

REVENUE ESTIMATING CONFERENCE

TAX: Gaming Taxes

ISSUE: Internet Poker

BILL NUMBER(S): HB 1441

SPONSOR(S): Senator Jones

MONTH/YEAR COLLECTION IMPACT BEGINS: Upon becoming law

DATE OF ANALYSIS: 03/12/2010

- There will be 5,000 players during 5 peak hours of play. We estimate that peak hours of play would increase to 7 and the number of players would increase to 8,000 by the FY 2013/2014.
- Average hands per table per hour are 50 and the average no. of players per table is 5.85

PLEASE SEE ATTACHMENT FOR CALCULATIONS

SECTION 4: PROPOSED FISCAL IMPACT

Half of the Cardroom revenue would be credited to General Revenue while the other half would be credited to Pari-Mutuel Wagering Trust Fund.

State Impact: All Funds	FY 2010-11 Cash	FY 2010-11 Annualized	FY 2011-12 Cash	FY 2012-13 Cash	FY 2013-14 Cash
High					
License Fees (Hub)	\$0.5 mil		\$4.7 mil	\$22.2 mil	\$26.8 mil
License Fees (Cardroom)	\$23,000	0	\$23,000	\$23,000	\$23,000
Investigation Fee	\$25,000				
Tax	\$9.4 mil		\$44.5 mil	\$53.7 mil	\$63.3 mil
Middle					
License Fees (Hub)	\$0.5 mil		\$2.6 mil	\$11.3 mil	\$15 mil
License Fees (Cardroom)	\$23,000	0	\$23,000	\$23,000	\$23,000
Investigation Fee	\$25,000				
Tax	\$5.2 mil		\$22.6 mil	\$30 mil	\$37.7 mil
Low					
License Fees (Hub)	\$0.5 mil		\$1.2 mil	\$5.4 mil	\$8.1 mil
License Fees (Cardroom)	\$23,000	0	\$23,000	\$23,000	\$23,000
Investigation Fee	\$25,000				
Tax	\$2.4 mil		\$10.9 mil	\$16.2 mil	\$20 mil

SECTION 5: CONSENSUS ESTIMATE (ADOPTED)

	FY 2010-11 Cash	FY 2010-11 Annualized	FY 2011-12 Cash	FY 2012-13 Cash	FY 2013-14 Cash
General Revenue					
State Trust					
Total State Impact					
Total Local Impact					
Total Impact					

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SECTION 1: NARRATIVE

a. Current Law:

The unlawful internet gaming enforcement act of 2006 prohibits interstate poker by requiring financial institutions to cease transfer of funds to an illegal gambling site.

b. Proposed Change:

Creates Chapter 849.087 Authorizing intra-state internet poker within Florida and requires the division of Pari-Mutuel Wagering to regulate such operations. Requires that the player must be located within Florida to play. The bill requires the payment of a \$0.5 million initial license fee and a 10% annual license fee thereafter on previous fiscal year's gross receipts. Additionally, the bill requires a \$25,000 application investigation fee per hub operator and \$1000 license fee per cardroom affiliate. Imposes a tax rate of 20% on monthly gross receipts to be paid by the hub operator. Chapter 849.086(2) defines gross receipts as "total amount of money received by a cardroom from any person for participation in authorized games"

SECTION 2: DESCRIPTION OF DATA AND SOURCES

Pari-Mutuel Annual Reports 07/08 and 08/09

Section 550, Florida Statute

Section 551, Florida Statute

BWIN Annual Report

Pokerscout.com

Various online poker sites

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

We employed the following steps in calculating the revenue generated by Internet Poker:

1. Estimated the Number (No.) of Peak and non-Peak hours and the No. of players online
2. Calculated the average No. of players per hour.
3. After assuming average hands per table per hour and the No. of players per table, calculated the total No. of hands per hour for all tables
4. Multiplied total No. of hands per hour for all tables by 24 to approximate the No. of hands per day.
5. Assumed gross rake per hand and then multiplied by No. of hands per day to get gross rake per day.
6. Multiplied gross rake per day by No. of Days to calculate the gross receipts per year and then applied to the tax rate as mandated by the bill.
7. Applied the 10% license fee based on previous fiscal year gross receipts.

We assumed that all 23 cardroom affiliates would concurrently commence operations. They could begin as early as April FY 2010-2011. Furthermore, we also assumed the following in calculating the High, Medium and Low estimates.

High Estimate is based on:

- There will be 8,000 players during 5 peak hours of play. We estimate that peak hours of play would increase to 7 and the number of players would increase to 11,000 by the FY 2013/2014.
- Average hands per table per hour are 70 and the average no. of players per table is 5.85.

Medium Estimate is based on:

- There will be 6,500 players during 5 peak hours of play. We estimate that peak hours of play would increase to 7 and the number of players would increase to 9,500 by the FY 2013/2014.
- Average hands per table per hour are 60 and the average no. of players per table is 5.85.

Low estimate is based on:

High	FY 10/11	FY 11/12	FY 12/13	FY 13/14
No of Peak Hours	5	5	6	7
Average no of players at Peak Hours	8,000	9,000	10,000	11,000
No of Non-Peak Hours	19	19	18	17
Average no of players at Non-Peak Hours	2,500	3,000	3,500	4,000
Average No of Players per Hour	3,646	4,250	5,125	6,042
Average Hands per Hour per Table	70	70	70	70
No of Players per Table	5.85	5.85	5.85	5.85
Total Hands per Hour for all tables	43,625	50,855	61,325	72,293
No of Hands per Day	1,047,009	1,220,513	1,471,795	1,735,043
Gross Rake per Hand	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50
Gross Rake per Day	\$ 523,504	\$ 610,256	\$ 735,897	\$ 867,521
No of Days	90	365	365	365
Gross Receipts per year	\$ 47,115,385	\$ 222,743,590	\$ 268,602,564	\$ 316,645,299
Initial License Fee	\$ 500,000			
10% License Fee		\$ 4,711,538	\$ 22,274,359	\$ 26,860,256
20% Tax	\$ 9,423,077	\$ 44,548,718	\$ 53,720,513	\$ 63,329,060

Medium	FY 10/11	FY 11/12	FY 12/13	FY 13/14
No of Peak Hours	5	5	6	7
Average no of players at Peak Hours	6,500	7,500	8,500	9,500
No of Non-Peak Hours	19	19	18	17
Average no of players at Non-Peak Hours	2,000	2,000	2,750	3,500
Average No of Players per Hour	2,938	3,146	4,188	5,250
Average Hands per Hour per Table	60	60	60	60
No of Players per Table	5.85	5.85	5.85	5.85
Total Hands per Hour for all tables	30,128	32,265	42,949	53,846
No of Hands per Day	723,077	774,359	1,030,769	1,292,308
Gross Rake per Hand	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40
Gross Rake per Day	\$ 289,231	\$ 309,744	\$ 412,308	\$ 516,923
No of Days	90	365	365	365
Gross Receipts per year	\$ 26,030,769	\$ 113,056,410	\$ 150,492,308	\$ 188,676,923
Initial License Fee	\$ 500,000			
10% License Fee	\$ -	\$ 2,603,077	\$ 11,305,641	\$ 15,049,231
20% Tax	\$ 5,206,154	\$ 22,611,282	\$ 30,098,462	\$ 37,735,385

Low	FY 10/11	FY 11/12	FY 12/13	FY 13/14
No of Peak Hours	5	5	6	7
Average no of players at Peak Hours	5,000	6,000	7,000	8,000
No of Non-Peak Hours	19	19	18	17
Average no of players at Non-Peak Hours	1,500	1,500	2,500	3,000
Average No of Players per Hour	2,229	2,438	3,625	4,458
Average Hands per Hour per Table	50	50	50	50
No of Players per Table	6	5.85	5.85	5.85
Total Hands per Hour for all tables	19,053	20,833	30,983	38,105
No of Hands per Day	457,265	500,000	743,590	914,530
Gross Rake per Hand	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
Gross Rake per Day	\$ 137,179	\$ 150,000	\$ 223,077	\$ 274,359
No of Days	90	365	365	365
Gross Receipts per year	\$ 12,346,154	\$ 54,750,000	\$ 81,423,077	\$ 100,141,026
Initial License Fee	\$ 500,000			
10% License Fee		\$ 1,234,615	\$ 5,475,000	\$ 8,142,308
20% Tax	\$ 2,469,231	\$ 10,950,000	\$ 16,284,615	\$ 20,028,205

