



Colorado Gaming Tax Revenue and Distributions

By Meredith Moon

In 1990, Colorado voters passed a constitutional amendment allowing limited gaming only in the cities of Central City, Black Hawk, and Cripple Creek. Limited gaming is defined as “the use of slot machines and the card games of blackjack and poker, each game having a maximum single bet of five dollars.” Voters expanded the limits on gaming in 2008 through the passage of Amendment 50 to the Colorado Constitution, thereby allowing the games of roulette and craps, bets of up to \$100, and extended casino hours of operation. This *issue brief* looks at how casinos are taxed and how the tax revenue is distributed.

Gaming Tax Rates and Collections

Gaming tax is levied on casinos' adjusted gross proceeds (AGP), which is the total amount of wagers made by players on limited gaming less all payments to players. The Colorado Limited Gaming Control Commission sets gaming tax rates and brackets based on casinos' AGP. According to current state law, taxes may not exceed 40 percent of AGP. The current tax rates, shown in Table 1, have been in place since July 1, 2012, and are currently set through June 30, 2020.

At the end of FY 2018-19, 33 casinos operated in the state: 15 in Black Hawk, 12 in Cripple Creek, and 6 in Central City. Of the 33 casinos, 54.6 percent have over \$13 million in AGP. These higher-proceed casinos account for 82.1 percent of all tax revenue, as shown in Table 1.

Gaming tax collections. In addition to tax rates by AGP, the following factors determine the amount of gaming taxes collected:

- the total amount bet on specific games;
- the hold percentages for each game; and
- the number of casinos in the highest tax brackets.

The Division of Gaming publishes monthly gaming statistics, including each type of game offered and the hold percentage for each game. The hold percentage is the amount of money casinos keep of the total amount bet. The higher the hold percentage, the higher the AGP and taxes.

Since the first full fiscal year of extended limited gaming in FY 2009-10, gaming tax revenue has increased from \$106.8 million to \$125.0 million in FY 2018-19, or by 17.1 percent (Figure 1).

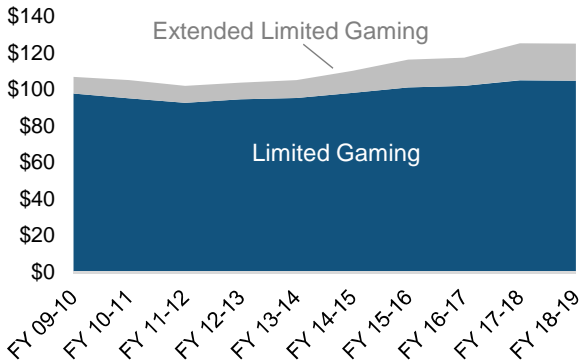
Table 1
Casino AGP Tax and Revenue Collections, FY 2018-19

AGP Range (Millions)	Tax Rate	Casinos in AGP Range	Total AGP From Casinos	Total Taxes Paid
\$0 - \$2	0.25%	2	\$3.6 million	\$163,878
\$2 - \$5	2%	5	\$11.8 million	\$1.8 million
\$5 - \$8	9%	5	\$34.8 million	\$6.4 million
\$8 - \$13*	11 – 16%	3	\$43.3 million	\$14.1 million
\$13+	20%	18	\$746.8 million	\$102.6 million
Total		33	\$840.3 million	\$125.0 million

Source: Colorado Department of Revenue, Division of Gaming.

*The \$8 million - \$10 million and \$10 million - \$13 million AGP ranges were consolidated for reasons of confidentiality. AGP=Adjusted gross proceeds.

Figure 1
Gaming Tax Revenue
Dollars in Millions

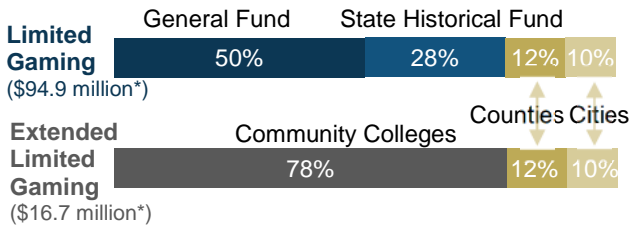


Source: Colorado Department of Revenue.

Gaming Tax Distributions

Gaming taxes are distributed after all operating expenses are paid and two months of expenditures are set aside in the Limited Gaming Fund. The distributions of limited and extended limited gaming revenue differ, as shown in Figure 2 below.

Figure 2
Gaming Tax Distribution Formulas



*FY 2017-18 distributions.

General Fund. State statute requires set dollar amounts be distributed to the following funds out of the 50 percent distribution to the state General Fund:

- Colorado Travel and Tourism Promotion Fund;
- Advanced Industries Acceleration Cash Fund;
- Local Government Limited Gaming Impact Fund;
- Innovative Higher Education Research Fund;
- Creative Industries Cash Fund;
- Colorado Office of Film, Television, and Media Operational Account Cash Fund; and
- the remainder to the state General Fund.

State Historical Fund. The 28 percent allocated to the State Historical Fund is required to be distributed in the following way:

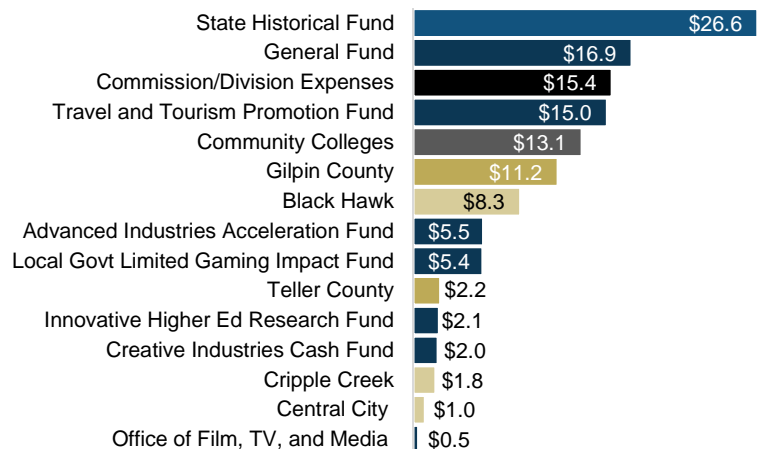
- 20 percent for historic preservation of the cities of Black Hawk, Central City, and Cripple Creek; and
- the remaining 80 percent for historic preservation and restoration of historical sites and municipalities throughout the state as determined by the General Assembly.

Community colleges. The community college distribution is allocated to public community colleges, junior colleges, and local district colleges based on full time equivalent student enrollment at each school.

Cities and counties. The cities and counties that receive distributions are those that allow gaming: Black Hawk, Central City, and Cripple Creek, and Gilpin and Teller Counties. Both limited and extended limited gaming revenue distributions to these local governments are determined by the amount of gaming tax revenue generated in each city or county.

FY 2017-18 Distributions. During FY 2017-18, limited gaming revenue totaled \$127.2 million, including taxes, licensing fees, and interest, and this revenue was distributed as shown in Figure 3.

Figure 3
Total Gaming Revenue Distributions, FY 2017-18
Dollars in Millions



Source: Colorado Department of Revenue, Division of Gaming.