

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Card Room Gambling Tax
DEPARTMENT: City Council
PRESENTED BY: Mayor Ransom

PROBLEM/ISSUE STATEMENT:

This item has been put on this evening's agenda at the request of Mayor Ransom. The purpose is for the Council to consider the extension of the reduced card room gambling tax rate from 10% to 7% through June 30, 2007.

In July 2006 the City Council adopted Ordinance No. 437 (Attachment A) which reduced the card room gambling tax rate from 10% to 7% for a nine month period starting July 2006 and concluding March 31, 2007. Ordinance No. 437 provided that the card room gambling tax rate would return to 10% effective April 1, 2007, if the City Council took no further action. The primary reason in which the Council adopted the nine month reduction in card room gambling tax rate was due to the temporary negative impacts to the casino operations from the Aurora construction project.

Mayor Ransom has requested that the Council consider a three month extension of the tax rate reduction to allow for a recovery period during the final construction stages and the substantial completion of the project. This means that the 7% card room gambling tax rate would remain in effect until June 30, 2007, if approved by the City Council.

FINANCIAL IMPACT:

An additional three months reduction in gambling tax is estimated to reduce gambling tax revenues to the City by approximately \$163,000. This assumes that the card rooms have the same activity level during the second quarter of 2007 as they did in 2006. The revenue reduction would necessitate a reduction in the revenues allocated to the Roads Capital Fund for capital projects.

BACKGROUND

In 2005 the City Council reduced the card room gambling tax rate from 11% to 10%. This rate change was effective April 1, 2005. The tax rate reduction was in response to requests from casinos as they believed the tax rate reduction would enable them to have a more acceptable profit margin. Also a review of tax rates of other local jurisdictions indicated that most jurisdictions had a card room gambling tax rate of 10%.

On December 8, 2005, a state-wide smoking ban went into effect for public places. This included all non-tribal casinos. It appears that this smoking ban had a negative impact on the overall card room activity occurring at the casinos within Shoreline. In addition to the smoking ban casinos have indicated that the level of local casino activity has been