

Ante up for lower taxes? Initiative 892 seeks to ease gambling restrictions and cut the property tax

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Initiative 892, sponsored by Tim Eyman, would allow non-Indian gambling establishments to operate electronic scratch ticket machines, and direct the state to use the new revenue generated from taxing the proceeds to reduce the yearly state property tax. Under the Initiative, licensed non-tribal gambling establishments (such as nonprofit charities, restaurants, taverns, bowling alleys, horse racing facilities, and state-regulated card rooms) could operate electronic scratch ticket machines. Today, Indian tribes in Washington are authorized to operate 18,255 such machines. Under the Initiative, non-tribal businesses would be allowed the same number, 18,255 machines, that the Indian tribes are now allowed to operate.

The number of electronic scratch ticket machine terminals allowed at each non-Indian gambling establishment would depend on the annual gross gambling receipts of each location. Gambling establishments with between \$0 and \$200,000 in gross gambling receipts could have a maximum of four terminals, while those with over \$3 million in receipts could have up to 24 terminals.

Under the Initiative, the machine's owner would keep 65% of the profits. Thirty-five percent would be paid to the state and used dollar-for-dollar to lower the state property tax levy in 2007 and in each subsequent year. One percent of revenue to the state would be set aside to fund a state-run gambling addiction treatment program. The state would also pay for any administrative

costs required to collect the new tax. The state collects no tax on profits from tribal casinos.

Supporters of Initiative 892 say it merely gives businesses that already offer limited types of gambling, like pull tabs, the ability to compete more directly with tribal gambling casinos. The Initiative, they say, simply levels the playing field.

The point is emphasized by the Initiative 892 campaign's official title, "Just Treat Us the Same." Initiative sponsors argue that government should not give preferential treatment to certain citizens based solely on race or group affiliation. They regard the tribes' government-sanctioned monopoly on electronic gambling as unfair. They say small businesses and charities should not be legally barred from competing with the larger, tribal-owned casinos.

If it becomes law, proponents argue, Initiative 892 would curb "skyrocketing" property tax increases. They point out that between 1980 and 2003 annual property tax revenues to the state increased from just under \$1 billion to slightly over \$6 billion, an increase of 647%, or about 2.5 times the rate of inflation.

When the economy was booming in the 1990s the legislature and the governor spent surging tax revenues as fast as they came in, rather than reducing the tax burden or setting more money aside to carry the budget through tough times. The only way the people can secure tax relief, supporters say, is by passing

an initiative. A further advantage of Initiative 892 is that it doesn't "cost" the state treasury anything, since no reduction in property tax collections would occur until an equal level of new gambling revenue is available.

Proponents estimate Initiative 892 would ease the burden on property taxpayers by garnering \$400 million per year in new revenues from taxes on gambling. They cite information from the Washington, D.C.-based Tax Foundation that ranks Washington as the seventh highest taxed state in the nation, measuring federal, state, and local taxes as a percentage of income. Passing Initiative 892, they argue, is needed to help prevent Washington from inching towards number one.

Initiative 892 sponsors calculate the \$400 million property tax reduction number based on a 35% tax on net profits of \$175 per machine per day, assuming each machine pays out 75% in winnings, the minimum required by state law. Critics argue that payouts need to be closer to 90% in order to draw gamblers consistently, and that annual new revenue to the state is likely to be closer to \$250 million a year.

Initiative 892 has spawned an unlikely alliance in opposition: Indian tribes who wish to preserve a law which keeps competitors out of their line of business, and social conservatives who oppose any expansion of gambling in the state. Social critics say people in Washington already have more than enough opportunities to gamble under existing restrictions. They say expanding gambling at neighborhood businesses would cause lasting harm to marriages, families and children, and would lead to an increase in gambling addictions and abuse. The one percent of the new tax revenue that would go to addiction treatment is insufficient, opponents argue, and building a treatment program on such an unstable revenue source is ineffective and unwise.

Opponents also claim passage of Initiative 892 would hurt taxpayers and that an increase in crime and bankruptcies will accompany an increase in gambling. They claim that many small businesses would also suffer, as money otherwise spent on goods and services would be spent on gambling instead. Opponents also say large, well-funded organizations, not small businesses, would be the primary beneficiaries of Initiative 892. Of course, these are all equally good arguments for reducing tribal casino gambling as well, something at least one part of the anti-Initiative 892 coalition adamantly opposes.

Those opponents, federally-recognized Indian tribes, say that given a history of discrimination, their state-sanctioned monopoly on electronic gambling is one of the only ways tribes can garner revenue with which to improve their general lot. Having an exclusive right to operate electronic scratch ticket machines gives tribal casinos a competitive edge over Washington's other gambling establishments. Arguing for a kind of economic affirmative action, they respond to "Just Treat Us the Same" by saying American Indians were not treated "the same" for most of the country's history.

Cities that tax current non-tribal gambling establishments would lose revenue as consumers used the new electronic machines. Since all tax revenues from the new machines go to the state under I-892's provisions, city revenues would decrease as gamblers used the new machines. Reporting on the varying claims of potential tax costs and savings, *The Seattle Times* wrote recently that some Washington cities rely on gambling taxes for five to 75 percent of their total revenue intake. If cities wanted to ban the new electronic gambling, they would have to ban all gambling, costing them more tax revenue. In this sense, opponents insist that Initiative 892 is not as much a "revenue neutral" measure as proponents claim it is.