

ILLINOIS TAX HANDBOOK

FOR LEGISLATORS

F

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ILLINOIS GENERAL ASSEMBLY
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Figure 1: Percentages of Revenue Contributed by Major State Taxes, FY 2017

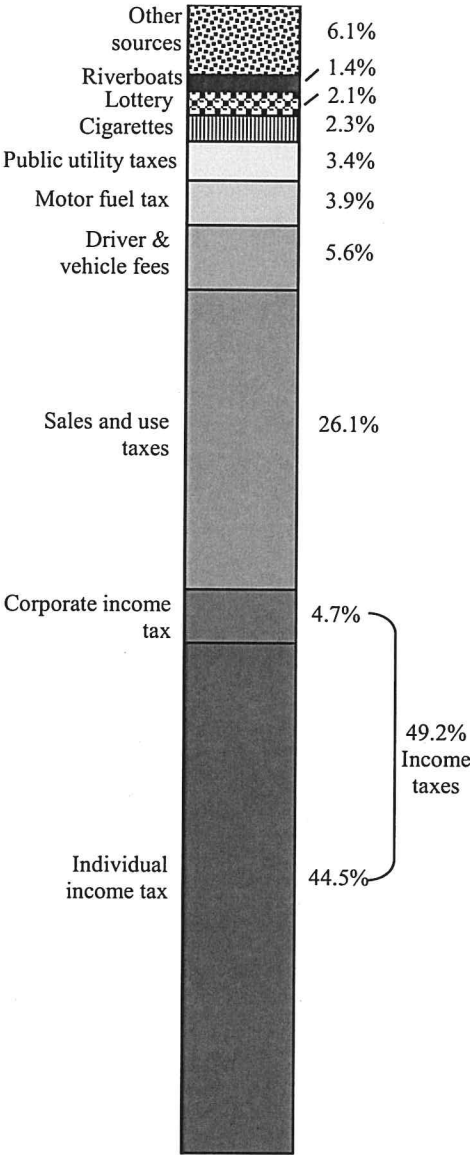


Table 1: State Tax & Lottery Receipts, FYs 2016 & 2017

	<i>FY 2016</i>		<i>FY 2017</i>		<i>% change FY '16- FY '17*</i>
	<i>Amount (millions)</i>	<i>% of total</i>	<i>Amount (millions)</i>	<i>% of total</i>	
Individual income tax	\$15,300.9	43.4%	\$15,384.9	44.5%	0.5%
Sales tax	9,031.8	25.6	9,010.9	26.1	-0.2
Driver's license & motor vehicle fees	1,904.2	5.4	1,928.0	5.6	1.2
Corporate income tax	2,339.1	6.6	1,614.4	4.7	-31.0
Motor fuel tax	1,354.0	3.8	1,348.4	3.9	-0.4
Public utility tax	1,199.9	3.4	1,180.5	3.4	-1.6
Cigarette & tobacco taxes	844.9	2.4	781.5	2.3	-7.5
State lottery	694.9	2.0	723.5	2.1	4.1
Riverboat wagering taxes & fees	490.3	1.4	485.2	1.4	-1.0
Insurance tax & fees	482.7	1.4	483.3	1.4	0.1
Video gaming taxes & license fees	305.8	0.9	359.9	1.0	17.7
Liquor tax & fees	301.0	0.9	311.3	0.9	3.4
Estate tax	325.2	0.9	277.9	0.8	-14.5
Hotel operators' tax	263.5	0.7	272.8	0.8	3.5
Corporation franchise tax & fees	210.5	0.6	210.0	0.6	-0.2
Real estate transfer tax	77.0	0.2	76.6	0.2	-0.5
Automobile rental tax	40.4	0.1	40.6	0.1	0.5
Vehicle use tax	35.3	0.1	35.3	0.1	0.0
Tire user fee	17.3	<0.1	17.6	0.1	1.7
Racing tax & fees	7.3	<0.1	7.1	<0.1	-2.7
Pull tab & jar games tax & fees	3.3	<0.1	3.0	<0.1	-9.1
Bingo tax & fees	1.7	<0.1	1.6	<0.1	-5.9
Coin-operated amusement tax	1.2	<0.1	0.9	<0.1	-25.0
Charitable games tax & license fees	0.4	<0.1	0.4	<0.1	0.0
Totals	\$35,232.6	100.0%	\$34,555.6	100.0%	-1.9%

Note: < means "less than."

* Due to rounding, some percentages in this column do not exactly match percentages in this book's text.

Bingo Tax and License Fees

Illinois gets two forms of revenue from licensed bingo games: license fees, and the bingo game receipts tax. Administered by Department of Revenue. (230 ILCS 25/1 ff.)

Rate and base:

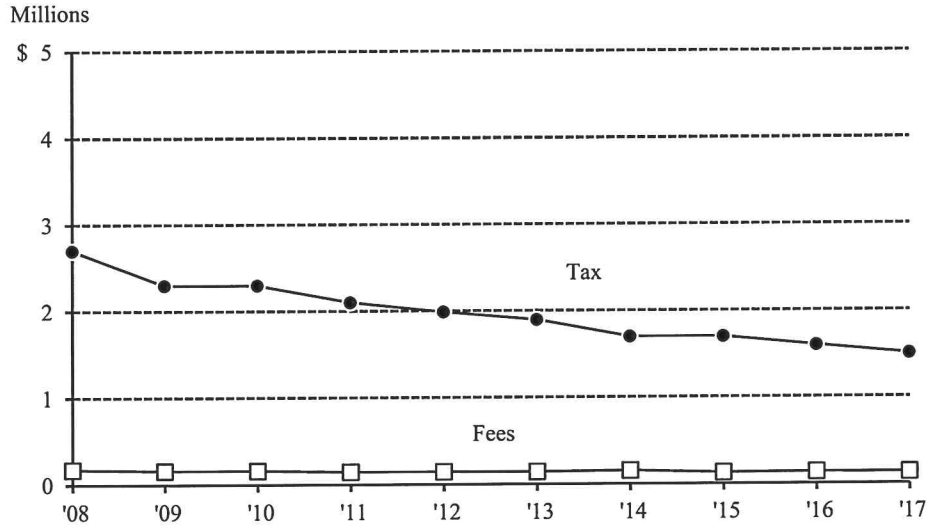
1. Bingo license fees: (a) \$200 fee for an annual license (with an extension up to 1 year if authorized by the Department of Revenue) for a nonprofit religious, charitable, labor, fraternal, educational, senior citizens', youth athletic, or veterans' organization to conduct bingo on 1 day per week, with up to 25 games on that day, throughout the year. (Bingo games at the Illinois State Fair or county fairs are not subject to the limits on games per day or days per week.) (b) \$50 fee for a limited license, issued to such an organization, for bingo games at up to two events per year, for a maximum of 5 consecutive days each time. (c) \$200 fee for an annual license, or \$600 for 3 years (with an extension up to 1 year if authorized by the Department of Revenue) for anyone leasing out facilities or selling bingo equipment or supplies to licensed bingo organizations. (A municipality that leases out its facilities for bingo need not buy a \$200 license.)
2. Bingo game receipts tax: 5% of gross receipts from bingo games.

History: These taxes were enacted in 1971. The bingo game receipts tax was halved to 5% on January 1, 1979. A 2004 act authorized sales of 3-year licenses to organizations conducting bingo, but that authority was eliminated in 2007. A tax amnesty program in fiscal year 2004 collected only \$248. A fiscal year 2011 tax amnesty program brought in only \$666.

State revenue collected

<i>Fiscal year</i>	<i>License fees receipts</i>		<i>Bingo receipts tax receipts</i>	
	<i>(thousands)</i>	<i>Change</i>	<i>(millions)</i>	<i>Change</i>
2008	\$174	-2.2%	\$2.7	-12.9%
2009	159	-8.6	2.3	-14.8
2010	160	0.6	2.3	0.0
2011	148	-7.5	2.1	-8.7
2012	145	-2.0	2.0	-5.2
2013	144	-0.7	1.9	-4.8
2014*	154	6.9	1.7	-8.9
2015	128	-16.9	1.7	0.0
2016	137	7.0	1.6	-5.9
2017	132	-3.6	1.5	-6.3

* The FY 2014 numbers given above differ from those reported by the Comptroller. In that year, \$111,709 was inadvertently recorded as fee revenue instead of tax revenue. The numbers above are correct according to the Illinois Department of Revenue.



Distribution:

1. Bingo license fees: To the General Revenue Fund.
2. Bingo game receipts tax:
 - (a) 50% to the Mental Health Fund.
 - (b) 50% to the Common School Fund.

Other taxes on bingo

Federal: None.

Local: No tax is authorized by statute. Home-rule units apparently cannot collect license fees because of the restriction on licensing for revenue in the Illinois Constitution, Art. 7, subsec. 6(e). A tax on gross receipts of bingo operators likely would also be invalid under that provision, as an occupation tax.

Comparison of states' taxes

At least 25 other states separately tax bingo games, as do New York municipalities.

Alaska collects 1% of net bingo proceeds if annual gross receipts are at least \$20,000. Arizona has a tax of 2.5% on licensees with annual receipts up to \$15,600; 1.5% on those with receipts of \$15,601 to \$300,000; and 2% on those with receipts over \$300,000. Arkansas collects 0.3¢ per bingo card. Colorado collects an administrative fee of 0.5% of gross revenues if over \$5,000 (0.6% if over \$100,000). Connecticut has a tax of 5% of gross receipts minus prizes paid. Kansas has a 3% tax on gross receipts from call bingo games, plus a charge of 0.2¢ per call bingo card sold by distributors. Louisiana charges up to 5% of the value of bingo supplies, and an additional fee up to 3% of the lease or rental price of electronic bingo devices (except those using disposable bingo paper). Maryland collects 30% of net proceeds of electronic bingo machines. Mississippi taxes charitable bingo games at 0.5% to 1% based on the type of charitable organization; a separate tax of up to 2.5% of net proceeds applies to electronic bingo machines. Missouri has a tax of 0.2¢ per bingo card (which must be paid if prizes total over \$5,000 annually and \$100 on any single day). Minnesota taxes 8.5% of gross receipts minus prizes paid (except on electronic linked bingo); Iowa 6% of gross receipts; Massachusetts 5% of gross receipts; Nebraska 3% of gross receipts; Montana 1% of gross proceeds; and New Mexico 0.5% of gross receipts.

New Hampshire imposes taxes of 7% of gross receipts minus prizes paid for charitable bingo games. North Dakota collects 1% of quarterly gross receipts if the total is up to \$1,500,000 from nonprofit bingo games, or \$15,000 plus 2.25% of such receipts over \$1,500,000. In Ohio, charitable organizations that conduct instant bingo must pay an annual license fee, plus a percentage of the previous year's gross profit from instant bingo that ranges from 0.25% to 1% depending on the gross profit amount. Oklahoma charges 1¢ per bingo card or "U-PIK-EM" game set, payable by licensed distributors and sellers of equipment. South Carolina charges 4¢, 5¢, or 10¢ per dollar of face value of bingo cards, depending on the class of licensee. South Dakota distributors pay 5% of their gross sales of bingo equipment.

Texas collects 5% of the value of prizes over \$5. Washington charges 1.5% of gross income, plus 0.13% of gross income if it is at least \$50,000 annually. Also, local governments may charge up to 5% of gross receipts minus prizes paid. Wisconsin's tax is 1% of gross receipts up to \$30,000, and 2% of gross receipts over \$30,000.

New York municipalities that allow bingo collect 3% of the net proceeds.

Charitable Games Tax and License Fees

The state gets two kinds of revenue from licensed charitable games: license fees, and the charitable games receipts tax. Charitable games covered include roulette, blackjack, poker, pull tabs, craps, bang, beat the dealer, big six, gin rummy, five-card stud poker, chuck-a-luck, keno, hold-em poker, or a merchandise wheel. No single bet at any house-banked game may exceed \$20; and a person's cash winnings may not exceed \$500 (non-cash winnings are not limited). Administered by Department of Revenue. (230 ILCS 30/1 ff.)

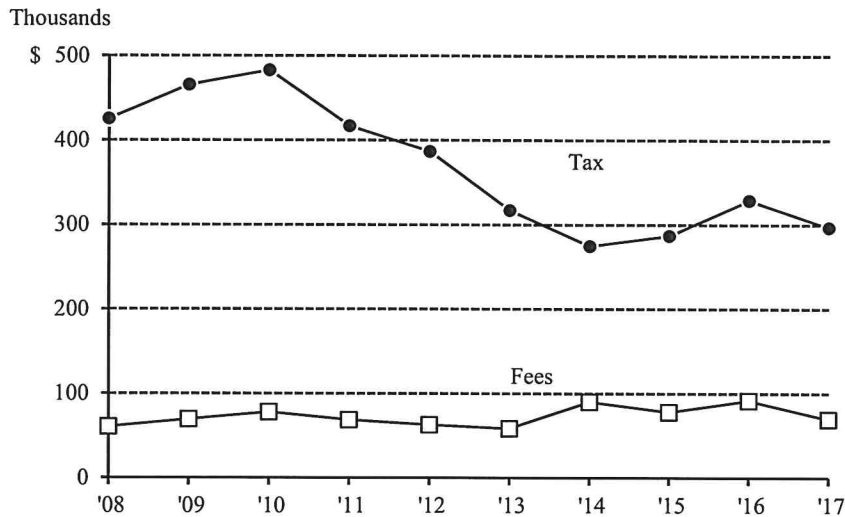
Rate and base:

1. Charitable games license fees: (a) \$400 fee for 2 years (which can be extended up to 1 year by the Department of Revenue) for a license to a nonprofit charitable, religious, fraternal, veterans', labor, or educational organization to hold up to 12 charitable games nights per year. (b) \$50 fee for 1 year or \$150 for 3 years (which can be extended by up to 1 year by the Department of Revenue) for a license issued to anyone leasing out facilities to licensed organizations holding charitable games nights (up to 12 games nights each year; up to 48 if owned by a municipality). (c) \$500 fee for 1 year or \$1,500 for 3 years (which can be extended by up to 1 year by the Department of Revenue) for a license to sell supplies or equipment for such games. (d) \$50 one-time fee for a licensee owning its equipment.
2. Charitable games receipts tax: 5% of net proceeds from charitable games nights.

History: The tax took effect September 1, 1986 at a rate of 3% of *gross* proceeds. In 2013 the rate was changed to 5% of *net* proceeds. A tax amnesty program in fiscal year 2011 collected \$139.

State revenue collected

<i>Fiscal year</i>	<i>License fees</i>		<i>Charitable games tax</i>	
	<i>Receipts</i>	<i>Change</i>	<i>Receipts</i>	<i>Change</i>
2008	\$60,800	1.5%	\$425,700	39.0%
2009	69,300	14.0	465,700	9.4
2010	78,000	12.6	483,000	3.7
2011	68,750	-11.9	417,048	-13.7
2012	62,850	-8.6	386,889	-7.2
2013	58,450	-7.0	317,181	-18.0
2014	90,100	54.1	274,700	-13.4
2015	78,000	-13.4	287,000	4.5
2016	91,600	17.4	329,100	14.7
2017	69,400	-24.2	297,100	-9.7



Distribution: To the Illinois Gaming Law Enforcement Fund.

Other taxes on charitable games

Federal: None.

Local: No tax is authorized by statute. Home-rule units probably cannot collect license fees due to the restriction on licensing for revenue in the Illinois Constitution, Art. 7, subsec. 6(e). A tax on charitable games operators' gross receipts likely would be invalid as an occupation tax.

Counties and municipalities are authorized to license and regulate raffles of nonprofit charitable, educational, religious, fraternal, veterans', labor, and some kinds of business organizations. Each county except Cook County must—and Cook County may—establish a system for licensing nonprofit organizations to operate “poker runs.” (230 ILCS 15/1 ff.)

Comparison of states' taxes

At least 12 other states tax proceeds of charitable games. In Alaska, an organization applying for a license to operate a game of chance or skill must pay 1% of net proceeds from gaming in the preceding year. Colorado has a tax at a rate set by regulation—currently 3% of adjusted gross proceeds (receipts minus payments to players). Kansas collects license fees on annual gross receipts from raffles: \$25 on gross receipts from \$25,001 to \$50,000; \$50 on \$50,001 to \$75,000; \$75 on \$75,001 to \$100,000; and \$100 for gross receipts over \$100,000. Net receipts of charitable games are also taxed in New Mexico (10% for nonprofit organizations); manufacturers and distributors pay 10% of gross receipts. Gross receipts are taxed in Minnesota (8.5%), Iowa (6%, for veterans' organizations holding card game tournaments), and Kentucky (0.957%). Minnesota also collects a combined receipts tax on gross receipts from gambling (excluding bingo, raffles, and paddlewheels) at four rates: 9% on gross receipts up to \$87,500; 18% on \$87,501 to \$122,500; 27% on \$122,501 to \$157,500; and 36% on any excess over \$157,500. Oklahoma collects a 10% tax on the price paid for all charity game equipment except bingo faces, U-PIK-EM bingo game sets, and break-open ticket games. Nebraska collects 2% of gross receipts from lotteries and raffles. North Dakota collects taxes on all gambling at 1% of gross receipts up to \$1,500,000 and 2.25% beyond that. New Hampshire charges \$6 or \$15 per package of “Lucky Seven” tickets sold to charitable organizations, depending on the type of ticket. Also in New

Hampshire, charitable organizations pay 3% of gross receipts (if chips sold have no monetary value), or 10% of net receipts (if chips have monetary value), minus amounts spent by the state Lottery Commission on personnel and related expenses. West Virginia charges wholesalers and distributors of charitable raffle boards and games 20% of the retail value of boards and games sold to retailers.

In New York and Washington, municipalities may impose fees of up to 5%.

Cigarette and Other Tobacco Taxes

A matching pair of taxes applies to cigarettes: the cigarette tax, and the cigarette use tax. Wholesale distributors collect the cigarette tax from retailers, who collect the use tax from customers. Retail sellers are relieved of paying the use tax if they pay the cigarette tax to distributors. Ultimately, distributors are responsible for sending the money to the state. An occupation tax on cigarette machine operators is imposed at the same rate as the cigarette tax; cigarette machine operators may recover the tax from customers through prices they charge. Little cigars are taxed at the same rate (and proceeds are distributed in the same manner) as cigarettes. Starting in 2016, cigarette retailers also pay an annual license fee. Administered by Department of Revenue. (Cigarette tax, 35 ILCS 130/1 ff.; cigarette use tax, 35 ILCS 135/1 ff.; cigarette machine operators' occupation tax, 35 ILCS 128/1-1 ff.; and little cigars, 35 ILCS 143/10-1 ff.)

Rate and base:

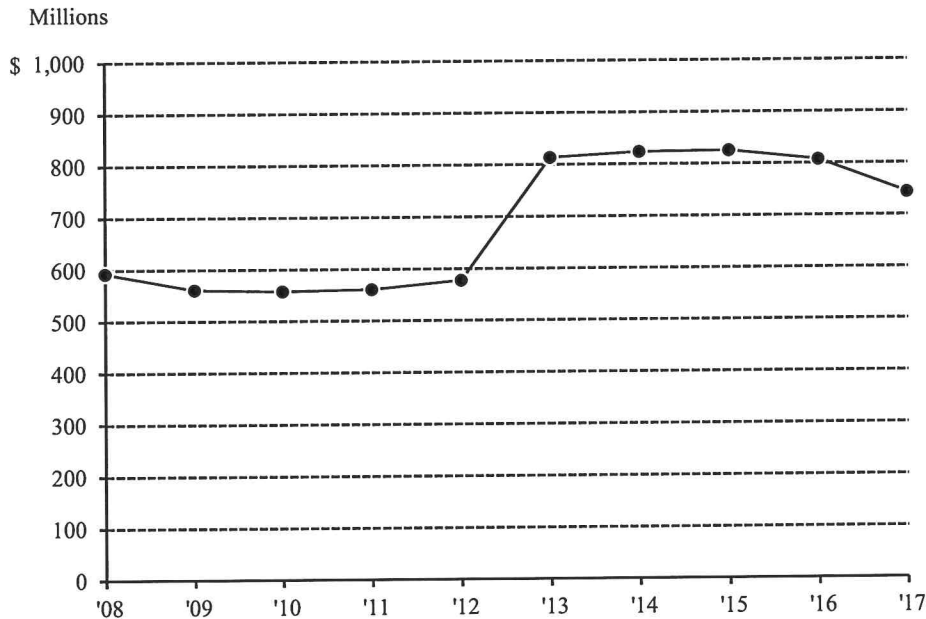
1. Tax: 9.9¢ per cigarette (\$1.98 per package of 20).
2. License fee: \$75 annually per retail location.

History: The cigarette tax was enacted in 1941 at a rate of 0.1¢ per cigarette (2¢ for a package of 20). The use tax was added in 1951. Rate changes since then are shown below. (The increase from 2.9¢ to 4.9¢ per cigarette took effect July 1, 2002—the start of fiscal year 2003. The increase from 4.9¢ to 9.9¢ per cigarette took effect June 24, 2012, so very little of it is reflected in FY 2012 receipts.) A tax amnesty program in fiscal year 2004 collected only \$26. An amnesty in fiscal year 2011 collected \$22,080. Starting August 1, 2012, cigarettes from machines were taxed at the same rate as other cigarettes, and cigarette machine operators were required to get an annual license for \$250. Starting in 2016, each cigarette retailer must buy an annual license costing \$75.

<i>Year</i>	<i>Per cigarette</i>	<i>Per pack of 20</i>	<i>Year</i>	<i>Per cigarette</i>	<i>Per pack of 20</i>
1941	0.10¢	2¢	1969	0.6¢	12¢
1947	0.15	3	1985	1.0	20
1959	0.20	4	1989	1.5	30
1960	0.15	3	1993	2.2	44
1961	0.20	4	1997	2.9	58
1965	0.35	7	2002	4.9	98
1967	0.45	9	2012	9.9	\$1.98

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2008	\$592.4	-4.1%	2013	\$813.4	40.9%
2009	561.0	-5.3	2014	823.8	1.3
2010	557.8	-0.6	2015	825.2	0.2
2011	560.8	0.5	2016	807.3	-2.2
2012	577.4	3.0	2017	743.7	-7.9



Distribution:

Cigarette tax and cigarette use tax:

1. 1¢ per pack of 20 cigarettes (0.05¢ per cigarette) to the General Revenue Fund.
2. \$9 million per month of the amount resulting from the 8¢ per pack increase enacted in 1985, to the Common School Fund.
3. All additional revenue from the 1997 increase of 14¢ per pack, to the Common School Fund.
4. An amount that when added to the amount paid into the Common School Fund equals \$29.2 million, to the General Revenue Fund.
5. All added revenue from the 2012 increase of \$1 per pack, to the Healthcare Provider Relief Fund.
6. Remainder:
 - (a) Any unpaid amounts required to be paid into the General Revenue Fund for past months.
 - (b) \$5 million per month to the School Infrastructure Fund.
 - (c) Any unpaid amounts required to be paid into the School Infrastructure Fund for past months.
 - (d) Remainder, if any, to be paid into the Long-Term Care Provider Fund.

Cigarette machine operators' occupation tax and license fee: Healthcare Provider Relief Fund.

Cigarette retailer license fee: Tax Compliance and Administration Fund.

Other taxes on cigarettes

Federal: The federal tax is \$1.0066 per pack of 20 cigarettes. Large cigarettes (those weighing more than 3 pounds per 1,000) are taxed at \$2.1138 per 20 cigarettes (unless over 6½ inches long).

Local: State law authorizes a municipal cigarette tax of 1¢ per package of 20, but it cannot be imposed by municipalities for which the state already collects a municipal home-rule retailers' occupation (sales) tax. (65 ILCS 5/8-11-3) Home-rule units can collect their own taxes on cigarettes. Chicago collects \$1.18 per pack of 20, and Cook County collects \$3.00. Cook County's tax applies both in Chicago and elsewhere in the county. Combined rates are shown below.

Chicago-area cigarette taxes per pack of 20

	<i>Chicago</i>	<i>Cook County suburbs</i>	<i>Rest of state</i>
City	\$1.18	-	-
County	3.00	\$3.00	-
State	1.98	1.98	\$1.98
Federal	1.0066	1.0066	1.0066
Totals	\$7.17	\$5.99	\$2.99

Comparison of states' taxes

States' taxes per pack of 20 cigarettes on January 1, 2018 were:

Connecticut	\$4.35	South Dakota	\$1.53
New York	4.35	Texas	1.41
Rhode Island	4.25	Iowa	1.36
Minnesota	3.614 ^a	Florida	1.339
Massachusetts	3.51	Oregon	1.33
Hawaii	3.20	Kansas	1.29
Vermont	3.08	West Virginia	1.20
Washington	3.025	Arkansas	1.15
California	2.87	Louisiana	1.08
New Jersey	2.70	Oklahoma	1.03
Pennsylvania	2.60	Indiana	0.995
Wisconsin	2.52	Colorado	0.84
Delaware	2.10	Mississippi	0.68
Alaska	2.00	Alabama	0.675
Arizona	2.00	Nebraska	0.64
Maine	2.00	Tennessee	0.6205 ^b
Maryland	2.00	Kentucky	0.601 ^b
Michigan	2.00	Wyoming	0.60
Illinois	1.98	Idaho	0.57
Nevada	1.80	South Carolina	0.57
New Hampshire	1.78	North Carolina	0.45
Montana	1.70	North Dakota	0.44
Utah	1.70	Georgia	0.37
New Mexico	1.66	Virginia	0.30
Ohio	1.60	Missouri	0.17

Notes

- a. Minnesota collects \$3.04 per pack, plus 57.4¢ in sales tax added to the wholesale price for a tax stamp.
b. Amounts shown for these two states include enforcement and administrative fees of 0.1¢ per pack in Kentucky and 0.05¢ per pack in Tennessee.

Other taxes on tobacco products

Illinois taxes other tobacco products, including cigars; cheroots; stogies; perique, granulated, plug-cut, crimp-cut, ready-rubbed, and other smoking tobacco; snuff or snuff flour; cavendish; plug-and-twist tobacco; fine-cut and other chewing tobaccos; and other forms of tobacco usable for chewing or smoking in a pipe or otherwise. Little cigars are taxed at the same rate (and proceeds are distributed in the same manner) as cigarettes. Starting in 2016, retailers of tobacco products must pay an annual license fee. (35 ILCS 143/10-1 ff.)

Rate and base:

1. Tax: 36% of wholesale price (distributor's cost price for the products); 30¢ per ounce for moist snuff.
2. License fee: \$75 annually per retail location.

History: The tax was enacted in 1993. In January 1995 a trial court held that it violated the U.S. Constitution's Commerce Clause because the law defined the distributor's cost price for these products in such a way that an Illinois manufacturer might have a lower cost price (and thus a lower tax base) than a distributor of the products from out of state. In 1995 that tax was repealed and replaced with a new tax avoiding the defects in the 1993 law. The rate was reduced from 20% to 18% of the wholesale price of these tobacco products.

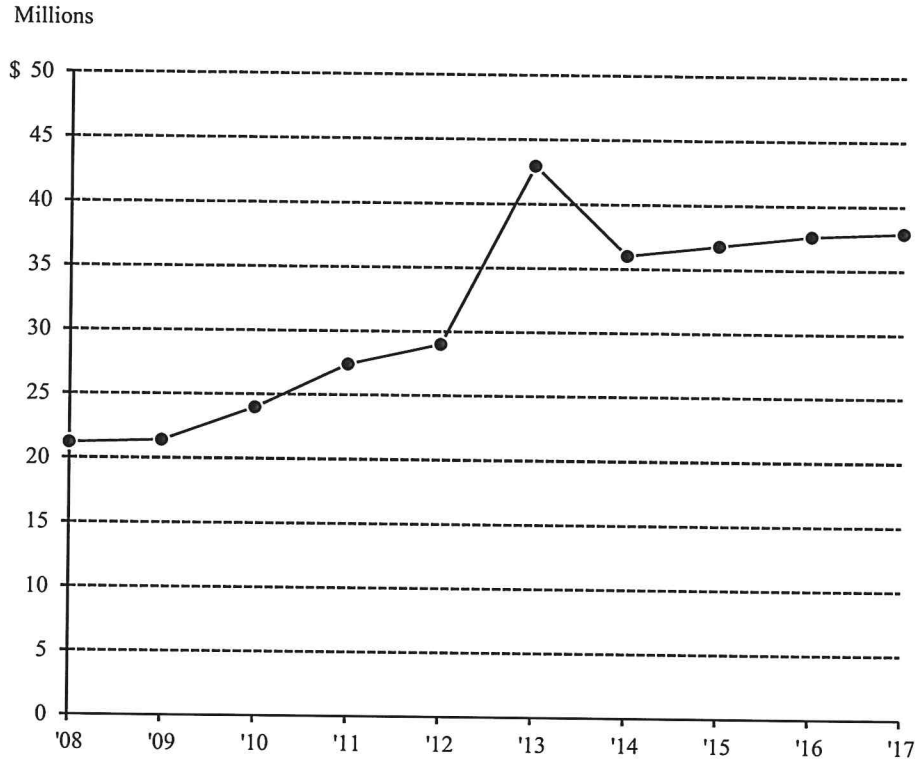
A trial judge then held that the 1995 law violated the single-subject requirement of the Illinois Constitution (Art. 4, subsec. 8(d)). The Department of Revenue stopped collecting the tax, and no revenue was collected in fiscal year 1999. But the Illinois Supreme Court in July 1999 reversed that decision and upheld the 1995 law. All revenues for fiscal years 1999 and afterward were held in a special account. In fiscal year 2003 a total of \$74.9 million (the amount collected since FY 1999) was deposited into the Long-Term Care Provider Fund.

The rate was raised on July 1, 2012 to 36% of wholesale price, except that a separate rate was imposed starting January 1, 2013 for moist snuff of 30¢ per ounce. The tax per ounce on moist snuff may not exceed 15% of the tax on a package of 20 cigarettes. A tax amnesty program in fiscal year 2011 collected \$52,800.

Starting in 2016, retailers of tobacco products must pay an annual license fee of \$75 per retail location.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2008	\$21.2	1.4%	2013	\$43.0	48.1%
2009	21.4	0.9	2014	36.0	-16.2
2010	24.0	12.1	2015	36.8	2.2
2011	27.4	14.2	2016	37.6	2.2
2012	29.0	5.8	2017	37.9	0.8



Distribution:

1. Tax: Divided evenly between the Long-Term Care Provider Fund and the Healthcare Provider Relief Fund.
2. License fee: Tax Compliance and Administration Fund.

Other taxes on other tobacco products

Federal:

<i>Class</i>	<i>Rate</i>
Cigars	
small (under 3 lbs. per 1,000)	\$50.33 per 1,000 cigars
large (over 3 lbs. per 1,000)	52.75% of sales price (limited to 40.26¢ per cigar)
Smokeless tobacco	
snuff	\$ 1.51 per pound
chewing tobacco	0.5033 per pound
Pipe tobacco	2.8311 per pound
Roll-your-own tobacco	24.78 per pound

Local:

Cook County's tax rates on other tobacco products are as follows:

<i>Class</i>	<i>Rate</i>
Smoking and smokeless tobacco	60¢ per ounce
Large cigars	30¢ per ounce
Little cigars	5¢ per ounce

Cook County taxes liquid nicotine products at 20¢ per fluid milliliter. Chicago taxes liquid nicotine products at 80¢ per product unit, plus 55¢ per milliliter of consumable liquid, gel, or other solution in the product.

Comparison of states' taxes

All states tax various forms of tobacco other than cigarettes. Among some 39 states that tax most tobacco products at a fixed percentage of price (as Illinois does for non-cigarette products), rates range from 5% in South Carolina to 95% in Minnesota and Washington. States' taxes on other tobacco products on January 1, 2018 are shown below.

States with uniform rates on most non-cigarette tobacco products

Key:

WP = wholesale price

MP = manufacturer's price

PP = retail purchase price

SP = taxable sales price

<i>State</i>	<i>Rate</i>	<i>Price to which applied</i>	<i>State</i>	<i>Rate</i>	<i>Price to which applied</i>
Minnesota ¹	95 %	WP	Delaware ¹⁵	30 %	WP
Washington ²	95	SP	Maryland ¹⁶	30	WP
Utah ³	86	MP	Nevada	30	WP
Florida ⁴	85	WP	New Jersey ¹⁷	30	WP
Rhode Island ⁵	80	WP	Connecticut ¹⁸	25	WP
Alaska	75	WP	New Mexico ¹⁹	25	PP
New York ⁶	75	WP	Indiana ²⁰	24	WP
Wisconsin ⁷	71	MP	Nebraska ²¹	20	WP
Hawaii ⁸	70	WP	Wyoming ²²	20	WP
Arkansas	68	MP	Ohio	17	WP
California ⁹	65.08	WP	Kentucky ²³	15	WP
New Hampshire ¹⁰	65.03	WP	Mississippi	15	MP
Oregon ¹¹	65	WP	North Carolina	12.8	WP
Iowa ¹²	50	WP	West Virginia	12	WP
Montana ¹³	50	WP	Kansas	10	WP
Colorado	40	MP	Missouri	10	MP
Idaho	40	WP	Virginia ²⁴	10	MP
Illinois ¹⁴	36	WP	Tennessee	6.6	WP
South Dakota	35	WP	South Carolina	5	MP
Michigan	32	WP			

Notes

1. Minnesota's minimum tax on moist snuff is equal to its tax on a pack of 20 cigarettes. Its tax on cigars may not exceed \$0.50 per cigar.
2. Washington taxes little cigars as cigarettes. Other cigars are taxed at 95% of the taxable sales price, up to 65¢ per cigar. Moist snuff is taxed at \$2.105 per ounce (with a \$2.526 minimum, the tax on 1.2 ounces).
3. Utah taxes moist snuff at \$1.83 per ounce.
4. Florida's tax applies to tobacco and snuff only. Distributors are taxed at 25% of the wholesale price for products transported into the state for sale or use there.
5. Rhode Island taxes little cigars at the same rate as cigarettes and snuff at \$1 per ounce (minimum of \$1.21 per container). Cigar tax may not exceed 50¢ per cigar.
6. New York taxes snuff at \$2 per ounce (minimum of \$2 per container), and taxes little cigars as cigarettes.
7. Wisconsin's tax may not exceed 50¢ per cigar. Moist snuff is taxed at 100% of the manufacturer's price.
8. Hawaii's rate is 50% on large cigars, and little cigars are taxed at the same rate as cigarettes.
9. California's rate is adjusted each July 1. Little cigars are taxed at the same rate as cigarettes.
10. New Hampshire taxes little cigars at the same rate as cigarettes. "Premium" cigars are not taxed.
11. Oregon taxes moist snuff at \$1.78 per ounce (minimum of \$2.14 per retail container). The tax may not exceed 50¢ per cigar.
12. Iowa taxes little cigars at the same rate as cigarettes, and snuff at \$1.19 per ounce. The cigar tax is 22% and 28% of wholesale price, and the 28% may not exceed 50¢ per cigar.
13. Montana taxes moist snuff at 85¢ per ounce. Little cigars are taxed at the same rate as cigarettes.
14. Illinois taxes moist snuff at 30¢ per ounce.
15. Delaware taxes moist snuff at 92¢ per ounce.
16. Maryland's rate on cigars is 15% of the wholesale price for "premium" cigars and 70% of the wholesale price for other cigars.
17. New Jersey taxes moist snuff at 75¢ per ounce.
18. Connecticut's tax may not exceed 50¢ per cigar. Little cigars are taxed at the same rate as cigarettes. Snuff tobacco is taxed at \$3 per ounce.
19. New Mexico taxes little cigars at the same rate as cigarettes.
20. Indiana taxes moist snuff at 40¢ per ounce.
21. Nebraska taxes snuff at 44¢ per ounce.
22. Wyoming's rate is 20% of wholesale price or 10% of retail price. Moist snuff is taxed at 60¢ per ounce.
23. Kentucky taxes moist snuff at 19¢ per 1.5 ounces.
24. Virginia taxes moist snuff at 18¢ per ounce, and loose leaf tobacco at 21-70¢ per ounce.

States whose rates vary by product type

Alabama	Cigars	4-40.5¢ per 10 cigars
	Smoking tobacco/cigar wrappers	4-21+¢ per package
	Chewing tobacco	1.5¢ per ounce
	Snuff	1-8+¢ per package
Arizona	Cigars*	22.01¢-\$2.18 per 10 cigars
	Tobacco and snuff	22.3¢ per ounce
Georgia	Little cigars	2.5¢ per 10 cigars
	Other cigars	23% of WP
	Tobacco	10% of WP
Louisiana	Cigars*	8-20% of MP
	Tobacco and snuff	20-33% of MP
Maine	Chewing tobacco and snuff	\$2.02 per ounce
	Smoking tobacco and cigars	20% of WP
Massachusetts†	Smokeless tobacco	210% of WP
	Smoking tobacco and cigars	40% of WP

North Dakota	Tobacco/cigars	28% of WP
	Chewing tobacco and snuff	16-60¢ per ounce
Oklahoma	Cigars*	36¢-\$1.20 per 10 cigars
	Tobacco and snuff	60-80% of factory list price
Pennsylvania	Tobacco and snuff	55¢ per ounce
Texas	Cigars*	1-15¢ per 10 cigars
	Tobacco and snuff	\$1.22 per ounce
Vermont	Cigars*	\$2-4 (if WP exceeds \$2.17)
	Snuff and smokeless tobacco	\$2.57 per ounce
	Other products	92% of WP

* Rates on cigars in these five states vary with selling prices.

† Massachusetts taxes little cigars at the same rate as cigarettes.

Coin-Operated Amusement Device and Redemption Machine Tax

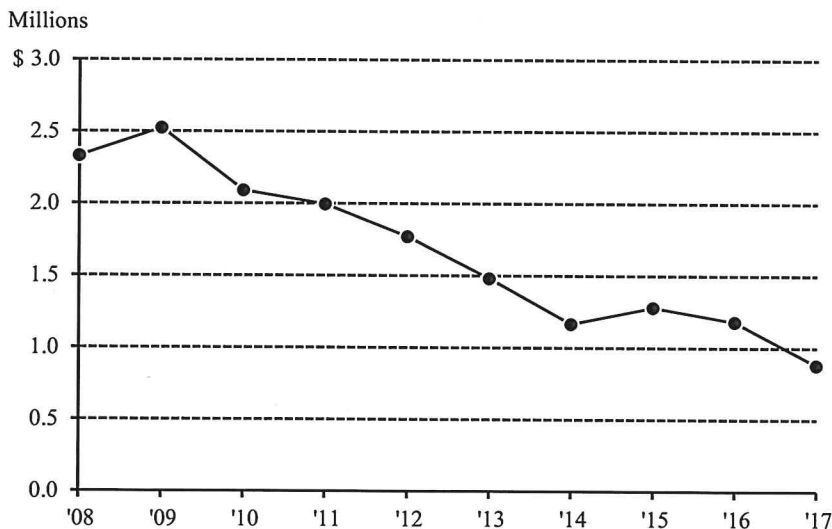
The tax is imposed on the privilege of operating coin-receiving amusement devices (video games, jukeboxes, pinball and redemption machines, and the like) using coins, tokens, chips, or similar objects. (The newer video *gambling* machines are regulated under a separate act. See “Video Gaming Tax and License Fees” on page 128.) Administered by Department of Revenue. (35 ILCS 510/1 ff.)

Rate and base: \$30 per machine per year. Licenses expire every July 31.

History: The tax was enacted in 1953 at rates of \$10 to \$50 per machine, depending on machine type. In 1963 that was simplified into a privilege tax of \$10 per coin-receiving slot. In 1989 it was briefly changed to \$25 (then reduced to \$15) per machine. In 1992, “redemption machines” (devices involving throwing, rolling, shooting, etc., a ball into a hole or at a target to win a prize valued at no more than \$5, or seven times the cost of a single play) were legalized and added to the tax base. In 2003 the rate was doubled to \$30 per machine.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2008	\$2.329	-0.9%	2013	\$1.482	-16.3%
2009	2.523	8.3	2014	1.166	-21.3
2010	2.090	-17.2	2015	1.281	9.9
2011	1.996	-4.5	2016	1.182	-7.7
2012	1.770	-11.3	2017	0.881	-25.5



Distribution: To the General Revenue Fund.

Other taxes on coin-operated amusement machines

Federal: None.

Local: Illinois law permits municipalities to impose taxes or license fees on amusement devices. (65 ILCS 5/11-55-1) Counties can do so in unincorporated areas. (55 ILCS 5/5-1076)

Comparison of states' taxes

Thirteen states including Illinois impose annual taxes on each coin-operated amusement device; seven states tax gross receipts from such devices; and four (Arkansas, Delaware, Florida, and South Dakota) tax both.

<i>State</i>	<i>Rate per machine</i>	<i>State</i>	<i>Percent of gross receipts</i>
Delaware	\$75	Iowa	6 %
Oklahoma	75	West Virginia	6
Texas	60	Arizona	5.6
Idaho	35	South Dakota	4.5
Nebraska	35	Florida	4
Florida	30	Arkansas	3
Illinois	30	Delaware	0.3983†
North Dakota	25		
South Carolina	25 to 2,000 (varies by machine type)*		
Georgia	25 to 125 (varies by machine type)		
South Dakota	12		
Tennessee	10		
Arkansas	5		

* South Carolina's charges are twice those listed, but are payable biennially.

† In Delaware, each enterprise is allowed one exemption of \$100,000 of gross receipts per year.

In addition to taxes on gross receipts and per machine, Arkansas charges a license fee of \$500 for an operator of up to three devices, and \$1,000 for an operator of more than three. Delaware charges \$75 per year, plus \$25 for each additional branch or location. Georgia charges a license fee, for machines that do not award prizes, of \$500 for an operator of up to 5 devices; \$2,000 for 6 to 60 devices; and \$3,500 for over 60 devices. For machines that *do* award prizes, the fee is \$5,000 for any number of devices. Georgia also charges an additional license fee of \$25 per device that does not award prizes, and \$125 per device that does award prizes. In North Dakota, machine operators who do not own the premises where the machines are used must pay \$1,000 annually. In South Carolina, each operator must get a biennial license that costs \$25 to \$1,000 per year depending on machine type. Tennessee charges an annual license fee of \$500 to \$2,000 based on the number of machines. Texas charges an annual license fee of \$200 for an operator of up to 50 devices; \$400 for an operator of 51 to 200 devices; and \$500 for an operator of more than 200 devices.

Oregon has a tax on amusement devices that also applies to video lottery game terminals. It is described under "Video Gaming Tax and License Fees" beginning on page 128.

At least 8 states authorize local fees for coin-operated amusement devices. Kentucky and Louisiana allow municipalities to tax coin machines up to \$20 per machine (up to \$50 for electronic pinball machines, flipper machines, and video games in Louisiana). In Missouri, St. Louis charges \$10 per

machine per year. New Hampshire allows towns to set licensing fees for coin-operated amusement devices, and South Carolina allows cities and counties to do so. New York City may charge up to \$25 per machine annually. Virginia authorizes local taxes on coin-operated amusement devices, up to a maximum of \$200 for 10 or more machines. Massachusetts sets a fee of \$20 per machine and allows cities to set fees up to \$100; and localities may also impose taxes on gross receipts of amusement device operators.

Liquor Taxes and Fees

A tax is imposed on the privilege of making or distributing alcoholic beverages in Illinois, based on beverage type and volume. The Illinois Liquor Control Commission also imposes a variety of annual fees on each maker, distributor, and retail seller. Administered by Department of Revenue. (235 ILCS 5/8-1 ff.)

Rate and base (per gallon): 23.1¢ on beer and cider with 0.5% to 7% alcohol; \$1.39 on wine (excluding cider with up to 7% alcohol); and \$8.55 on distilled liquor. Annual Liquor Control Commission fees are \$750 for retail sellers, and \$350 to \$5,000 on some manufacturers.

History: The present liquor tax was enacted in 1934. Rates since then are shown below.

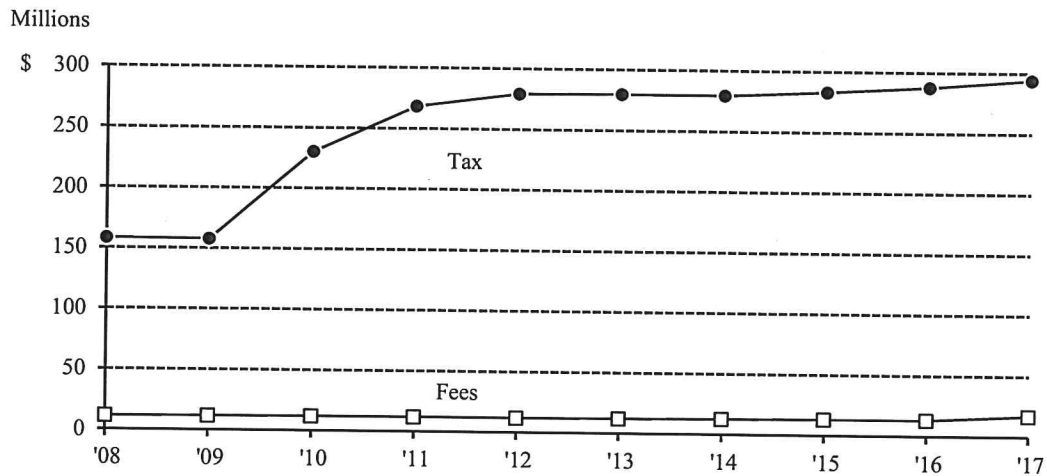
Year	<i>Rate per gallon</i>			
	<i>Beer and cider</i>	<i>Wine up to 14% alcohol</i>	<i>Wine over 14% alcohol</i>	<i>Distilled liquor</i>
1934	2 ¢	\$0.10	\$0.25	\$0.50
1941	4	0.15	0.40	1.00
1959	6	0.23	0.60	1.52
1969	7	0.23	0.60	2.00
1999	18.5	0.73	0.73	4.50
2009	23.1	1.39	1.39	8.55

A tax amnesty program in fiscal year 2004 allowed taxpayers to pay outstanding tax liabilities without penalty or interest. Collections totaled \$16,669. An amnesty program in fiscal year 2011 collected \$65,821. Annual fees were increased for most license classes beginning August 26, 2016.

State revenue collected

Fiscal year	<i>Taxes</i>		<i>License fees</i>	
	<i>Receipts (millions)</i>	<i>Change</i>	<i>Receipts (millions)</i>	<i>Change</i>
2008	\$158.1	1.5%	\$11.4	0.1%
2009	157.6	-0.3	11.7	2.1
2010	230.4	46.2	12.0	2.4
2011	268.2	16.4	11.9	-0.6
2012*	279.3	4.1	11.8	-0.7
2013	279.9	0.2	12.3	4.0
2014	279.6	-0.1	12.6	2.6
2015	283.2	1.3	13.1	4.0
2016	287.9	1.7	13.1	0.0
2017	294.3	2.2	17.0	29.8

* Although tax rates were increased in 2009, funds were held in a protest fund until they were transferred to the Capital Projects Fund in July 2011. They are shown above for the year in which they were collected.



Collections by beverage type

When reporting liquor tax revenue to the Comptroller, the Department of Revenue lists only total revenue, not revenue classified by type of beverage. The estimates below show collections (in millions of dollars) by beverage class, based on sales data from the Department of Revenue. (Starting in fiscal year 2010, the data include revenue from sales of liquor on airlines, which are reported separately from other sales. Sales by direct wine shippers are also reported separately, but in categories slightly different from those for sales by other sources. Starting in fiscal year 2012, they are included in the “over 14% but less than 20%” category.)

<i>Fiscal year</i>	<i>Beer</i>		<i>Liquor 20% or more alcohol</i>	
	<i>Amount</i>	<i>Change</i>	<i>Amount</i>	<i>Change</i>
2008	\$51.8	0.4%	\$ 84.9	4.3%
2009	51.5	-0.6	84.9	0.0
2010	60.3	17.1	142.5	67.8
2011	65.4	8.5	159.4	11.9
2012	62.7	-4.1	166.7	4.6
2013	60.7	-3.3	172.3	3.4
2014	61.5	1.4	170.5	-1.1
2015	60.6	-1.5	173.3	1.6
2016	61.7	1.8	177.2	2.3
2017	59.2	-4.1	180.7	2.0

<i>Fiscal year</i>	<i>Wine or liquor up to 14% alcohol</i>		<i>Wine or liquor over 14% but less than 20% alcohol</i>	
	<i>Amount</i>	<i>Change</i>	<i>Amount</i>	<i>Change</i>
2008	\$21.0	-1.9%	\$1.7	6.2%
2009	20.8	-1.0	1.8	5.9
2010	36.3	74.5	3.3	83.3
2011	43.0	18.5	3.9	18.2
2012	44.4	3.3	4.5	15.3
2013	43.7	-1.7	5.0	10.4
2014	43.6	-0.1	4.8	-3.3
2015	44.2	1.4	5.2	8.3
2016	45.0	1.8	5.5	5.8
2017	44.5	-1.1	5.7	3.6

Distribution:

- Liquor tax revenue to the General Revenue Fund, except that revenue from the 2009 rate increases goes to the Capital Projects Fund.
- Retailer's license fee:
 - \$375 to the Dram Shop Fund.
 - \$375 to the General Revenue Fund.
- All other license fees to the Dram Shop Fund.

Other taxes on alcoholic beverages

Federal: The federal tax on distilled liquor is based on the number of "proof gallons" sold. A proof gallon is a gallon of liquor containing 50% alcohol (equivalent in alcohol content to one-half gallon of pure alcohol). The rate has been \$13.50 per proof gallon since 1991. The rate is based on the alcohol content of a beverage. For example, an 80-proof beverage (40% alcohol) is taxed at \$10.80 per gallon of beverage ($\$13.50 \times 80\% = \10.80); 100-proof at \$13.50; and 120-proof at \$16.20.

<i>Beverage class</i>	<i>Tax per gallon</i>
Beer	\$ 0.58
Wines	
Up to 14% alcohol	1.07
14% to 21% alcohol	1.57
21% to 24% alcohol	3.15
Artificially carbonated	3.30
Sparkling	3.40
Hard cider	0.226
Distilled liquor (per 100-proof gallon)	13.50

Local: Municipalities and counties collect liquor fees. Home-rule units can impose taxes. Cook County's tax rates per gallon are: 9¢ on beer, 24¢ on alcoholic beverages with up to 14% alcohol, 45¢ on alcoholic beverages over 14% but less than 20% alcohol, and \$2.50 on alcoholic beverages with 20% or more alcohol. Chicago's tax rates per gallon are: 29¢ on beer, 36¢ on alcoholic liquor up to 14%

alcohol, 89¢ on alcoholic liquor over 14% but less than 20% alcohol, and \$2.68 on distilled liquor or wines with 20% or more alcohol.

Comparison of states' taxes

Taxes on alcoholic beverages vary greatly among the 33 states (including Illinois) that license sellers of alcoholic beverages (rather than selling them from state-run stores). The approximate ranges of rates in the 33 states that license sellers are:

<i>Beverage class</i>	<u><i>Rates per gallon</i></u>		
Beer	\$0.02 (Wyoming)	to	\$ 1.29 (Tennessee)
Wine up to 14%	0.20 (California)	to	2.50 (Alaska)
Wine over 14%	0.28 (Colorado)	to	3.00 (Florida) (over 17.259%)
Spirits	1.50 (Maryland)	to	14.27 (Washington)

The other 17 states are liquor monopoly states, which sell liquor from state-run stores:

Alabama	Oregon
Idaho	Pennsylvania
Iowa	Utah
Maine	Vermont
Michigan	Virginia
Mississippi	West Virginia
Montana	Wyoming
New Hampshire	
North Carolina	
Ohio	

Pull Tab and Jar Games Tax and Fees

The state gets two kinds of revenue from pull tab and jar games: license fees, and the pull tab and jar games receipts tax. Pull tab and jar games use single-folded or banded tickets, or a card whose face is initially covered from view to conceal a number, symbol, or set of symbols. Each player chooses one of the tickets or positions on a card, and then learns whether it is a winner. Pull tabs are played by pulling a tab from a board to reveal a number that may qualify the player for a prize. The cost of a single ticket may not exceed \$2, and no prize for a single game may exceed \$500. No more than 6,000 tickets may be sold for a single game. Organizations with charitable games licenses may conduct pull tab and jar games; such games may also be conducted at bingo locations. Administered by Department of Revenue. (230 ILCS 20/1 ff.)

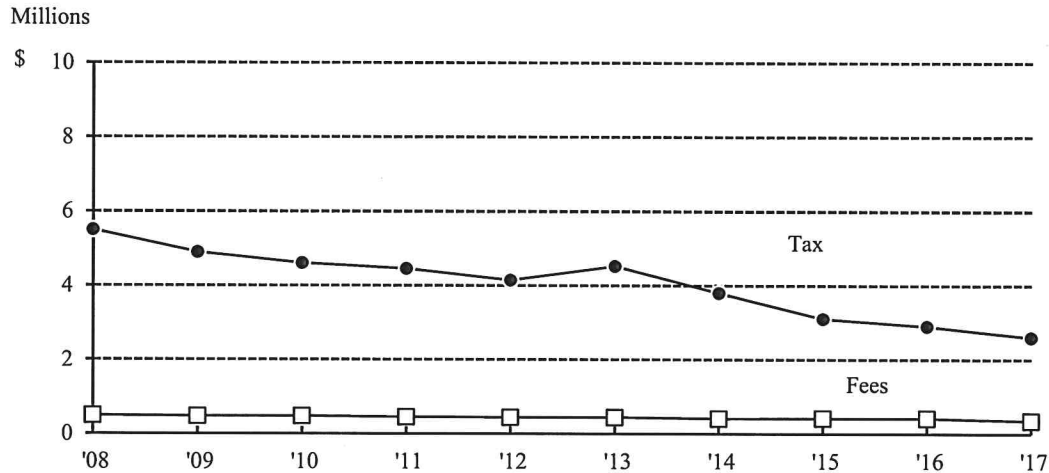
Rate and base:

1. Licenses offered and fees:
 - (a) A \$500 annual license (with an extension up to 1 year if authorized by the Department of Revenue) for a nonprofit charitable, educational, religious, fraternal, veterans', labor, youth athletic, or senior citizens' organization to hold games at a single location.
 - (b) A \$50 limited license for such an organization to hold games on up to 2 occasions per year for up to 5 consecutive days each.
 - (c) A \$5,000 annual license, or a \$15,000 three-year license (with an extension up to 1 year if authorized by the Department of Revenue), for suppliers and manufacturers of pull tab and jar games materials and equipment.
2. Pull tab and jar games receipts tax: 5% of gross receipts.

History: The tax took effect July 1, 1988. A tax amnesty program in fiscal year 2004 allowed taxpayers to pay outstanding tax liabilities without penalty or interest; \$1,955 was collected. A fiscal year 2011 amnesty program brought in \$24,987.

State revenue collected

<i>Fiscal year</i>	<i>License fees</i>		<i>Tax</i>	
	<i>Receipts (thousands)</i>	<i>Change</i>	<i>Receipts (millions)</i>	<i>Change</i>
2008	\$493.3	-6.9%	\$5.5	-8.3%
2009	478.5	-3.0	4.9	-10.9
2010	476.4	-0.4	4.6	-6.1
2011	449.4	-5.7	4.5	-3.2
2012	439.9	-2.1	4.1	-6.9
2013	446.1	1.4	4.5	9.1
2014	409.1	-8.3	3.8	-16.0
2015	419.1	2.4	3.1	-18.4
2016	413.5	-1.3	2.9	-6.5
2017	351.9	-14.9	2.6	-10.3



Distribution:

1. 50% to the Common School Fund.
2. 50% to the Illinois Gaming Law Enforcement Fund.

Other taxes on similar wagering

Federal: A federal tax of 0.25% is imposed on the amount of any wager permitted by state law. But drawings, punchboards, and similar devices are exempt if operated by an organization that is exempt from taxation under section 501 of the Internal Revenue Code. (26 U.S. Code secs. 4401, 4421, and 501) A federal license fee of \$50 is also imposed on persons accepting wagers authorized by state law. (26 U.S. Code sec. 4411)

Local: No tax is authorized by statute. Even home-rule units probably could not collect license fees due to the restriction on licensing for revenue in the Illinois Constitution, Art. 7, subsec. 6(e). A tax on the gross receipts of game operators probably would also be invalid under that provision as an occupation tax.

Counties and municipalities are authorized to license and regulate raffles held by nonprofit charitable, educational, religious, fraternal, veterans', labor, and some kinds of business organizations. Each county except Cook must, and Cook County may, establish a system for licensing nonprofit organizations to operate "poker runs." (230 ILCS 15/1 ff.)

Other states' taxes

At least 19 states separately tax proceeds of pull tab and jar games. Taxes on gross receipts of such games are 10% in Oklahoma, 3% in Alaska, 0.962% in Kentucky, and 0.5% in New Mexico. Alaska also collects 1% of net pull tab proceeds from any operator with gross annual receipts of at least \$20,000. Minnesota imposes a combined receipts tax on gross receipts from gambling (except bingo, raffles, and paddlewheels) at four rates: 9% on receipts up to \$87,500; 18% on receipts from \$87,501 to \$122,500; 27% on receipts from \$122,501 to \$157,500; and 36% on receipts over \$157,500. North Dakota collects taxes on all gambling in the state of 1% of gross receipts of up to \$1,500,000 and 2.25% of receipts over that.

Indiana charges 10% of the price paid for pull tabs, punchboards, and tip boards. Kansas imposes a 1% tax on printed instant bingo cards (which are defined essentially as pull tab or break-open tickets) sold to Kansas licensees. Louisiana collects up to 3% of net proceeds. Michigan collects 40% of the proceeds from the sale of pull tab games for charity. Suppliers of numeral tickets (similar to pull tabs) must pay \$5 per 1,000 tickets sold. Maryland collects 30% of net proceeds from electronic tip jar machines (33% in Calvert County). Mississippi imposes a tax of 2.5% on net proceeds, and New York 5%. Nebraska collects 10% of the net profit from pickle cards. Missouri imposes a tax of 2% of the pull tabs' retail sales value. Pennsylvania collects 60% of net revenue from tavern gaming, which includes pull tabs, tavern daily drawings, and tavern raffles. An additional 5% tax is imposed, with revenues going to local governments, for a total tax rate of 65%. South Dakota distributors pay 5% of their gross sales of pull tabs. Washington charges 1.5% of gross income, plus 0.13% of gross income if it is at least \$50,000 annually. Also, local governments may charge up to 10% of gross receipts minus prizes paid. New Hampshire charges \$15 per package of "Lucky Seven" tickets sold to charitable organizations.

Some other states authorize local governments to tax pull tab and jar games.

Racing Taxes

The pari-mutuel tax is imposed on daily racing receipts of racetrack operators. Lesser amounts of revenue come from the state's racetrack admission tax (15¢ per person) and from license fees on racing organizations and racetrack personnel. Administered by Illinois Racing Board. (230 ILCS 5/15, 5/18, 5/20, 5/25 ff., and 5/32.1)

Rates and base:

1. 1.5% of daily pari-mutuel handle (total amount bet).
2. 1.5% of advance-deposit wagers from a location other than a wagering facility, plus 0.25% through December 31, 2018.
3. 0.18% of advance-deposit winnings.
4. From February 1, 2014 to December 31, 2018:
 - (a) up to 0.5% of winnings *may* be charged by licensees; and
 - (b) 0.2% of winnings *must* be charged by licensees.

The tax on the licensees of any track holding live racing dates during a tax year is reduced by credits equal to the greater of:

1. half the property tax paid on the racetrack in the preceding year, or
2. the amount by which the property tax paid on the racetrack in the preceding year exceeds 60% of the average property taxes paid in the preceding year by all racetracks with live horse racing meets in the tax year.

The tax is not levied on winning wagers made in Illinois on races held outside Illinois.

For licensees of Fairmount Park, the tax is 0.75% of the daily pari-mutuel handle.

The fee for an organization license is \$1,000 plus \$110 per racing date awarded. License fees for racetrack personnel are up to \$25 per year (up to \$60 for 3 years).

History: The Horse Racing Act of 1927 had different privilege tax schedules for thoroughbred and harness racing wagers. The Illinois Horse Racing Act of 1975 established a single privilege tax schedule for wagers on both types of racing. The 1975 Act based the tax on the daily wagering handle, rather than on the cumulative handle at a race meeting as under the 1927 Act. In 1979 the graduated tax rate on daily wagers was reduced by percentages ranging from 53.3% for amounts wagered up to \$200,000 per day, to 20.5% for amounts over \$3 million per day. Downstate tax rates were enacted in 1985 but repealed January 1, 2000.

A 1986 law phased out the graduated racing privilege tax rates. Beginning in 1988, the privilege tax rate was a flat 2% at Cook County tracks (Arlington, Hawthorne, and Maywood). At Downstate tracks (Balmoral and Fairmount), the tax rate was 1% of the first \$400,000 wagered each day and 2% on the excess over \$400,000. Arlington was closed for the 1998 racing season, and Sportsman's closed in 2003.

Off-track betting was authorized on July 1, 1987. Fairmount is authorized by statute to have up to 9 OTB locations; Hawthorne 16; and Arlington 18. (Note: Balmoral, Maywood, and Quad City Downs are closed.) Hawthorne currently operates 9 OTB locations; Arlington 10; and Fairmount 3. Originally,

locations for the Cook County tracks could not be more than 90 miles from their sponsoring tracks, and the locations of the Downstate tracks could not be more than 135 miles from their sponsoring tracks. A 2014 law expanded the limit to 140 miles for all locations statewide, and a 2016 law further expanded the limit to 160 miles. But neither kind of location can be within 5 miles of an existing track without written permission from the track owner; and if the location was licensed after 2013 and is outside Chicago, it cannot be within 8 miles of an existing track without written permission from the track owner. There are currently 17 locations for the two Cook County tracks and 3 locations for the single Downstate track.

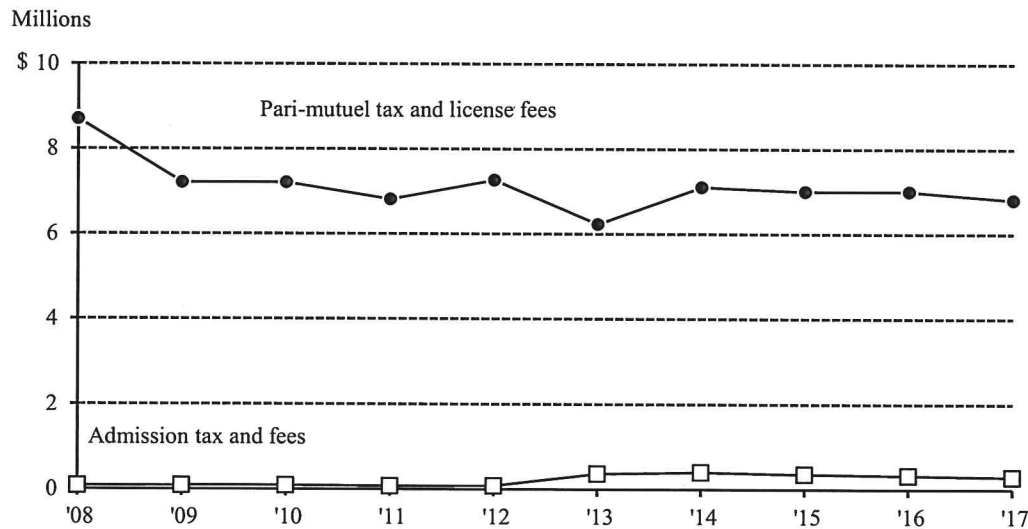
The graduated privilege tax was abolished in 1999 and replaced by a flat-rate pari-mutuel tax. A 2009 law authorized advance-deposit wagering from August 25, 2009 through August 25, 2012. Proceeds from the additional 0.25% tax on advance-deposit wagers went to the Quarter Horse Purse Fund (a non-appropriated trust fund administered by the Racing Board for paying purses for quarter horse races). A 2012 law continued this authorization through December 31, 2012; added a 0.18% tax on winnings from advance-deposit wagering; and changed distribution of the 0.25% tax to the standardbred purse accounts of the organization licensees. Although advance-deposit wagering authorization expired at the start of 2013, a 2013 law continued the authorization through January 31, 2014 and retroactively authorized any wagering that had taken place. That law also changed distribution of the 0.25% tax to the Standardbred Purse Fund (a non-appropriated fund administered by the Racing Board to pay purses for standardbred horse races). A 2014 law continued advance-deposit wagering authorization through February 1, 2017; authorized licensees to charge 0.5% of winnings; and imposed a 0.2% surcharge on winnings. A 2016 law continued advance-deposit wagering authorization, and the 0.5%, 0.2%, and 0.25% surcharges on winnings, through December 31, 2018.

A 2010 law raised the tax rate for licensees of Fairmount Park from 0.25% to 0.75%.

State revenue collected

<i>Fiscal year</i>	<i>Pari-mutuel tax and license fees</i>		<i>Admission tax and fees</i>	
	<i>Receipts (millions)</i>	<i>Change</i>	<i>Receipts (millions)</i>	<i>Change</i>
2008	\$8.7	-2.2%	\$0.08	-11.1%
2009	7.2	-17.2	0.09	12.5
2010	7.2	0.0	0.09	0.0
2011	6.8	-5.6	0.08	-14.4
2012	7.3	6.6	0.08	1.3
2013*	6.2	-14.3	0.37	367.9
2014	7.1	14.0	0.40	9.6
2015*	7.0	-1.4	0.36	-10.0
2016	7.0	0.0	0.33	-8.3
2017	6.8	-2.9	0.29	-12.1

* The tax and license fees totals include amounts deposited into two non-appropriated funds: (1) the Standardbred Purse Fund starting in FY 2013, and (2) the Quarter Horse Purse Fund starting in FY 2015. Proceeds of the 0.25% tax on advance-deposit wagers are deposited in the Standardbred Purse Fund, and up to \$100,000 annually of the 0.2% surcharge on winnings goes to the Quarter Horse Purse Fund.



Distribution:

1. 8.5% of pari-mutuel tax collected for quarter horse racing to the Illinois Racing Quarter Horse Breeders Fund.
2. Starting August 25, 2012, amounts from the 0.25% tax on advance-deposit wagers to the Standardbred Purse Fund. (Before that, funds went to the Quarter Horse Purse fund.)
3. All other pari-mutuel tax to the Horse Racing Fund.
4. License fees to the Horse Racing Fund.

5. Amounts from the 0.18% tax on advance-deposit winnings to the tracks' standardbred purse accounts.
6. Amounts from the optional 0.5% surcharge on winnings divided evenly between the organization licensee and the purse account of the organization licensee with which the licensee is affiliated.
7. Amounts from the 0.2% surcharge on winnings to the Illinois Racing Board. The Board must deposit up to \$100,000 annually into the Quarter Horse Purse Fund, and the rest into the Horse Racing Fund.

Other taxes on race wagering

Federal: The federal tax of 0.25% of the amount of any wager allowed by state law does not apply to wagers made with a pari-mutuel wagering enterprise licensed under state law. (26 U.S. Code subsec. 4402(1))

Local: A municipality or township hosting a race licensed by the Illinois Racing Board may charge an admission tax of up to 10¢ per person. A township may do so only if the racetrack is in an unincorporated area. Imposition by a home-rule unit of such a tax before it was authorized by statute was held invalid. A municipality and a county with an OTB facility may each impose an admission fee of up to \$1 per admission; so admission fees may total \$2. (230 ILCS 5/27(f))

An OTB licensee must pay 1% of the pari-mutuel handle at each OTB location to the municipality and 1% to the county. If the OTB location is in an unincorporated area, the county gets 2%. (230 ILCS 5/26(h)(10.1))

Other states' taxes

In states allowing wagers on horse racing, each track is allowed to retain a percentage of the money wagered each day to pay state taxes, compensate track management, and provide the purses for winning horses. That percentage (commonly called the "take") is regulated by state law. Most other money wagered is distributed among winning bettors.

The "take" may vary by type of race (thoroughbred or harness), or by type of wager. A regular wager involves a bet on a single horse for a single race. Multiple wagers involve bets on more than one horse in a single race: quinella (first and second horses regardless of order); perfecta (first and second horses in that order); trifecta (first, second, and third horses in that order); or a combination of races (daily double).

At least 41 other states tax bets on horse races:

Alabama	Iowa	Montana
Arizona	Kansas	Nebraska
Arkansas	Kentucky	Nevada
California	Louisiana	New Hampshire
Colorado	Maine	New Jersey
Connecticut	Maryland	New Mexico
Delaware	Massachusetts	New York
Florida	Michigan	North Dakota
Idaho	Minnesota	Ohio
Indiana	Missouri	Oklahoma

Oregon
Pennsylvania
Rhode Island
South Dakota
Texas

Vermont
Virginia
Washington
West Virginia
Wisconsin

Wyoming

Many states also impose taxes on intertrack, simulcast, televised, and rebroadcast wagering at off-track facilities. Some states' rates vary during the year.

In addition, Kentucky collects a license tax on race operators based on the average daily mutuel handle—up to \$2,500 for a daily average of over \$900,000. Ohio imposes a racing permit tax of 3%, plus 0.5% of total daily wagers on wagering pools other than win, place, or show, plus 0.1% if total wagers are below \$5 million and 0.15% if they are at least \$5 million. Nebraska imposes a tax of 0.64% of gross wagers in the preceding year. At least 13 states tax admissions to racetracks, in amounts ranging from 5¢ in New Jersey to 50¢ in Wisconsin. States levying admissions taxes as percentages of admission charges include New York (4%); Kansas, Missouri, and Oklahoma (10% each); and Rhode Island (20%). Kansas also charges 20¢ per admission at facilities that are exempt from local property taxes. Florida's rate is the greater of 10¢ or 15% of the admissions charge; Arkansas' is the greater of 10¢ or 10% of the admissions charge.

Several states also collect similar taxes on dog racing and jai alai games. Connecticut, Florida, and Rhode Island each impose a tax on the handle for jai alai. Five states tax live dog racing: Alabama, Arkansas, Florida, Iowa, and West Virginia. Seven other states have dog racing taxes on the books but have no in-state dog racing: Connecticut, Kansas, Oregon, Rhode Island, South Dakota, Texas, and Wisconsin. A number of states without live dog racing allow betting on simulcast dog racing.

