

***CITY ATTORNEY IMPARTIAL ANALYSIS OF MEASURE H***

Measure H was placed on the ballot by the City Council and, if approved by a majority of the voters, would enact an ordinance amending the San José Municipal Code to increase the rate of the current cardroom tax, add a new tax on the gross revenues of Funding Sources that is defined to include third-party providers of proposition player services (“TPPPS”), and increase the number of card tables in the City. A TPPPS, under contract with a cardroom, banks the games offered and may cover the payment of bets, since cardrooms are prohibited under California law from banking the games.

The increased cardroom tax and the new tax imposed on gross revenues of Funding Sources are general taxes which means the tax revenues may be used for any general governmental purpose.

The proposed ordinance amends Chapter 4.77 to increase the cardroom tax rate on gross revenues of the cardrooms from 15% to 16.5%. It also adds a new tax on the gross revenues of Funding Sources at one of the following rates:

<b>Total Annual Gross Revenues</b>	<b>Rate</b>
Up to \$25,000,000	5%
\$25,000,001 - \$30,000,000	7.5%
Over \$30,000,000	10%

For example, a Funding Source’s total annual gross revenues of \$35,000,000 would be taxed at a rate of 10% on the entire \$35,000,000. The tax owed would be \$3,500,000.

Gambling in the City is subject to State law and the City’s Municipal Code. Under Chapter 16.04 of the Code, expansion of gambling in the City, as defined, requires voter approval. The proposed ordinance amends Title 16 to increase the total number of tables allowed in the City from 98 to 128, with the total number of tables allowed at each cardroom to increase from 49 to 64.

If the increase in the table limit at each cardroom is approved by the voters, then each cardroom would be able to seek City approval to increase the number of tables from 49 to 64.

Currently, under Chapter 4.77 and Title 16, the City has the right to audit the cardrooms and under Title 16, the cardrooms and Funding Sources are subject to City oversight. The proposed ordinance makes no changes to these auditing and oversight provisions. The City Council retains the authority to amend or to repeal provisions in Title 16 in order to revise the City’s gaming control regulations.

If approved, the cardroom tax rate increase and the new tax on Funding Sources would be effective on January 1, 2021 and would continue until repealed by the voters or suspended in whole or in part by the City Council.

A “Yes” vote is a vote to approve this measure.

A “No” vote is a vote to reject this measure.

*Nora Frimann*

Nora Frimann (Aug 18, 2020 08:54 PDT)

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The above statement is an impartial analysis of Measure H. If you would like to read the full text of the measure, see [www.sanjoseca.gov/measureH2020](http://www.sanjoseca.gov/measureH2020) or call 408-535-1260 and a copy will be sent at no cost to you.