

LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
FISCAL IMPACT STATEMENT

LS 6864

BILL NUMBER: HB 1235

NOTE PREPARED: Dec 30, 2025

BILL AMENDED:

SUBJECT: Video Gaming Terminals.

FIRST AUTHOR: Rep. Judy

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill authorizes wagering on video gaming terminals in certain establishments. It establishes a licensing structure for participants in video gaming. It imposes a video gaming wagering tax of 30% of adjusted gross receipts.

Effective Date: July 1, 2026.

Explanation of State Expenditures: *Indiana Gaming Commission (IGC):* The bill requires the IGC to administer, enforce, and regulate the system of video gaming in Indiana. The IGC will have to set licensing standards and conduct investigations of the licensees. The provisions in the bill would lead to additional administrative cost for the IGC. The bill provides that the license fees imposed under the bill would be used to pay for the cost of investigating license applicants and license holders. However, any additional expenses would be paid from riverboat wagering tax revenue annually appropriated to the IGC for administrative purposes. HEA 1001-2025 appropriated \$3.6 M for FY 2026 to the IGC for administrative purposes.

Department of State Revenue (DOR): The bill provides guidelines and sets up requirements for the DOR for remittance and collection of the video gaming wagering tax. The DOR will incur additional expenses to create forms, instructions, and computer programs based on the guidelines provided in the bill. According to information provided by the agency, the cost to implement a new tax could be \$400,000 to \$675,000 in the first year. Additional ongoing costs could be up to \$100,000 annually.

Penalty Provisions: The bill establishes a Class A misdemeanor and a Level 6 felony for certain violations of provisions relating to video gaming. A Level 6 felony is punishable by a prison term ranging from 6 to 30 months, with an advisory sentence of 1 year. The sentence depends on mitigating and aggravating circumstances. Assuming offenders can be housed in existing facilities with no additional staff, the marginal cost for medical care, food, and clothing is approximately \$4,825 annually, or \$13.22 daily, per prisoner. However, any additional expenditures are likely to be small.

Explanation of State Revenues: Wagering on video gaming terminals (VGTs) in Indiana under this bill is estimated to:

- (1) Generate wagering tax revenue from VGT operations.
- (2) Generate license fee revenue from VGT operations.
- (3) Result in a loss of riverboat and racino taxes due to the displacement of riverboat and racino wagering by VGT wagering.
- (4) Potentially result in additional sales tax and alcoholic beverage taxes.

Due to the time required for the licensing and installation of the VGTs, the wagering tax impact is estimated to occur only during part of FY 2027. The first full year of impact will be in FY 2028. Under the bill, 70% of the VGT wagering tax revenue would be distributed among the municipalities and counties where the VGT operators are located. The state General Fund would receive 30% of the tax revenue and various initial license fees and annual license renewal fees collected under the bill.

The estimated impact of the bill on the state General Fund in FY 2027, FY 2028, FY 2029, and FY 2030 is reported in the following table. The estimate accounts for the decline in riverboat and racino taxes due to displacement of riverboat and racino wagering by VGT wagering.

(\$ in Millions)	Video Gaming Tax Revenues (30%)		Video Gaming License Fees Revenues		Riverboat and Racino Revenue Losses		Net General Fund Impact	
	Low	High	Low	High	Low	High	Low	High
FY 2027	\$4.4	\$12.2	\$1.7	\$3.4	-\$4.9	-\$12.0	\$1.2	\$3.6
FY 2028	18.4	51.5	1.6	4.0	-19.6	-48.0	0.4	7.5
FY 2029	26.4	73.8	1.5	4.1	-27.7	-68.0	0.2	9.9
FY 2030	30.6	85.6	1.7	4.6	-32.6	-80.0	-0.3	10.2

Impact on Dedicated Funds: The decline in supplemental wagering tax due to displacement by VGT wagering would also impact distributions to the Mental Health Division and State Fair Commission. The revenue loss could be between \$0.2 M to \$0.4 M annually. The decline in racino adjusted gross receipts (AGR) due to displacement by VGT wagering would impact distributions to the Breed Funds. The revenue loss could be between \$2.5 M to \$5.0 M annually. Since this is the estimated full impact in FY 2030, the revenue loss would be lower during the initial years.

Penalty Provisions: If additional court cases occur and fines are collected, revenue to both the Common School Fund (from criminal fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class A misdemeanor is \$5,000. The maximum fine for a Level 6 felony is \$10,000. The following linked document describes the fees and distribution of the revenue: [Court fees imposed in criminal, juvenile, and civil violation cases.](#)

Additionally, the bill permits the IGC to impose a civil penalty of up to \$5,000 upon a licensee that permits a person barred from wagering under the bill to place a wager on a VGT. It requires any civil penalties to be deposited in the state General Fund.

Other Revenue: This bill may increase the number of VGTs sold, increasing sales tax revenue. Sales tax revenue is deposited in the state General Fund and two other dedicated funds. If allowing operation of VGTs in alcoholic beverage retail establishments increases alcohol sales, revenue from the alcoholic beverage excise tax may increase. Alcoholic beverage excise tax revenue is deposited in the state General Fund and four other dedicated funds.

Additional Information - The bill allows VGTs to be installed in a licensed establishment. It allows up to five VGTs in (1) a fraternal organization establishment, (2) a veterans organization establishment, (3) an alcoholic beverage establishment, and (4) a truck stop.

It is estimated that the VGT operations will grow rapidly until the end of the fourth year of operations. It is estimated to reach 30% of capacity in FY 2027, 75% in FY 2028, 85% in FY 2029, and by the end of FY 2030 between 2,000 and 4,000 qualified establishments will have a license. Since this level will be reached by the end of the fourth year, the average number of establishments for the fourth year will be 1,860 to 3,725. The market is estimated to continue to grow in the fifth through tenth years before stabilizing. The level of decline in riverboat and racino taxes due to displacement by VGT operations would be commensurate with the growth in the VGT market. Using experiences from other states, the estimate takes into account the local ordinance permissions allowed in the bill.

The analysis assumes that each establishment will install five VGTs within their premises. The impact assumes between \$100 and \$140 average daily AGR per terminal in Indiana. The average daily AGR in other states on similar operations is above \$140. Recent trends indicate that the gaming markets in Indiana are saturated. Consequently, the average AGR in early years could potentially be lower than \$140 in Indiana. Based on economic factors, it is estimated that video gaming terminals in some rural or low income areas will generate daily AGR below \$100 and locations in more densely populated or higher income areas will generate daily AGR above \$140. The range of daily AGR has been estimated independently of the number of terminals. Statewide higher number of terminals could lead to lower average daily AGR per terminal and vice versa. The annual statewide AGR for the full impact of the bill in the fourth year of operations is shown below.

Assumptions and Estimated AGR, FY 2030				
4 th Year (FY 2030)	Number of Establishments	Terminals per Establishment	AGR per Day per Terminal	Annual Statewide AGR
Low Range	1,863	5	\$100	\$339.9 M
High Range	3,725	5	\$140	\$951.7 M

Casinos/Racino Impact: The revenue loss in riverboat wagering taxes, supplemental wagering taxes, and racino wagering taxes due to displacement by VGT wagering would lower the distributions of these revenues to the state General Fund. Based on the actual impact of VGT operations on Illinois casinos, it is estimated that the AGR at Indiana gaming facilities could decline by 5% to 12.5%. This would impact the wagering taxes in the same proportion. The impact on riverboats and racinos in the long term is expected to be greater than the impact range by the end of the fourth year.

Video Gaming Wagering Tax: The bill imposes a wagering tax equal to 30% of the AGR from VGTs. It distributes the total AGR as follows: (1) 30% as tax to the state, and a portion is distributed to the county and municipality where the VGT is located; (2) 35% to the operator of the VGT; and (3) 35% to the establishment where the VGT is located. [The General Fund would receive 30% of the tax revenue remitted to the state.]

License Fees: The bill sets an initial license fee. The revenues from the license fee net of the IGC's cost of investigating an applicant for an establishment license will be deposited in the state General Fund. The bill requires the licenses to be renewed annually. The license fees are as follows:

- (1) An initial manufacturer, distributor, or supplier fee of \$25,000 for an Indiana resident and \$35,000 for a nonresident. The renewal fee for these licensees is set at \$10,000.
- (2) An initial operator fee of \$15,000 for an Indiana resident and \$25,000 for a nonresident. The renewal fee for these licensees is set at \$5,000.
- (3) An initial establishment fee of \$500. The renewal fee for these licensees are set at a graduated rate between \$100 and \$1,000, based on the AGR generated in the previous 12 months.

The estimate does not account for potential displacement of charity gaming and lottery sales by VGT wagering or the impact this could have on tax and other revenue from these activities. The impact on tax collections from these gaming sources could further offset the revenue generated by video gaming in Indiana.

Explanation of Local Expenditures: *Penalty Provisions:* If more defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase. However, any additional expenditures would likely be small. A Class A misdemeanor is punishable by up to one year in jail.

Explanation of Local Revenues: The bill allows local units to pass ordinances to prohibit video gaming. For counties where VGT operations are conducted: (1) 35% of the video gaming wagering tax revenue would be quarterly distributed to the county where the operator submitting the taxes is located, and (2) 35% would be quarterly distributed to the municipality where the operator submitting the taxes is located.

The revenue loss in riverboat wagering taxes, supplemental wagering taxes, and racino wagering taxes due to displacement by VGT wagering would lower the distributions of these revenues to the local units where the riverboats and racinos are located. The estimated net distributions to the local units are provided in the following table.

(\$ in Millions)	Video Gaming Tax Revenue		Riverboat and Racino Tax Revenue Loss		Net Local Impact	
	Low	High	Low	High	Low	High
FY 2027	\$10.2	\$28.5	-\$0.7	-\$1.6	\$9.5	\$26.9
FY 2028	42.9	120.1	-2.8	-6.2	40.1	113.9
FY 2029	61.5	172.3	-3.9	-8.8	57.6	163.5
FY 2030	71.4	199.8	-4.6	-10.4	66.8	189.4

The bill provides that the county may use the funds for the following:

- (1) mental health treatment for jail inmates,
- (2) addiction interventions for jail inmates,
- (3) contributions to the pension fund of the county's sheriff's department, and
- (4) training and equipment for the county's sheriff's department.

A municipality may use the revenue for the following:

- (1) mental health treatment for jail inmates,
- (2) addiction interventions for jail inmates,
- (3) contributions to the 1977 Police and Firefighters' Pension and Disability Fund, and
- (4) training and equipment for the police department of the municipality.

Penalty Provisions: If additional court actions result in a guilty verdict, certain local units will collect more revenue. The following linked document describes the fees and distribution of the revenue: [Court fees](#)

imposed in criminal, juvenile, and civil violation cases.

State Agencies Affected: Indiana Gaming Commission; Department of State Revenue; Division of Mental Health and Addiction; State Fair Commission; Department of Correction.

Local Agencies Affected: Trial courts, local law enforcement agencies, local units receiving riverboat and racino taxes.

Information Sources: Louisiana Gaming Control Board, Annual Reports, http://lgcb.dps.louisiana.gov/annual_reports.html; West Virginia Lottery, Annual Reports, <https://wvlottery.com/news-and-info/information/financial-reports/>; New Mexico Gaming Control Division, Annual Reports, <https://www.nmgcb.org/>; Oregon Lottery Audited Financial Reports, <https://www.oregonlottery.org/>; South Dakota Annual Report; <https://lottery.sd.gov/about/>; Montana Lottery Report, <https://dojmt.gov/gaming/statistics-reports/>; Indiana Gaming Commission, Annual Reports, <http://www.in.gov/igc/2362.htm>; Hoosier Lottery, Annual Reports, www.hoosierlottery.com/about-us/annual-report; State Revenue Forecast, December 18, 2025, <https://www.in.gov/sba/budget-information/revenue-data/2025-2027-revenue-forecast-and-updates/>; Alcohol & Tobacco Commission, Online License Database; <http://www.in.gov/atc/2410.htm>; Department of Correction.

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