

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 7278**

**BILL NUMBER: SB 245**

**NOTE PREPARED:** Feb 18, 2021

**BILL AMENDED:**

**SUBJECT:** Type II Gaming and Charity Gaming.

**FIRST AUTHOR:** Sen. Alting

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** *Charity Gaming:* The bill provides that a qualified organization may use net proceeds from an allowable activity for infrastructure improvement of property owned by the qualified organization. It provides that a qualified organization must abide by the rules and regulations of the Internal Revenue Service regarding reporting and withholding rules for charitable prizes paid. It increases the prize limit for a progressive or carryover pull tab game in charity gaming to \$25,000.

*Type II Gaming:* The bill provides that a Type II Gambling Game includes raffles, progressive or carry over pull tab games, and sports-themed tip board and pull tab games. It provides that for a raffle drawing, a retailer may not retain more than 20% of the proceeds, a retailer must establish and publish house rules, and the maximum amount of prizes in a raffle game is limited to \$50,000. It provides that the total prizes for one Type II Gambling Game, except a raffle game, may not exceed \$10,000. It provides that a single prize award for a winning ticket on a seal card game may not exceed \$1,000. It provides that a single prize on a progressive or carryover game in a Type II Gambling Game may not exceed \$5,000.

**Effective Date:** July 1, 2021.

**Explanation of State Expenditures:** *Indiana Gaming Commission (IGC):* The provisions in the bill could increase the administrative workload for the IGC. However, any additional cost to the IGC due to this bill would be paid with revenue from the charity gaming excise tax and the charity gaming license fee.

*Alcohol and Tobacco Commission (ATC):* The ATC would incur some administrative expenses relating to the revision of forms, instructions, and computer programs to allow retailers to report the amount of profits they retain from raffles, progressive pull tabs games, and sports-themed pull tab and tip board games. The

provisions in the bill could increase the administrative workload for the ATC. The ATC's current level of resources should be sufficient to implement these changes.

*Department of Revenue (DOR):* The DOR will incur additional expenses to revise forms, update instructions, and modify the existing tax processing system to implement this bill. The DOR's current level of funding and resources should be sufficient to administer this tax deduction.

**Explanation of State Revenues:** *Charity Gaming Prizes:* Increasing the maximum allowable prize for pull tab, punchboard, and tip board events could lead to increased participation and increased adjusted gross revenue earned by charity gaming organizations. This could increase revenues from charity gaming license fees which are based on the level of prior year adjusted gross revenues. Since the bill is effective July 1, 2021, any impact on licensee fee revenue could begin in FY 2023. Any impact on the volume of charity gaming from the changes in the bill will impact the amount of charity gaming excise tax collected on the sale of charity gaming supplies by licensed distributors or manufacturers. Any fiscal impact on excise tax revenue could begin in FY 2022. Charity gaming license fee and charity gaming excise tax are deposited in the Charity Gaming Enforcement Fund. Any fiscal impact is indeterminable.

*Type II Gambling Game:* The bill will potentially result in additional gambling operations in an establishment with the endorsement to conduct Type II Gambling Games. Conducting these additional games and increasing the maximum prizes for certain games will likely result in additional adjusted gross revenues generated by Type II Gambling Games retailers. Since prior year's adjusted gross revenue is the basis of calculating the renewal license fee, it would increase the license fees paid by the retailers. The license fee revenue is deposited in the ATC's Enforcement and Administration Fund. Any fiscal impact is indeterminable. Since the bill is effective July 1, 2021, any impact on licensee fee revenue could begin in FY 2023.

Additional gambling operations in Type II Gambling Game establishments would increase revenue from the Type II Gambling Game Excise Tax imposed on purchases of gambling supplies and equipment. The excise tax is deposited in the state General Fund. Any fiscal impact on excise tax revenue could begin in FY 2022.

**Additional Information:** *Charity Gaming License Fee:* The IGC administers and enforces charity gaming. In FY 2020, more than 3,000 charity gaming licenses were issued to qualified organizations. This generated \$3.9 M in charity gaming license fees. The initial license fee is \$50. However, annual renewal fees range from \$50 to \$41,000 depending on the adjusted gross revenue earned by an organization from charity gaming in the prior year. Adjusted gross revenue is the total gross revenue minus deductions for the cost of prizes, licensed supplies, license fees, advertising expenses, and up to \$200 per day for facility rent. The charity gaming license fee is deposited in the Charity Gaming Enforcement Fund.

*Charity Gaming Excise Tax:* The tax is imposed at the rate of 10% on the sale of pull tabs, punchboards, and tip boards by licensed distributors or manufacturers. Any impact on the volume of charity gaming from the changes in the bill will impact the amount of charity gaming excise tax deposited in the Charity Gaming Enforcement Fund. The tax generated about \$1 M in FY 2020.

*Charity Gaming Enforcement Fund:* Charity gaming administration is funded by the money deposited in the fund. Under current law, the fund receives revenues from the: (1) charity gaming excise tax; (2) charity gaming license fees; and (3) penalties under the charity gaming statutes. After the costs of charity gaming administration are subtracted and distributions are made to the License Control Division and the Gaming Control Division, revenue remaining in the Charity Gaming Enforcement Fund is distributed to the Lottery

Surplus Fund.

*Type II Gambling Game License Fee:* The fee is paid by a person who is licensed to sell alcoholic beverages and has an endorsement to conduct Type II Gambling Games. The first year fee is \$250. The renewal fee is based on a schedule based on adjusted gross revenue from Type II Gambling Games operations in the preceding year. Under current law, "Type II Gambling Game" means a pull tab, punchboard, or tip board game. The bill also allows conducting raffles, progressive or carry over pull tab games, and sports-themed tip board and pull tab games and includes the revenue and expenditure from these games in the calculation of adjusted gross revenue. As reported by the ATC, there are about 1,600 approved alcoholic beverage license holders with an endorsement to conduct Type II Gambling Games. This generated \$0.25 M in license fees in FY 2020. The revenue is deposited in ATC's Enforcement and Administration Fund.

*Type II Gambling Game Excise Tax:* The Type II Gambling Game Excise Tax is paid by licensed distributors or manufacturers of pull tabs, punchboards, and tip boards. The tax is equal to 10% of the price paid by all approved alcoholic beverage license holders with an endorsement allowing on-premises sale of pull tabs, punchboards, and tip boards. The bill will add additional supplies which will be included in calculating the 10% excise tax. There are 23 licensed distributors and about 10 licensed manufacturers of Type II Gambling Games. The tax generated about \$0.5 M in FY 2020. The revenue is deposited in the state General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Indiana Gaming Commission; Alcohol and Tobacco Commission; Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** Legislative Services Agency, *Indiana Handbook of Taxes, Revenues, and Appropriations*, FY 2020. <https://iga.in.gov/legislative/2021/publications/handbooks/>

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