

## Video Gaming

**Video Gaming:** Currently, video gaming is not allowed in the City of Chicago. If the City were to allow qualifying establishments located within the City of Chicago to operate video gaming terminals on their premises, the establishments/terminals and revenues would be subject to applicable State rules and taxes.

### Background

In Illinois, 4,951 establishments currently operate over 20,000 video gaming terminals (VGTs) in areas of the State that encompass approximately 54% of the population of the State. The average number of terminals per establishment is 4.19, with a state legal maximum of 5.

The average monthly Net Terminal Income (the amount that is subject to the tax imposed under Illinois law) per VGT over the last twelve months is over \$3,500. The State of Illinois taxes video gaming at 30% of Net Terminal Income. Of this, one-sixth (5%) of Net Terminal Income is distributed to the municipality where the income originates.

In addition to what the State requires, a number of Illinois municipalities require proprietors to acquire a permit for VGTs. Fees for these permits may be either per establishment, per machine, or both.

### Revenue Impact

Based on the population of the City of Chicago, the number of licensed establishments located within the city, and based off of the average number of machines located on the premises of participating establishments in the State, it is estimated that approximately 1,800 establishments in Chicago would host over 7,600 VGTs. If this level of participation is reached, and each machine brings in the near the average amount that is collected statewide, the City of Chicago could receive nearly \$16 million in tax revenue on an annual basis (based off of the tax structure established under current State law). While the bulk of the revenues are established in State law, any permit fee revenue would be locally controlled and in addition to this State tax revenue.

### Legal Authority

Allowing video gaming, and establishing permitting requirements for VGTs, is within the City's authority and would require an amendment to Municipal Code Chapter 8-12. However, VGTs and associated taxes are regulated by the State and any tax revenue to the City would come through the State taxes discussed above.

In addition, state law limits the location of VGTs to certain establishments that possess a valid liquor license (and meet other requirements) and prohibits the placement of video gaming terminals in licensed establishments that are near schools or places of worship. While there are similar prohibitions contained in the Liquor Control Act, a number of establishments may have a liquor license but an inability to operate VGTs.

### Other Cities

Outside of Chicago, about two-thirds of the population of the State lives in places where video gaming is allowed, as 956 municipalities and unincorporated counties in Illinois currently have authorized the placement of video gaming terminals within their jurisdictions. About one-third of Illinoisans outside of

Chicago live in places that prohibit video gaming, including Naperville, Arlington Heights, Evanston, Schaumburg, Bolingbrook, Palatine, Skokie, Des Plaines, Orland Park, and Mount Prospect.