry program grants.

Date Completed: 8-6-04

Fiscal Analyst: David Zin

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