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House Bill 4612 (Substitute S-9 as passed by the Senate)
Sponsor: Representative Rich Brown
House Committee: Agriculture and Resource Management

Date Completed: 7-12-04

CONTENT

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

- Impose a wagering tax of 6% on the adjusted gross receipts a casino licensee received from gaming, in addition to the existing 18% wagering tax.**
- Require that money deposited in the State Casino Gaming Fund from the additional wagering tax be allocated one-third to the city in which the casino is located, and two-thirds to the State's General Fund.**
- Provide that, after December 31, 2005, the additional wagering tax rate would be 4% and would be deposited entirely in the General Fund.**
- Allow a casino licensee to apply to the Michigan Gaming Control Board for certification that the licensee was fully operational at its permanent casino location and in compliance with its development agreement; and reduce the additional tax rate to 1% if the Board certified the licensee.**
- Require a certified licensee to pay a higher tax rate on adjusted gross receipts received from operating at a location other than its permanent casino location.**
- Impose a surcharge tax of 25% on money a licensee received by imposing a surcharge on its patrons.**

The bill would take effect on August 1, 2004.

The Act imposes a State wagering tax of 18% of a licensee's adjusted gross receipts received from gaming. The Act also allows the city in which a casino is located to 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 wagering tax rate is 8.1% and the wagering tax revenue must be deposited in the State School Aid Fund (SAF). (Under the Act, the term "city" applies only to the City of Detroit.) If the State imposes the 18% rate, the wagering tax, plus all other fees, fines, and charges imposed by the State must be deposited into the State Gaming Casino Fund. The Fund must be allocated as follows:

- Fifty-five percent to Detroit for use in connection with the hiring, training, and deployment of street patrol officers; neighborhood and downtown economic development programs designed to create local jobs; public safety programs such as emergency medical services, fire department programs, and street lighting; anti-gang and youth development programs; other programs designed to improve the quality of life in the city; relief to city taxpayers from one or more city taxes or fees; capital improvement costs; and road repairs and improvements.**

-- Forty-five percent to the State to be deposited in the SAF to provide additional funds for K-12 classroom education.

The bill would impose a wagering tax of 6%, in addition to the existing 18% tax, on a licensee's adjusted gross receipts from gaming. One-third of the money from the 6% tax that was deposited in the State Casino Gaming Fund would have to be allocated to the city for the purposes described above. The remaining two-thirds would have to be allocated to the General Fund.

The city could include a provision in its development agreement or collect an excise tax by ordinance with regard to the city's share of the additional wagering tax. For a period during which the licensee paid the city's share of the tax directly to the city, the payment to the State Casino Gaming Fund would have to be 4% and would have to be allocated entirely to the General Fund.

After December 31, 2005, the additional wagering tax would be 4% and would have to be deposited entirely in the General Fund.

After a casino licensee was fully operational at its permanent casino location under and in compliance with its development agreement that existed on July 1, 2004, or a subsequent original development agreement, the licensee could apply to the Michigan Gaming Control Board for certification. If the Board determined that the licensee had been fully operational at its permanent location, under and in compliance with the applicable development agreement, for at least 30 consecutive days, the Board would have to certify the licensee. If the Board certified the licensee, the additional wagering tax imposed on the licensee would be reduced to 1%, retroactive to the first day of the 30-day period on which the Board based its certification. The 1% tax would have to be deposited in the General Fund.

By September 30 each year after the Board certified a licensee, the Board would have to determine the number of days since the previous certification that the licensee had been fully operational only at its permanent location under and in compliance with its development agreement, and the number of days the licensee operated entirely or partially at a location other than its permanent casino location. The Board would have to issue a new certification after making its determination, certifying both the number of days and identifying the days on which the licensee operated entirely or partially at another location. The Board retroactively would have to apply the higher of the tax rates described above to the adjusted gross receipts the licensee received on the days it operated at another location.

(The bill would define "fully operational" as fully operating the licensee's entire casino and casino enterprise, including its hotel required under its development agreement.)

If a licensee imposed a surcharge on its patrons, a surcharge tax of 25% would be imposed on the money the licensee received because of the surcharge. The tax would have to be remitted, deposited, paid, and administered in the same manner as the existing 18% wagering tax, and allocated entirely to the General Fund. Under the bill, "surcharge" would mean a charge to enter a casino or as a condition to participate in gaming, except for the money wagered.

MCL 432.212

Legislative Analyst: Julie Koval

FISCAL IMPACT

The bill would increase General Fund revenue and local unit revenue. In FY 2003-04, the bill would generate \$11.9 million in revenue, of which \$7.9 million would be earmarked for

the General Fund and \$4.0 million would be earmarked for the City of Detroit. It is estimated that, in FY 2004-05, the bill would generate \$73.6 million, of which \$49.0 million would be earmarked for the General Fund and \$24.5 million would be earmarked for the City of Detroit.

Because no permanent casinos are expected to be operational for at least 30 months, the provisions in the bill regarding the tax rate for casinos operating out of permanent facilities would not apply until at least some time in FY 2006-07.

This estimate is preliminary and will be revised as new information becomes available.

Fiscal Analyst: David Zin