



MEMORANDUM

TO: Trustee Anthony Puccio, Chairperson
Economic and Community Development Committee

FROM: Nicholas J.M. Partipilo, Administrative Intern, Office of the Village
Manager *[Signature]*

MEETING DATE: June 10, 2019

SUBJECT: **Coin-Operations and Amusement Tax – Amendments to Section 110.20 of the Village Code**

Recently, Mark Czarnowski, business owner of The Game Show, signed a lease to open a classic pinball and vintage arcade at Yorktown Center this summer. Mr. Czarnowski asked that the Village evaluate our coin-operations and amusement tax structure. As this matter pertains to a business regulation within the Village, staff is bringing the matter to the Economic and Community Development Committee (ECDC). A copy of the existing Village Code as it pertains to Coin-Operated Amusement devices is attached for reference purposes. For clarity purposes, coin-operated amusement devices like arcade machines are subject to local regulations and are not subject to the provisions set forth within the Illinois Video Gaming Act.

BACKGROUND

The current coin-operations fee structure assesses a \$200 license fee per machine for the first 10 machines at a business with a \$75 license fee after the initial 10 machines. Mr. Czarnowski requested that Lombard change the structure of our coin-operation and amusement tax fee system, as detailed in the attached correspondence received by the Village. He does not believe it is fair to pay the coin-operated amusement tax as his fee structure at his existing establishment in Joliet is that of a flat entrance fee to play unlimited games; therefore the machines are not “coin-operated”. Staff decided that a re-evaluation of our structure was reasonable, but opted to not completely change our system for the following reasons:

1. the recommended change would make it so each business paying the fees would be doing so in a different structure
2. the newly proposed flat rate is easily quantifiable for all involved parties
3. no other businesses in Lombard have requested a change in fee structure so we would be adjusting the structure just to fit the desires of a specific business.
4. after completion of the comparative analysis, staff found that no other local municipalities have a fee structure similar to what Mr. Czarnowski was requesting we do

After guidance from the Village Attorney, staff is still placing The Game Show under the range of the coin-operated machine fee, as opposed to the amusement tax. With Mr. Czarnowski’s first request to assess a flat rate amusement tax charge in lieu of a machine license in mind, staff also completed research and the attached comparative analysis between Lombard and 12 other

municipalities in the area regarding coin-operation fees and amusement taxes. Additionally, staff compiled data from each of the businesses in Lombard that either pays a coin-operations fee or the amusement tax. From this effort, staff created five recommendation options to the Committee regarding changing or maintaining our current fee structure.

At the June 10th ECDC meeting, the Committee will hear a presentation from staff including an overview, options to be considered, and specifics on coin-operations and the amusement tax. Staff is seeking the input and interest of the ECDC as to their level of support for considering maintaining the current ordinances and taxes regarding coin-operations and the amusement tax, or altering the related fees and taxes.

Staff recommends the committee support Option A, Proposal 1: a flat fee of \$75 per machine license. This recommendation is based upon the information gathered from the comparative analysis regarding coin-operations and amusement tax fees from other local municipalities. The transition from our current coin-operations to the proposed change would put Lombard at the average cost regarding coin-operations when compared to other municipalities. Should the ECDC offer its recommendation, it will be forwarded to the Village Board for consideration.

ACTION REQUESTED

Staff requests the ECDC provide a recommendation to the Board on coin-operations and the amusement tax within the context and scope of the Committee. Staff recommends the ECDC to review all options but recommends choosing Option A, Proposal 1.

EXISTING VILLAGE CODE PROVISIONS

CHAPTER 110: AMUSEMENTS AND ENTERTAINMENT

ARTICLE II. - COIN-OPERATED AMUSEMENT DEVICES

- § 110.20 - Definitions.

- For the purpose of this Chapter the following definitions shall apply unless the context clearly indicates or requires a different meaning.

Coin-operated amusement device. Any machine or device which, upon the insertion of a coin, slug, token, plate, or disc, may be operated by the public generally by manipulating special equipment whereby a score is established, the object of which is to secure a special number or numbers or a total score, whether a prize is offered or not.

('70 Code, § 5.10.010) (Ord. 2543, passed 7-8-82, Ord. 3739, passed 8/5/93)

- § 110.21 - License; fees.

(A) No person, firm, corporation, or association shall display for public patronage or keep for operation any coin-operated amusement device, as defined herein without first having obtained a license therefor.

(B) Each coin-operated amusement device shall be separately licensed at an annual fee of \$200.00 per machine for the first ten coin-operated amusement devices located on the licensed premises, and \$75.00 per machine for each coin-operated amusement device in excess of ten located on the licensed premises.

(C) In addition to the license required by subsection (B) for each individual coin-operated amusement device, there shall be issued no more than the stated number of annual licenses in the following classifications for persons, firms, corporations or associations displaying for public patronage or keeping for operation any coin-operated amusement device:

Class A

Four to eight coin-operated amusement devices.

No more than three licenses.

Class B

More than eight coin-operated amusement devices.

No more than two licenses.

(D) Where other section(s) of this Code provides for a license fee for a specific type of coin-operated amusement device, the licensing provisions of said section(s) shall be applicable to said specific coin-operated amusement device in lieu of the general licensing provisions contained herein.

(E) The license year for all coin-operated amusement device licenses shall be from July 1st of each year through June 30th of the following year.

(F) After December 31st of each year, any person who applies for any license(s) under subsections (B) above shall only be required to pay one-half of the then applicable license fee.

(G) In addition to any other penalty for violating the provisions of this Code, any person who purchases the appropriate coin-operated amusement device license(s), after said coin-operated amusement devices are located on the licensed premises, shall pay license fee equal to double the then applicable license fee. This subsection (G) shall not go into effect until October 14, 1993.

	A	B	C	D	E	F	G	H	
1				Option A: Flate Rate Pricing			Option B: Tiered Rate Pricing		Option C: Current Method
2	Business	Do they Pay Amusement Tax	Amount of Coin-Operated Machines	Annual Cost Under Proposal 1 (\$75 for ALL Machines)	Annual Cost Under Proposal 2 (\$100 for ALL Machines)	Annual Cost Under Proposal 3 (\$200 for the First 10, \$50 for the Remaining Machines)	Annual Cost Under Proposal 4 (\$75 for First 10, \$200 for the Remaining Machines with a \$20,000 Cap)	Current Annual Coin-Op Costs (\$200 for First 10, \$75 for Remaining Machines)	
3	Buffalo Wild Wings Grill & Bar	No	2	\$150.00	\$200.00	\$400.00	\$150.00	\$400.00	
4	Lombard Moose Lodge	No	2	\$150.00	\$200.00	\$400.00	\$150.00	\$400.00	
5	Lombard Roller Rink	No	5	\$375.00	\$500.00	\$1,000.00	\$375.00	\$1,000.00	
6	Miller's Ale House	No	1	\$75.00	\$100.00	\$200.00	\$75.00	\$200.00	
7	O'Neill's Pub	No	3	\$225.00	\$300.00	\$600.00	\$225.00	\$600.00	
8	Punky's Pub	No	4	\$300.00	\$400.00	\$800.00	\$300.00	\$800.00	
9	Sals Pizza Pub	No	1	\$75.00	\$100.00	\$200.00	\$75.00	\$200.00	
10	Otto's Bar and Grill	No	1	\$75.00	\$100.00	\$200.00	\$75.00	\$200.00	
11	Overtime Bar and Grill	No	3	\$225.00	\$300.00	\$600.00	\$225.00	\$600.00	
12	Brauerhouse Enchanted	No	4	\$300.00	\$400.00	\$800.00	\$300.00	\$800.00	
13	Castle	Yes	167	\$12,525.00	\$16,700.00	\$9,850.00	\$20,000.00	\$13,775.00	
14	Village Totals		193	\$14,475.00	\$19,300.00	\$15,050.00	\$21,950.00	\$18,975.00	
15	Chicago Street Arcade/The Game Show	No	75	\$5,625.00	\$7,500.00	\$5,250.00	\$13,750.00	\$6,875.00	

City	Arcades	Pay to Play or Entry Fee	Admission Amusement Tax (Monthly)	Individual Amusement Tax (Monthly)	Do The Taxes Apply to Arcades/Coin-Operated Machine Businesses?	Coin Operated Machine Tax (Per Machine) (Annually)	Other License Fees (Annually)	POTENTIAL Fine Fees (Not part of final calculation)	Total Annual Expense (Based upon estimations of 75 machines and 2,400 Sq/ft of open area)
Lombard	Enchanted Castle	Pay to Play	5% of gross receipts for any/all amusement operations	N/A	No	\$200 for initial 10 machines, \$75 for the remaining machines	N/A	\$200-\$750 late fee regarding amusement tax payment	\$6,875
Brookfield	Galloping Ghost	Entry Fee: \$20 All Day	N/A	\$.25 PER Individual that enters	Yes	\$50	\$400	N/A	\$4,150 + \$.25 per person
Bolingbrook	Prince Arcade	Entry Fee: \$15 All Day	3% of gross admission charge	N/A	Yes	N/A	\$600 for renewal or new license. A charge of \$300 for a change in partnership and a charge of \$300 per change in management/direct or/stakeholders owning more than 5%	\$25-\$500 per offense and/or 5% of the amount of the due tax	\$600 + 3% of admission charge total
Villa Park	Safari Land & Chuck E. Cheese's	Safari Land: Pay to Play. Chuck E. Cheeses: Pay to Play	5% of gross receipts for any/all amusement operations	N/A	No	\$110	\$1,000 for a game room license. \$125 for the original license for coin-operated amusement with a \$75 renewal fee. An exchange transfer fee of \$75 is to be paid for the moving of the machines.	1.25% of gross receipts per month	\$9,375
Joliet	Chicago Street Pinball Arcade	Entry Fee: \$19 All Day	N/A	\$1 on all patrons	ONLY when attendance is greater than 12,000	\$50	N/A	N/A	\$3,750

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Schaumburg	Gameworks & PAC-MAN Entertainment	Gameworks: Pay to Play. PAC-MAN Entertainment: Pay to Play	5% of the admission fee	N/A	Yes	N/A	\$237	5% of total monthly admission tax collection	\$237 + 5% of admission gross admission fees
Warrenville	Main Event	Pay to Play/Entry Fee (Varies)	N/A	N/A	N/A	\$100	\$1,000	N/A	\$8,500
Lisle	Pixel Blast	Entry Fee: \$15 All Day	N/A	N/A	N/A	\$50	\$100	N/A	\$3,850
Addison	Dave and Busters, Lazer X, & Chuck E. Cheese's	Dave and Busters: Pay to Play. Chuck E. Cheese's: Pay to Play. Lazer X: Psy to Play	N/A	N/A	N/A	\$50 (single player device) \$100 (multiplayer device)	\$250	N/A	(Calculated with 50 single player games and 25 multiplayer) \$5,250
Naperville	Bowlero & Cyberspace Lazer Tag	Bowlero: Pay to Play. Cyberspace Lazer Tag: Pay to Play	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Orland Park	Gizmo's Fun Factory & Dave and Busters	Gizmo's Fun Factory: Pay to Play. Dave and Busters: Pay to Play	N/A	N/A	N/A	\$50	\$100	\$75-\$1,000 per offense	\$3,850
Downers Grove	Fun Zone	Pay to Play	N/A	N/A	N/A	N/A	Entertainment License Processing Fee & Variance Request: \$254. Entertainment Facility License: \$2,437. Amusement Device License (40+) \$1,520	N/A	\$4,211
Darien	Chuck E. Cheese's	Pay to Play	N/A	N/A	N/A	\$65	Square Ft. License: \$50.	\$50-\$500 per offense	\$4,925