

CITY OF HAMILTON

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Parking and By-law Services Division

TO: Chair and Members Planning Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: March 21, 2011	
SUBJECT/REPORT NO: Effect of Harmonized Sales Tax on Bingo Licensing Fees (PED07130(c)) (City Wide)	
SUBMITTED BY: Tim McCabe General Manager Planning and Economic Development Department	PREPARED BY: Vincent Ormond 905-546-2424 Ext 1358 Marty Hazell 905-546-2424 Ext 4558
SIGNATURE:	

RECOMMENDATION

- (a) That Report PED07130(c) be received for information; and,
- (b) That the outstanding business item titled "Dundas Lions Lottery" be identified as complete and removed from the Planning Committee's Outstanding Business List.

EXECUTIVE SUMMARY

By letter dated September 20, 2010, Wayne Hay, Bingo Chairman of the Dundas Lions Club, requested a reduction to the City's Bingo Licence fee because of the negative impact of the Provincial Harmonized Sales Tax. On September 29, 2010, City Council referred the request to the General Manager of Planning and Economic Development for a report to the (former) Economic Development and Planning Committee. This Report responds to that directive.

Alternatives for Consideration – See Page 3

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial/Staffing/Legal: N/A

HISTORICAL BACKGROUND (Chronology of events)

In 2007, the Alcohol and Gaming Commission of Ontario (AGCO) introduced a new Bingo Revenue Model (BRM) which changed the municipal bingo licensing structure from one based on a percentage of the prize board (retail value of the prizes) to a flat rate fee system. Municipalities were authorized to set the flat rate fee within the AGCO specifications.

As the impact of the new flat rate fee on licensing revenues was not known, staff recommended the maximum allowed flat rate fee (\$165.00) for a bingo licence, and to report back within 18 months on the impact on licensing revenues. These recommendations were approved by City Council on April 17, 2007.

In September 2009, staff reported back through Report PED07130(b) "Review of Bingo Licensing Fees - Lottery Licensing By-Law No. 04-134." On September 30, 2009, Economic Development and Planning Committee and City Council approved the staff recommendation to maintain the flat rate \$165.00 fee for a bingo licence.

On September 1, 2010, the AGCO revised the Bingo Revenue Model "*with the aim of providing greater flexibility and supporting greater economic viability and further growth for the industry.*" Attached as Appendix "A" to this Report is the AGCO Information Bulletin respecting this matter.

On September 29, 2010, Council received a letter addressed to Councillor Russ Powers from Wayne Hay, Bingo Chairman of the Dundas Lions Club, requesting a review of the current (\$165.00) bingo fee because of the negative effects associated with the Harmonized Sales Tax (HST). The letter, a copy of which is attached as Appendix "B" to this Report, was referred to the General Manager of Planning and Economic Development for a Report to the (former) Economic Development and Planning Committee.

POLICY IMPLICATIONS

N/A

RELEVANT CONSULTATION

Financial Services and the AGCO were consulted in the preparation of this Report.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

The AGCO regulates lottery games in Ontario. As part of its on-going “*Modernization of Charitable Gaming*”, the AGCO has provided additional opportunities for revenue for Bingo Halls. Enhancements to the Bingo Revenue Model changes came into effect September 1, 2010, and there is no data available to measure the improvement in revenues at this time.

Bingo Hall Associations are currently offering prize board payouts 6% to 7% higher than is permitted under the AGCO policies, which reduces monies transferred to participating charities. The AGCO Gaming Registration Officer recommends that local charities work together with the Bingo Hall Associations to maximize revenues through marketing, break open tickets and other permitted revenue sources, and to reduce prize board amounts to the permitted level.

The \$165.00 bingo licence fee represents 3% of the prize board for the event and is consistent with the AGCO required 3% lottery prize licence fee for events such as break open tickets, raffles and 50/50 draws. A survey of other municipalities (Burlington, Kingston, Oakville, Windsor, Brampton, Mississauga, Ottawa and Toronto) reveals that none have adjusted their bingo licence fees as a result of the HST coming into effect.

All charities are charged 3% licensing fees based on the AGCO policy. For smaller charity events in the City, with small prize amounts, the City is unable to have full cost recovery for staff processing the application and reviewing files, required by the AGCO. AGCO policies do not allow a municipality to reduce licensing fees in an effort to reduce the impacts of the HST for other lottery schemes.

Further, charities and qualifying non-profit organizations may apply to the Ministry of Revenue for HST rebates of 82% from the Province and 50% from the Federal Government.

ALTERNATIVES FOR CONSIDERATION

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

The City could lower the bingo licence fee in an effort to off-set the charities costs, but it would put added pressure on the City’s budget. For instance, a \$10 fee reduction would result in lost revenues to the Municipality in the order of \$32,000.00 annually, and set a precedent for other requests.

CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability,
3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development,
6. Environmental Stewardship, 7. Healthy Community

Financial Sustainability

- ◆ Establishing fees in a fiscally responsible manner

APPENDICES / SCHEDULES

Appendix "A" to Report PED07130(c) – Alcohol and Gaming Commission of Ontario
Information Bulletin No. 64

Appendix "B" to Report PED07130(c) – Letter from Wayne Hay, Dundas Lions Club

Appendix "C" to Report PED07130(c) - Ministry of Revenue "tax tip" Prepare for
Ontario's HST: #5 Public Service Bodies

VO/dt
Attach.(3)



Gaming Registration
and Lotteries

INFORMATION BULLETIN No. 64

Regulatory Changes Affecting Charitable Gaming Events Conducted and Managed in Class A and Class B and Pooling Class C Bingo Halls (The Bingo Revenue Model)

As part of the on-going Modernization of Charitable Gaming initiative, and in response to bingo industry stakeholder submissions, the Registrar of Alcohol and Gaming is implementing changes to the Bingo Revenue Model (BRM) to assist charities conducting and managing Charitable Gaming Events conducted and managed in Class A and Class B and Pooling Class C Bingo Halls (Bingo Revenue Model bingo halls) with the aim of providing greater flexibility and supporting greater economic viability and further growth for the industry.

Additional Flexibility in Determining the Percentage of Bingo Win Allocated to the Hall Marketing Fund

The Registrar acknowledges the importance of marketing for the viability and growth of bingo. Various stakeholders have, since the implementation of the BRM, recommended that the AGCO provide further flexibility in determining the amount of bingo win allocated for marketing purposes, recommending both an increase and decrease to the marketing fund contribution. As a result, the Registrar is providing greater flexibility in the amount of bingo win allocated to the Hall Marketing Fund. The contribution will range between 8% and 12% of bingo win. This change to the revenue model is effective September 1, 2010.

In halls where it has been determined that the full 10% of bingo win is not required for marketing the Hall Charities Association may determine the percentage of bingo win (gross wager minus prizes paid) that is directed to the Hall Marketing Fund. The Hall Charities Association may determine this percentage, ranging between 8% and 10% of bingo win. Consistent with decision making such as determining the game mix and schedule of events it is anticipated that the HCA will make its decision in consultation with the Hall Owner/Operator, by calling upon their expertise in understanding the business in order to make a well informed decision that affects the marketing plan that has been jointly developed.

The amount that the marketing fund contribution is reduced by (0-2%), will flow directly into the Hall Charities Association's consolidated designated trust account. These monies do not form part of the total revenues in determining the 55% paid to operators for services provided (the 55/45 revenue calculation). The HCA will disburse these additional funds in the same manner as all other revenues, on a monthly pro-rata basis.

In halls where it has been determined that more than 10% of bingo win is a reasonable and necessary expense to be used for marketing efforts, the Hall Charities Association together with the Hall Owner/Operator will determine the appropriate amount ranging between 10% and 12% of bingo win. This decision must be made jointly by the parties and reflected in the joint marketing plan. The total amount allocated for marketing (10% to 12% of bingo win) is deducted from the bingo win and does not form part of the total revenues in determining the 55% paid to operators for services provided (the 55/45 revenue calculation).

Elimination of the Provincial Break Open Ticket Fee for tickets sold at charitable gaming events conducted and managed in pooling bingo halls (Bingo Revenue Model Bingo Halls)

As part of this further modernization the Registrar is implementing a change in the Bingo Revenue Model designed to provide licensees with additional funds to be used to deliver their programs and services in Ontario. The Bingo Revenue Model is being amended by eliminating the Provincial Break Open Ticket Fee (5% fee), currently paid by licensees on Break Open Ticket (BOT) products sold in the bingo hall. As a result of this change, the monies previously remitted for the Provincial BOT Fee will be deducted from the BOT win and directed to the HCA's Consolidated Designated Trust Account and ultimately to member organizations of the HCA. Please note that the calculation is 5% of gross wager on BOTs and the deduction occurs prior to the revenue pooling calculations. These monies do not form part of the total revenues in determining the 55% paid to operators for services provided (the 55/45 revenue calculation). The HCA will disburse these additional funds in the same manner as all other revenues, on a monthly pro-rata basis. The elimination of this fee is retroactive to July 1, 2010. Details of this initiative, including transition considerations, are attached to this information bulletin.

If you have any questions or require further clarification please contact Rusty Parr, Gaming Registration Officer at 416-314-0539 or our toll-free line at 1-800-522-2876.



**Further Information for Information Bulletin Number 64
Regulatory Changes Affecting Charitable Gaming Events Conducted and
Managed in Class A and Class B and Pooling Class C Bingo Halls
(The Bingo Revenue Model)**

Determining the Percentage of Bingo Win Allocated to the Hall Marketing Fund

A portion of the bingo win is to be allocated to the Hall Marketing Fund. The amount will range between 8% of bingo win and 12% of bingo win. In order to determine the appropriate amount discussions should occur between the Hall Charities Association (HCA) and the bingo hall owner/operator. Different factors should be taken into consideration when determining the appropriate amount some of which may include all aspects of marketing including the initiatives outlined in the marketing plan, the results and the measurement of the effectiveness of the marketing that has been executed (also included in marketing plan), the amount to be allocated to the provincial bingo development fund, the benefits realized from marketing in retaining existing customers and growing the business. The bingo hall owner/operator has valuable knowledge and expertise that should be considered when making this decision.

The amount that is determined as appropriate must be identified on the charitable gaming summary report. This is identified as the amount for marketing for that specific month both noted as a percentage and the dollar amount for the Hall Marketing Fund. This is also reflected as an amount that has been deposited directly to the Hall Charities Association's Consolidated Designated Trust Account (if the marketing is between 8% and 10%).

Reporting the Allocation of the 5% of Gross Wager on BOT sales

The dollar value of the 5% of gross wager on BOT sales must be identified on the Charitable Gaming Summary Report. This amount must also be reflected as an amount that has been deposited directly to the CDTA.

Transition Details Relating to the 5% BOT fee

Due to the effective date of change to the 5% BOT fee being retroactive to July 1, 2010, there is a need to have some money flow back to the charities. The Charitable Gaming Summary Reports for July and August reflect that the 5% fee has flowed from the charities to the bingo hall owner/operator in order to allow for payment to flow through to the Break Open Ticket manufacturers. This money must flow back into the CDTA of the HCA. The amount the HCA has remitted to the Hall Owner/Operator for the 5% BOT fee on the July and August reports must be deducted from the amount to be paid to the Hall Owner/ Operator on the September report.

Due to the timing of the implementation it is not expected that any bingo hall owner/ operator has paid the 5% to the Break Open Ticket manufacturer. However, if this has occurred the manufacturer must refund the appropriate amount back to the bingo hall Owner/Operator within 15 days of the issue date of this information bulletin

Please note that for accountability and tracking purposes, the refund of any monies associated with the Provincial Break Open Ticket Fee must follow the same process as they were remitted.

□

Dundas Lions Club
P. O. Box 65521
Dundas Postal Outlet
Dundas, Ontario
L9H 6Y6

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September 20, 2010

Councillor Russ Powers:

The Dundas Lions Club is one of over fifty organizations that raise funds through Bingo events held at the Delta Bingo Hall. The funds raised by the members of the Hamilton Delta Bingo Sponsor Association, including Service Clubs, Churches, Schools, Health, Social, Arts and Sports Organizations, provide educational, religious, social, health, arts and recreational programmes and services to the community.

In the past, a million dollars a year has been raised in support of these community programmes and services which was accomplished, in a significant way, by the dedicated volunteers who donated in excess of 43000 hours annually.

We are extremely concerned that the level of service we can continue to provide is being eroded by the recent implementation of the HST which has increased the relative cost by 160%. On an annual basis, the increased GST/HST cost to the Association for 2010 will be \$156,435.00, when compared with the 2009 cost of \$60,167.61.

Since the City has the authority to establish the Lottery License fee which is currently set at the maximum of \$165.00 per event, we are requesting that it be significantly reduced to ensure that the community can continue to receive the programmes and services which our Association provides.

Our Association pools our monies. The Dundas Lions received a pooling cheque in the amount of \$630.18 for 2 events we ran in the month of August. Our license fee for those 2 bingos was \$330.00. It hardly seems right that we are giving half of the money we raise to the City.

Yours in Lionism
Wayne Hay
Dundas Lions
Bingo Chairman

cc Mayor Fred Eisenberger
cc Norman Weddum, President, Hamilton Delta Bingo Sponsor Association



Ministry of Revenue
April 2010

Prepare for Ontario's HST: #5 – Public Service Bodies

This information will help public service bodies (PSBs) prepare for the Harmonized Sales Tax (HST) in Ontario that comes into effect on July 1, 2010. PSBs are charities, municipalities, universities, public colleges, school authorities, hospital authorities and non-profit organizations.

Registration

The Canada Revenue Agency (CRA) requires PSBs that make taxable supplies of property and services in Canada to register for the federal Goods and Services Tax (GST)/HST. PSBs that are already registered for the GST will not be required to reregister for the HST. As under the GST, PSBs will not have to register if they qualify as "small suppliers". For more information on who qualifies as a small supplier see *Guide RC4022, General Information for GST/HST Registrants* available on the CRA website.

Charging HST

Generally, the HST applies to the same base of goods and services as the GST, except for goods that qualify for Ontario's point-of-sale rebates. PSBs that are GST/HST registrants may be eligible to claim input tax credits (ITCs) for the GST/HST paid or payable on inputs into making taxable supplies.

Self-assessment

PSBs will generally be required to self-assess the Ontario component of the HST on consideration paid or payable after October 14, 2009 and before May 1, 2010 for property or services to be provided after June 2010 if:

- ownership and possession of the property is transferred after June 30, 2010, or all or part of the services are performed after June 30, 2010; and
- the property or services are acquired to make exempt supplies or a combination of taxable/exempt supplies;

PSBs that use simplified procedures for calculating their net tax under the *Excise Tax Act* will also be required to self-assess the tax.

PSBs will be required to remit the Ontario component of the HST by the due date of their GST/HST return for the reporting period that includes July 1, 2010. In all cases, this must be done before November, 2010.

Rebates

PSBs will be eligible to claim rebates for the provincial and federal components of the HST paid or payable on most inputs used to provide exempt supplies. The rebate rates are:

PSB Type	Ontario	Federal
Municipalities	78%	100%
Universities and Public Colleges established and operated on a non-profit basis	78%	67%
School Authorities established and operated on a non-profit basis	93%	68%
Hospital Authorities (only for activities of operating a public hospital) Hospital Authorities (for eligible activities other than the operation of public hospitals) Facility operators and external suppliers (for eligible activities) ¹	87%	83%
Charities and Qualifying Non-Profit Organizations ²	82%	50%

¹External suppliers and facility operators in Ontario are entitled to the same rebate of the federal and provincial components of the HST as hospital authorities to the extent they carry on certain government funded activities similar to those traditionally provided in hospitals. For more information on these organizations and their entitlement to the PSB rebate, you may contact the CRA at 1-800-959-8287.

tax tip

Prepare for Ontario's HST: #5 - Public Service Bodies

²Qualifying non-profit organizations receive at least 40% of their funding from the federal or provincial governments, municipalities or Indian bands or certain corporations controlled by a government or municipality or certain organizations established by a government or municipality, one of the main purposes of which is to fund charitable or non-profit endeavours.

Example:

XYZ qualifying non-profit organization is a GST registrant who pays total HST in its reporting period of \$10,000 of which \$4,000 relates to its commercial activity. XYZ may claim the following:

ITCs	\$4,000.00
PSB rebate for the federal component of the HST (\$6000 x 5/13 x 50%)	\$1,153.85
PSB rebate for the Ontario component of the HST (\$6000 x 8/13 x 82%)	\$3,027.69
Total ITC and rebates	\$8,181.54

Special Quick Method of Accounting (other than Charities)

Under the GST, registrants must generally track the tax they pay on inputs for taxable and exempt supplies separately. However, to reduce the compliance requirements, the Special Quick Method (SQM) of accounting is available to most PSBs other than charities, and will be available under the HST.

Public service bodies that qualify and elect to use the SQM do not separately track the tax paid on most inputs for taxable or exempt supplies. Instead, the specified PSB remittance rate will apply to these inputs. The SQM acts as a proxy for the value of ITCs and allows the PSB to retain a portion of HST collected on taxable sales in lieu of claiming ITCs.

When a PSB uses the SQM, the PSB will still collect the 13 per cent HST on its taxable supplies of goods or services. However, to calculate the amount of the HST to remit, the PSB will multiply the amount of HST-included supplies for the reporting period by the remittance rate(s) that apply. For more information, see *Guide RC4247, The Special Quick Method of Accounting for Public Service Bodies* available on the CRA website.

The remittance rates are less than the 13 per cent that a PSB collects. The component of the tax that the PSB keeps accounts for the approximate value of the ITCs it normally would have claimed since it cannot claim ITCs on most of its purchases when using this method. The following sets out the proposed Ontario Special Quick Method rates in percentages:

PSB Type	Supply made in a Non-HST Province	Supply Made in Ontario
Specified Facility Operator, Qualifying NPO, Designated Charity ¹	3.0	9.9
Municipalities	4.3	11.1
Universities and Public Colleges established and operated on a non-profit basis ²	3.3	10.2
Universities and Public Colleges established and operated on a non-profit basis ³	3.9	10.7
School Authorities established and operated on a non-profit basis	4.2	11.0
Hospital Authority, External Supplier, or Facility Operator	4.2	11.0

¹"Designated charity" refers to a charity that provides employment assistance to individuals with disabilities, supplies services that are performed by such individuals to clients, and has been approved by the Minister of National Revenue to make its supplies of these services taxable when provided to a GST/HST registrant. The term, "Specified Facility Operator", as well as other terms, is explained in the *Guide RC4247, The Special Quick Method of Accounting for Public Service Bodies*.

²These rates must be used if vending-machine sales (and certain other retail sales) are at least 25% of an amount determined by a formula set out in the regulations.

³These rates must be used if vending-machine sales (and certain other retail sales) are less than 25% of an amount determined by a formula set out in the regulations

Special Net Tax Calculation for Charities

The GST/HST framework provides a separate special net tax calculation for charities that are GST/HST registrants. Charities are generally required to use this method, but they may elect not to use it if they make supplies outside Canada or zero-rated supplies in the ordinary course of their business, or if 90 per cent or more of their supplies are taxable.

tax tip

Prepare for Ontario's HST: #5 - Public Service Bodies

Ontario is adopting the 60 per cent special net tax calculation method that must be used by most charities.

Under the charity-specific net tax calculation, charities are not required to track the GST/HST paid or payable on inputs to most taxable supplies. In general, charities remit 60 per cent of the tax collected on their taxable supplies and keep the remaining 40 per cent in lieu of claiming ITCs (there are certain exceptions for real property and capital property, where ITCs may be claimed). A charity may be eligible to claim a PSB rebate of 50 per cent for the federal component of the HST and 82 per cent for the Ontario component of the HST on most purchases where the charity is not entitled to claim ITCs. For more information on the net tax calculation method for charities, see *Guide RC4082, GST/HST Information for Charities*, available on the CRA website.

For More Information:

- Call Ontario's Budget hotline at 1-800-337-7222 and Teletypewriter (TTY) 1-800-263-7776 or visit ontario.ca/taxchange for general information on introduction of the HST in Ontario and wind down of the RST.
- To obtain a written interpretation on a specific situation not addressed in this publication, please send your request in writing to:

Ministry of Revenue
Tax Advisory Services Branch
Retail Sales Tax Section
33 King Street West, 3rd Floor
Oshawa ON L1H 8H5

- Canada Revenue Agency is your source for the latest information on how the transitional rules apply and how to get ready for the HST. Visit the CRA's "Are You HST Ready" website at cra.gc.ca/harmonization or call 1 800 959-5525

