

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1420 (Delegate Montague)
Ways and Means

Admissions and Amusement Tax - Slot Machines

This bill imposes a State admissions and amusement tax on the gross receipts from slot machines which are authorized under current law. The Comptroller shall set the tax rate and shall retain the revenue from this tax to pay for audits of organizations operating slot machines.

Fiscal Summary

State Effect: Revenues could increase an estimated \$25,400 in FY 1997; expenditures could increase \$24,500. Out-year estimates reflect assumed 5% growth in slot machine receipts and 3% inflation.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	\$24,400	\$34,100	\$35,900	\$37,600	\$39,500
GF Expenditures	24,500	33,000	34,200	35,500	36,800
Net Effect	(\$100)	\$1,100	\$1,700	\$2,100	\$2,700

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Fiscal Analysis

State Revenues: This bill requires the Comptroller to set the admissions and amusement tax rate on slot machine gross receipts, presumably at a rate necessary to cover the costs of auditing organizations with slot machines. In fiscal 1993, gross receipts totaled approximately \$5.4 million. Assuming growth of 5% per year, fiscal 1997 receipts would total \$6.5 million. Based on the expenditure estimates below, a tax rate of 0.5% would almost cover auditing costs of about \$24,500 in fiscal 1997. In fiscal 1998, when this bill is

effective for the full fiscal year, revenue of about \$34,100 would be received.

State Expenditures: Assuming the Comptroller would audit each of the 56 organizations with slot machines once per year, one Revenue Examiner III would be required. Expenditures could increase by an estimated \$24,500 in fiscal 1997, which reflects the bill's October 1, 1996 effective date. It includes salaries of \$16,500, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$23,100
Operating Expenses	<u>1,425</u>
Total FY 1997 State Expenditures	\$24,525

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

Information Source(s): Office of the Comptroller (Compliance Division), Department of Fiscal Services

Fiscal Note History: First Reader - March 19, 1996

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