CBAER

Center for Business Analytics and Economic Research

GEORGIA SOUTHERN UNIVERSITY

Coin Operated Amusement Machine Economic and Fiscal Impact Analysis

Prepared for

Georgia Department of Audits and Accounts

Prepared by

Center for Business Analytics and Economic Research

Georgia Southern University

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Coin Operated Amusement Machine

Economic and Fiscal Impact Analysis

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The Center for Business Analysis and Economic Research (CBAER) of the Business Innovation Group (BIG) in the Office of Research at Georgia Southern University was engaged to conduct a study by the Georgia Department of Audits and Accounts.

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Executive Summary

The coin operated amusement machines (COAM) program is overseen by the Georgia Lottery Corporation (GLC). The report estimates the economic and fiscal impact of the current program and estimates the potential impact of removing the sales tax exemption. Under the current system, net revenue is shared with master (distributors) licensees, location (retail) licensees, and the GLC. The Center for Business Analytics and Economic Research (CBAER) at Georgia Southern University assumed that the sales tax would replace the GLC share of net revenue and that any differences would come from the share of net revenue going to both license holders.

This report took a wider look at this program because it differs from a traditional tax incentive where the state government uses the tax code to incentivize an action. In this case, the state of Georgia is regulating the market for COAMs and claiming a piece of the net revenue to support education. This increases the level of connection the state has to the market, which makes it a more integral player in the regular operation. This is in contrast to a traditional incentive where the state of Georgia would reduce/exempt an action from sales taxes but not have an interest in the operations of the venture.

CBAER created an analysis built on two separate models. First, the team determined the impact of the current system with no adjustments over the last 5 years in the Current Revenue Sharing Model. Second, a hypothetical Alternate Tax Model was analyzed in order to determine the impact of a sales tax collection system without the 13% revenue collection from GLC. This report did not analyze the impact of removing the sales tax exemption for COAMs while simultaneously continuing to designate 13% of revenue to the GLC. This method was outside the scope of this report for two main reasons. First, it would be incredibly difficult from a legislative perspective to adopt this method. This is partially due to the difficulties that would result from trying to collect the tax at the consumer level. Second, separating the impact of these two models enabled greater clarity in defining economic differences between their impacts.

Current Revenue Sharing Mode

The analysis examined a five-year timeframe between FY 2020 and FY 2024. Under the current system, location and master licensee commission and collected GLC commission from COAMs play supported $1.4 billion in net revenue collection, which led to a total economic contribution of $2.8 billion. This economic activity supported 16,386 direct and 23,506 total jobs across Georgia. To analyze the current program, CBAER performed an economic and fiscal analysis using data provided by the GLC and information collected from other sources. Under the current system, GLC operates the program using a revenue sharing model with location and master licensees, each taking a 43.5 percent share of the net revenue or 43.5 cents per dollar spent and GLC collecting the remaining 13 percent share. These rates took effect in May of 2024. Prior to that date, the rates were 45/45/10.

Alternate Sales Tax Model

CBAER next analyzed the revenue collection impact of the implications of switching to a sales tax collection system through the elimination of the exemption for COAMs revenue. In the report, the switch was made retroactively, starting at the beginning of FY 2020 and continuing through FY 2024. CBAER found that switching to a sales tax collection model would have increased revenue collection on an annual basis compared to the current system at the state level. In FY 2024, this would have increased revenue collection by $57.28 million for the GLC, and it would have reduced license holders commission by the same amount.

Under the alternate sales tax model, the economic impact on the state of Georgia would have been $46.12 million in direct output, which would have reached $84.97 million in total output. This economic activity supports 385 direct and 590 total jobs across Georgia. CBAER assumed all of the revenue collected using the 4 percent state sales tax would have gone to the general fund. From an immediate economic impact viewpoint, there is a limited difference between funds spent on education under the current COAMs program and funds spent through the general fund.

Comparing Both Models

Although the additional $57.28 million in tax collection is an increase, it does not account for current changes to state law, which has increased the level of potential revenue collection going to GLC. In the first three quarters of FY 2024, the share of revenue collected by GLC was 10 percent, which increased to 13 percent during the fourth quarter of this fiscal year. If the 13 percent had been in place for the entire fiscal year, the net change from moving to the sales tax system on COAMs revenue would have been $10.41 million. The collection of sales tax on gross revenue is administratively more difficult than the current system of splitting net revenue between Master and Location license holders and the GLC. Initially, the amount of funding needed to implement a shift to a sales tax collection system could be significant and will reduce the amount of additional revenue collected.

The placement of COAMs was spread across the state, with 1 COAM for every 1,549 residents statewide. Rural and micropolitan counties have the most COAMs, while counties in metropolitan areas have the least on a per capita basis. From a wider economic standpoint, COAMs currently provides retailers with an additional source of income and can increase the amount of time customers spend in a store. The state of Georgia uses the funds generated by COAM operations to support educational programs like the HOPE Scholarship.

The existing share of the GLC from COAMs revenue provides no direct benefit to local governments but generates significant state-level revenue. If the switch is made from a commission to the GLC to a state-level sales tax only, the state of Georgia will collect more revenue from the current system than it would with a state-level sales tax. The report concludes that maintaining the current revenue collection system had a net benefit of $84.30 million in FY 2020, which increased to $119.01 million in FY 2024.

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Tax Provision Background/Overview

This report focuses on the fiscal and economic impact of the state sales and use tax exemptions for Coin Operated Amusement Machines (COAM) in Georgia. It compares the current shared revenue collection model to what could happen if the sales tax exemption was removed and sales taxes were applied to COAM revenue. The sales and use tax law exemptions applied to COAMs can be found in GA Code § 48-8-3(43).[1]

COAMs can be classified into two distinct categories: Class A machines and Class B machines.[2] Class A machines have individual playing events without the ability to build points that may or may not allow the player to collect a "permitted non-cash redemption award."[3] Pinball, coin-operated children's rides, and pool tables are listed as Class A COAMs.[4]

This analysis pertains to Class B COAMs, machines that allow players to build points across playing events to obtain a reward.[5] A COAM is described as a machine "used by the public to provide amusement or entertainment whose operation requires the payment of or the insertion of a coin, bill, other money, token, ticket, card, or similar object and the result of whose operation depends in whole or in part upon the skill of the player."[6]

Currently, sales revenue from COAMs is not taxed; it is exempt from the Georgia sales tax as described below and in GA Code § 48-8-3(43). The State of Georgia is currently replacing the sales tax revenue with two different revenue collection methods. The first is shared revenue between operators and the state, and the second is fees associated with licensing them. Class B COAMs have two different types of license holders: Master license holders, which include owners/distributors of COAMs, and location license holders, who operate the machines. The location license holder must lease/rent the COAM from the master license holder, and the master license holder cannot operate a COAM at a retail location.

Sales and use taxes originated in 1951 when the Georgia legislature approved the *Georgia Retailers and Consumers Sales and Use Tax Act.*[7] Unless what is being sold is specified as exempt, the state sales and use tax rate applies at 4 percent of the goods being sold.[8] Beginning

[1] O.C.G.A. § 48-8-3
[2] O.C.G.A. § 50-27-70
[3] Ibid.
[4] *Frequently Asked Questions*. Georgia Lottery Coin Operated Amusement Machines. (n.d.). https://www.gacoam.com/faq
[5] O.C.G.A. § 50-27-70
[6] Ibid.
[7] *Funvestment Group, LLC v. Crittenden*. Justia Law. (n.d.). https://law.justia.com/cases/georgia/supreme-court/2023/s22g1247.html
[8] O.C.G.A. § 48-8-30

in 1992, a sales and use tax exemption was applied to COAMs.[9] This sales and use tax exemption directly impacts a wide variety of business owners throughout the state of Georgia. In 2023, the Supreme Court of Georgia ruled in *Fundvestment Group, LLC v. Crittenden, 317 Ga. 288 (2023),* that this exemption from sales taxes for COAMs provides an exemption for all revenues generated by COAMs. The exemptions from sales taxes include both the leasing and playing of COAMs.[10] Through this ruling, the Supreme Court of Georgia brought clarity to the scope of sales and use tax exemption as it pertains to COAMs by confirming that the revenue from leasing is untaxable. In the same way, the coins deposited and collected as payment to play are nontaxable.

Though the revenue may not be taxed by the Department of Revenue, the revenue does not remain entirely with the license holders. In 2013, in House Bill 487, the legislature moved the management of COAMs to the Georgia Lottery Corporation (GLC) from the Department of Revenue (DOR). This move gave GLC enforcement power over both master and location license holders. It further required businesses with one or more Class B machines to make a monthly usage report, which includes "gross receipts from the Class B machines, the gross retail receipts for the business location, and the net receipts of the Class B machines."[11] This is also expected of the master license holders, who "must also file a monthly report setting out by location the gross receipts from the Class B machines which the master license maintains and the net receipts of the Class B machines."[12]

This legislation also provides authority for the GLC to require all Class B machines to be linked to a statewide network to monitor play at the machine level.[13] The bill also set the net return rate for the location at 47.5 percent and GLC net revenue share at 5 percent. This share increased to 10 percent over the next five years. It ends with master and location license holders getting 45 percent and the GLC revenue share reaching 10 percent.[14]

Next, in 2015, Senate Bill 190 clarified the fee structure for manufacturers and distributors by setting the maximum number of machines per location at nine.[15] The most recent change took place in 2024 with House Bill 353, which increased the net receipts share to the GLC to 13

[9] Ibid.
[10] Ibid.
[11] Georgia Department of Revenue. (n.d.). 2013 Summary of Enacted Legislation
[12].
[13] Ibid.
[14] Senate Research Office. (2013, May). 2013 SESSION OF THE GEORGIA GENERAL ASSEMBLY LEGISLATION PASSED. Atlanta, GA.
[15] *Georgia SB190: 2015-2016: Regular session*. LegiScan. (n.d.). https://legiscan.com/GA/bill/SB190/2015

percent and reduced the master and location license holder net receipts share to 43.5 percent each. It also added off-site gift cards as payment for COAM winnings.[16]

Under current law, other fees are required that provide an additional source of State revenue relating to COAM operations, including an annual base fee of $5,000 per licensee and a per machine annual fee of $125. The main source of revenue is the commission earned from the 13 percent share outlined previously.

The Center for Business Analytics and Economic Research (CBAER) at Georgia Southern University performed an economic and fiscal analysis using the information from this section, data provided by the GLC, and information collected from other sources. The report estimated the economic impact of the program, not the incentive, as has been the case with similar reports conducted by CBAER for the Department of Audits and Accounts. This change was made because the GLC is directly collecting revenue from players of COAMs and sharing it with other master and location license holders. This is unlike a traditional tax incentive where a unit of state government forgoes revenue to encourage a private entity to take action in the economy.

CBAER also compared the current system to one where GLC stopped collecting fees directly and instead used a traditional sales tax to collect revenue on COAMs. Two scenarios were employed for the sales tax model analysis: the first assumes that sales taxes are collected by just state government, and the second assumes local sales taxes are collected as well. The impact of this section is discussed in the Alternative Sales Tax Model section of the report, which focuses on the difference in collection between the current and statewide sales tax systems.

Under either model, current revenue sharing or sales tax, CBAER assumes that the fees players pay remain the same. In other words, as an example, each turn on the machine will remain at $1. What changes is how the revenue is being collected and shared. Additionally, CBAER is making this comparison using the same five-year time frame between FY 2020 and FY 2024. This was done to ensure that all comparisons were made using equivalent conditions.

[16] *Georgia HB353: 2023-2024: Regular session*. LegiScan. (n.d.-a). https://legiscan.com/GA/bill/HB353/2023

Background/Specific Provision

Within the lotteries market in the United States, gaming machines account for almost 3 percent of the industry revenue in 2024. This segment of the lottery market is driven by technology and covers a wide array of machines referred to as video lottery machines. Further, these machines are commonly placed in airports, bars, gas stations, convenience stores, and supermarkets. Nationally, the use of these machines is linked to the retail, restaurant, and travel markets, as consumers must leave their residences to play one of these games. Georgia is one state that allows these games under the rules for COAMs.[17]

What separates COAMs from gambling is how the winners are determined. COAMs in Georgia are games of skill where players can impact the outcome by making moves at the end of each turn to create a winning turn. However, under current law, COAMs cannot issue cash, alcohol, tobacco, firearms, and promotional play. Prior to May 2024, allowable prizes included lottery tickets, gift cards for the specific business where the games are played, services offered by other businesses (haircuts, manicures, etc.), and non-cash store merchandise.[18] After May of 2024, non-cash redemption gift cards were added to the list of prizes. These gift cards can be used at retailers throughout Georgia, but cash payouts are still illegal.

The master license holder owns the COAMs approved to be placed in locations across Georgia. The local license holder owns or manages the location where the machine(s) are placed. This means that to operate a COAM, a business must have a local license. The funds collected by the Georgia Lottery Corporation are used to support regular operations and fund educational programs in Georgia.[19] Table 1 displays information on the number of both master and location licenses and the number of machines currently in play.

Table 1: Georgia COAM Market

	Number of Licenses		Number of COAM Per Licensee		Statewide Number of COAM Machines	
License Type	**FY 2020**	**FY 2024**	**FY 2020**	**FY 2024**	**FY 2020**	**FY 2024**
Master License	188	198	134	192	25,158	37,996
Location License	5038	7,222	5.0	5.3		

Source: Georgia Lottery Corporation, Coin Operated Amusement Machine Division

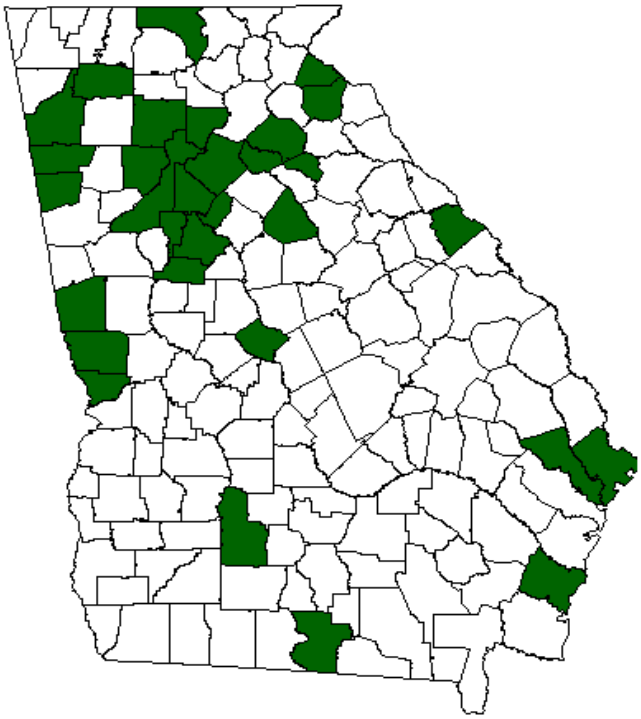
Using the information in Table 1, master license holders increased by an annual rate of 1.2 percent per year, and location license holders grew by 9.8 percent. This led to an increase in the number of licenses issued and COAM machines over the same five-year period. The machines per master licensee increased by 10.2 percent on average, and the machines per location

[17] Govdysh, Alexander (Mar 2024) Lotteries & Native American Casinos in the US, IBISWorld
[18] L. C. (2019, August 1). Prizes for Georgia COAM Redemption. Luckyiconic.com. Retrieved November 7, 2024, from https://www.luckycoininc.com/blog/prizes-for-georgia-coam-redemption
[19] O.C.G.A. § 50-27-70

licensee increased by 1.6 percent annually. In addition, the number of machines in service is also growing at an annual rate of 11.5 percent on an average annual basis over the five-year timeframe.

Master license holders are located across the state, with at least one licensee in Athens, Augusta, Columbus, Macon, Rome, Savannah, and Valdosta. The majority of license holders are in the Metro Atlanta area. The map represents the counties with at least one master license holder in the county. The 31 counties with master license holders are shown in green, and the counties without any are in white; see Figure 1 for details.

Figure 1: Counties With One or More Master License Holders



Source: Georgia Lottery Corporation,
Coin Operated Amusement Machine (COAM) Division

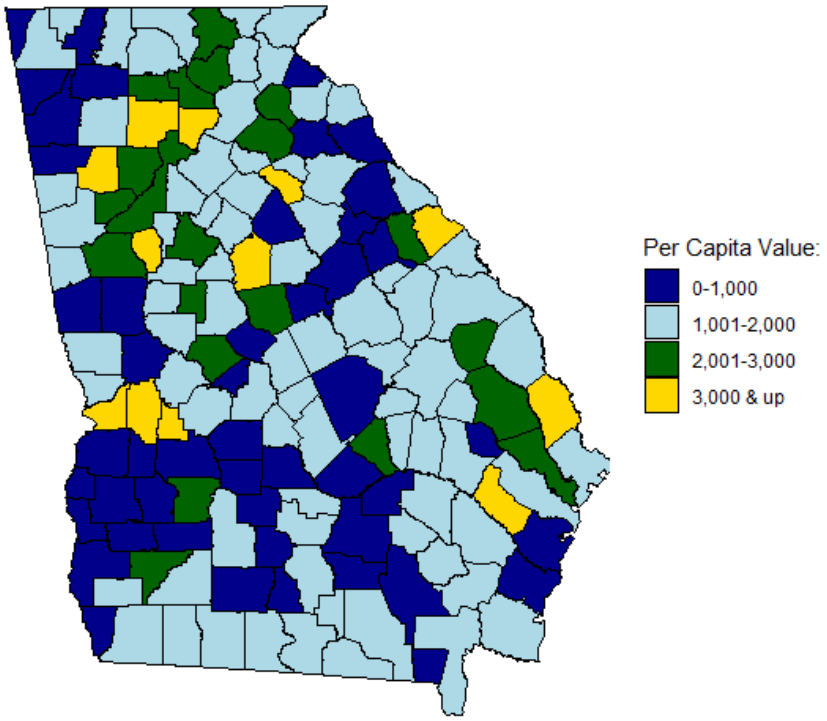
Next, the team examined location license holders in FY 2024 in Georgia. Each business with a location licensee hosts at least one machine. The license is address-specific, meaning that it only applies to one location. In FY 2024, there are an average of 5.3 machines per location. This average increased at an annual rate of 1.6 percent between FY 2020 and FY 2024.[20]

To explore where the COAM location license holders are in Georgia, CBAER developed a map highlighting these locations per capita. The map indicates that the smaller the population figure,

[20] COAM Money In/Redemption Out, Georgia Lottery Corporation,
Retrieved from https://www.gacoam.com/API/Documents/Document?documentID=750

the more COAMs are present per person. Statewide, there is 1 COAM machine per 1,549 residents.

Figure 1: Location License Holders Per Capita



Source: Georgia Lottery Corporation,
Coin Operated Amusement Machine (COAM) Division

Generally, residents in counties with smaller populations are more likely to have greater access to more licensed COAM sites than residents of counties with larger populations. CBAER then categorized all the counties into three areas: metropolitan statistical areas, micropolitan statistical areas, and rural counties. Using the standard U.S. Census Bureau definitions, metropolitan counties have at least one urbanized area with more than 50,000 people or are socially and economically linked to a core community. In contrast, micropolitan counties are those with less than 50,000 people and are socially and economically integrated with neighboring counties.[21] The remaining counties are considered to be rural. There are 29 micropolitan counties, 56 rural counties, and 74 metropolitan counties in Georgia.

The highest concentration of COAMs per capita is in micropolitan areas, with 1 for every 1,024 residents. This is followed by rural counties, which have 1 COAM for every 1,193 residents. The metropolitan areas have the smallest concentration of COAMs, with 1 for every 1,687 residents. In this case, the micropolitan and rural areas are below the state rate of 1,549 people per COAM.

[21] *Saved terms*. United States Census Bureau. (n.d.). https://www.census.gov/glossary/?term=Metropolitan%2BStatistical%2BArea

A closer examination of this concentration has revealed variations across the state. For example, there are 47 counties with per capita values below 0-1,000, which is the highest COAM concentration possible. From this list, 25.5 percent are in metropolitan areas, and 74.5 percent are in either micropolitan or rural communities. In the 1,001-2,000 categories, which included 79 total counties, 46.8 percent of counties are classified as metropolitan, and 39.2 percent of counties are rural areas. For the remaining groups, the 2,001-3,000 group covered 21 counties, and the 3,000 plus group covered 12 counties.

Factors Influencing Placement of COAMs at Location

The information displayed previously shows that COAMs are prevalent across Georgia. One factor driving COAM games development in Georgia is the availability of locations. Under current state law, Class B COAMs must be placed at a retail location with no more than nine devices per location. Businesses must also have a reason to provide a space to host these games. This means that retailers must have an economic incentive to host one or more COAMs at their location.

Typically, these economic incentives fall into two categories: primary revenue and secondary benefits.[22] The primary revenue is beneficial to businesses because COAMs provide the ability to develop a passive form of income and diversify sources of revenue. For each machine, the location license holder gets 43.5 percent of the revenue of the machine or 43.5 cents per dollar spent. Statewide, the average location has 5.3 machines, with each machine paying out over $17,000 on an average annual basis.

Additionally, most COAM games do not require the business owner to spend time managing the machines. The devices must be connected to the internet so that Georgia Lottery can monitor gameplay. The location license holder leases the machinery from the master license holder, who typically manages the maintenance of the device. This leaves the location license holder to monitor the day-to-day activities of these machines, which does not require any additional staff.

There are secondary benefits to adding COAMs at a retail location as well. First, customers playing a COAM are in the location looking for entertainment. This opportunity can lead to businesses being able to engage with customers who might be outside their target demographics. Over time, it can lead to more enduring relationships with these customers. Additionally, COAMs can turn underutilized space into another means of generating revenue in businesses that have extra floor space.[23]

Other secondary benefits may also play a role in the decision to obtain a location license. Two of the more commonly cited reasons for the placement of COAMs are increased foot traffic and

[22] *Getting started with Coam in Georgia: Boosting revenue with Skill Game Machines*. Inamax. (2024, February 1). https://inamax.com/getting-started-with-coam-in-georgia-boosting-revenue-with-skill-game-machines/
[23] Ibid.

retail/food sales.[24] By providing customers with a COAM area, foot traffic can be increased by adding new experiences and reasons to visit the location. Some consumers can view this part of the location as a more fun place to visit, which differentiates the location from the competition. Further, these COAM games can typically be placed in areas where access to the primary offering is not impacted. Additionally, the option for customers to win non-cash prizes also draws them into the location.[25]

The last benefit influencing COAM placements is additional retail/food sales. By enhancing the overall experience for some customers, the host location increases the amount of time patrons will spend at the location, which is also referred to as dwell time.[26] By increasing the dwell time, host locations are providing more access to their main products or services. In a retail environment, a one percent increase in dwell time results in a 1.3 percent increase in sales.[27]

Revenue Collection Data

There are three aspects of revenue collection examined here: the current shared revenue model, an estimate of potential revenue from an alternate state and local sales tax model, and several "what-if" scenarios.

In the first segment, the focus is on the current shared revenue model. It includes a review of gross revenue collected between FY 2019 and FY 2024. CBAER added FY 2019 to this part of the analysis to measure the impact of the pandemic on net revenue collection. It also includes net revenue collected and shared between the master licensee, location licensee, and the GLC over the same time period.

The next segment is an estimate of potential revenue from a state and local sales tax. This is a hypothetical scenario that highlights what could have happened if a sales tax had been used in place of GLC revenue share.

The third segment of this section includes several what-if scenarios. It begins with a comparison between revenue collection models, a state-level revenue collection comparison between sales tax vs. commission, and the third applies a new 13 percent GLC revenue share to the FY 2019 – FY 2024 timeframe.

Beginning with the current shared revenue model, CBAER analyzed gross revenue collection and distribution. The data from this part of the current model was the basis for all three of the other segments discussed in this subsection.

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[24] Ibid.

[25] *Unlocking new revenue streams: Insights for retailers*. Inamax. (2024, March 12). https://inamax.com/new-revenue-streams-for-retailers/

[26] Ibid

[27] *How to increase customer dwell time in retail stores*. Pandora Cloud Cover. (n.d.). https://cloudcovermusic.com/brick-and-mortar-guide/increase-dwell-time

Table 2: Gross Revenue Collection and Payouts

Year	Gross Revenue Money In	Redemption Out
FY 19	$2,652.07	$1,867.85
FY 20	3,008.66	2,127.66
FY 21	4,546.64	3,215.70
FY 22	4,898.49	3,500.04
FY 23	5,159.97	3,742.47
FY 24	5,292.31	3,906.00

Source: Georgia Lottery Corporation, Coin Operated Amusement Machine Division
*Dollars In millions

Between FY 2019 and FY 2024, gross revenue increased by 16 percent, and redemption outgrew by 17 percent. This growth slowed between FY 2022 and FY 2024, with the smallest rate of increase taking place in FY 2024. The revenue collected surpassed the $5 billion mark in FY 2023 and has stayed at this level in FY 2024. Additionally, the difference between money in and redemption out is where GLC starts the net revenue calculation. However, GLC makes additional adjustments to net revenue which means that while both datasets are connected, they differ on an annual basis.

Next, CBAER analyzed net revenue collection. The data from this scenario was used in the current analysis discussed in the economic impact section.

Table 3: Total Current Net Revenue Collections FY 2019 – FY 2024*

Year	Master Commission	Location Commission	GLC Commission	Net Revenue
FY 19	$356.92	$356.92	$70.60	$784.43
FY 20	397.85	397.85	88.41	884.11
FY 21	599.20	599.20	133.15	1,331.56
FY 22	630.00	630.00	140.00	1,399.99
FY 23	638.01	638.01	141.78	1,417.80
FY 24	629.71	629.71	146.27	1,405.69

Source: Georgia Lottery Corporation, Coin Operated Amusement Machine Division
*Dollars In millions

COAM net revenue has increased significantly since FY 2019. Between FY 2021- FY 2024, master and location commissions increased by 5.1 percent. This illustrates a sustained increase in net revenue between FY 2022 – FY 2024. There was a 0.9 percent decrease in overall collections between FY 2023 and FY 2024.

Further comparison to the previous year should be made cautiously because the net revenue share percentages changed at the end of FY 2024. The highest net revenue generated was in FY 2023, and the lowest net revenue was in FY 2019. These numbers show that, despite the

slowdown in growth in FY 2024, COAMs have had a steady growth rate overall and a considerable impact over the last 5 years.

The second segment focuses on potential revenue collections if the current system is replaced with a standard sales tax system. Since the direct-revenue share is based on net revenues rather than gross receipts, the revenue to the state is less than what would be realized from a sales tax levied on the gross receipts despite the shared rate currently in use being higher than the sales tax rate. This sales tax would be applied to each play made by the consumer and could yield shared revenue between state and local governments. The data from Table 3 was used in the alternative model scenario presented in the Economic Impact section.

The tax rates used to create the economic impacts are based on state averages. CBAER applied the standard 4 percent sales tax rate to the gross revenue generated by COAMs in Georgia. The average local rate used was 3.38 percent, based on the average local tax rate in Georgia, as not all local governments in Georgia impose all the available local sales taxes.

Table 4: Potential Tax Total Collection

Year	State Sales Tax	Local Sales Tax	Total
FY 19	$102.00	$86.71	$188.71
FY 20	115.72	98.37	214.09
FY 21	174.87	148.65	323.52
FY 22	188.40	160.16	348.56
FY 23	198.46	168.70	367.17
FY 24	203.55	173.03	376.58

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions

Without the sales tax exemption for receipts from COAMs, sales tax revenue would have shown a steady increase from $188.7 million in 2019 to $376.6 million in 2024. While both state and local tax collections would have risen, the state sales tax would consistently contribute a larger share since the weighted average local sales tax rate statewide is lower than the state rate. In 2024, the state would have generated $203.6 million, compared to $176.0 million from local taxes.

This subsection concludes with the what-if scenarios. The data displayed in Tables 5, 6, and 7 relates to both the potential sales tax system and changes in revenue collection. CBAER compared the difference in revenue collection between the current system and the sales tax system. Table 5 displays the impact of switching if the sales tax collection is based on gross proceeds and the current system remains unchanged. CBAER uses revenue figures for FY 2019 – 2024 to accomplish this comparison.

Table 5: Comparison of the Impact of Georgia Sales Tax Collection vs Commission to GLC

Year	Net Revenue Collection	Subtract State and Local Sales Tax	Net Revenue Under a Sales Tax Approach	Net Change in Total Revenue to Location and Master	Net Change in Revenue to the State & Local Governments
FY19	$784.43	$(188.71)	$595.71	$(47.52)	$47.52
FY20	884.11	(214.09)	670.02	(37.27)	37.27
FY21	1,331.56	(323.52)	1,008.03	(57.21)	57.21
FY22	1,399.99	(348.56)	1,051.43	(68.56)	68.56
FY23	1,417.80	(367.17)	1,050.64	(83.61)	83.61
FY24	1,405.69	(376.58)	1,029.11	(84.03)	84.03

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions

During fiscal years 2019 through 2024, location and master license holders would have realized a net reduction in total revenue of $378.2 million if the direct-revenue share to the GLC and tax exemption were replaced with a sales and use tax. Likewise, the state would have collected $378.2 million more in revenue than it would under the current direct-revenue share system.

It is possible that if the sales tax exemption were removed for COAMs, the legislature would allow sales tax to be collected only at the state level and continue to exempt COAM revenue from the local option sales tax. Table 6 shows the impact of levying only a state sales tax on COAM revenue instead of the current direct-revenue share payable to the GLC.

Table 6: Comparison of Collecting Sales Taxes on COAMs Using Current Commission to GLC

Year	Net Revenue Collection	Subtract State Sales Tax	Net Revenue Under a Sales Tax Approach	Net Change in Total Revenue to Location and Master	Net Change in Revenue to the State
FY19	$784.43	$(102.00)	$682.42	$(31.41)	$31.41
FY20	884.11	(115.72)	768.39	(27.31)	27.31
FY21	1,331.56	(174.87)	1,156.69	(41.72)	41.72
FY22	1,399.99	(188.40)	1,211.59	(48.41)	48.41
FY23	1,417.80	(198.46)	1,219.34	(56.68)	56.68
FY24	1,405.69	(203.55)	1,202.14	(57.28)	57.28

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions

During FY 2024, Georgia would have collected $57.28 million more in net revenue for COAMs under the sales tax system. This change would have reduced the net revenue distributed to location and master license holders. In dollar terms, the net revenue under the current system is $1.4 billion, which would decrease to $1.2 billion as the state of Georgia would have taken a larger share of the overall revenue. The master and location license holders would have shared this smaller amount.

Further, effective May 2024, the Georgia General Assembly raised the GLC share from 10% to 13%. This impacts the difference between the current revenue share model and the potential of levying a state-level sales tax on COAM revenue. Table 7 sets forth what the differences would have been under these two options over the last six years if the 13 percent rate were in place during all 6 years.

Table 7: Comparison of Impact of Georgia Sales Tax Collection vs Commission to GLC Using New 13% Commission to GLC

Year	Net Revenue Collection	Subtract State Sales Tax	Net Revenue Under a Sales Tax Approach	Net Change in Total Revenue to Location and Master	Net Change in Revenue to the State
FY19	$784.43	$(102.00)	$682.42	$(0.01)	$0.01
FY20	884.11	(115.72)	768.39	(0.39)	0.39
FY21	1,331.56	(174.87)	1,156.69	(0.88)	0.88
FY22	1,399.99	(188.40)	1,211.59	(3.20)	3.20
FY23	1,417.80	(198.46)	1,219.34	(7.07)	7.07
FY24	1,405.69	(203.55)	1,202.14	(10.41)	10.41

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions

During FY 2024, Georgia would have collected $10.41 million more in net revenue for COAMs under the sales tax system as opposed to the commission to the GLC if the 13 percent rate had been in place. However, Table 7 indicates that a switch to a state sales tax on COAM revenue, as opposed to a direct-revenue share, would have much less of an impact on the master and location license holders. It should be noted, however, that collecting the sales tax on gross revenues is administratively more difficult than the current system of splitting net revenue between master and location license holders and the GLC.

Other State Comparison

COAMs or similar programs are available in several southeastern states. Each state is autonomous, with different paths used to set limitations or guidelines for operating COAMs. Each southeastern state, compared here, limits or prohibits gambling in some way and collects money from the operation of COAMs (in different ways, as discussed below). The results are summarized in Table 8.

Table 8: Comparison of Southeast States COAM Provisions

State	Revenue Model	Gambling Regulation	Licensing Requirements	Taxation
Georgia	Direct commission from machine proceeds shared between state, operators, and location owners	Prohibits cash payouts, only allows non-cash rewards; strict regulation to prevent illegal gambling	Master and Location licenses required from the Georgia Lottery Corporation	Revenue shared with state, not subject to state and local sales tax
Alabama	Sales tax on gross receipts and business license required at the county/municipal level	Strict anti-gambling laws; no machines resembling gambling devices, only non-cash prizes allowed	Business license required at the county or municipality level	Sales tax on gross receipts; some local jurisdictions impose occupational tax
Florida	Sales tax on gross receipts; Annual business and machine licenses required	Strict prohibition on gambling machines; allows non-cash rewards from skill-based games	Licenses required for both operators and owners, machine registration with Florida DOR	Sales tax on gross receipts, state, and local surtaxes apply
North Carolina	Privilege license tax on machines and sales tax on gross receipts	Strict anti-gambling laws; prohibits sweepstakes and video poker machines	Business license and annual privilege tax per machine	Sales tax on gross receipts and privilege license tax per machine
Tennessee	Master license fees on machines	Strict anti-gambling laws; prohibits machines offering cash payouts	Business license and annual licensing fees for amusement machines	Taxed exclusively through annual Master license fees.
South Carolina	Biennial license tax based on machine type.	Prohibits gambling machines and outlaws video poker; allows non-gambling devices	Business license from the SCDOR; machine registration and tax decal required	Biennial license fees are based on machine type.

By comparing different states' processes with regard to government regulation of gambling and collecting money from the allowed operation of COAMs, it is possible to 1) acknowledge different methods used, 2) view the different combinations of methods used, and to some extent, 3) compare the states' different approaches. With regard to the third objective, because the states' treatment is not uniform, it is often impossible to make direct comparisons. For example, some states levy a per-machine fee while other states do not. The discussion that follows offers a summary of the different methods, combinations of methods, and general comparison as applicable. For comparison, CBAER began with an overview of the COAM program in Georgia and then addressed the other states in alphabetical order.

Georgia

Georgia stands apart from other southeastern states due to its distinct direct commission revenue-sharing model for COAMs. The Georgia Lottery Corporation (GLC) oversees the regulation of these machines, which makes Georgia's approach both highly structured and unique.[28] One of the most notable aspects of Georgia's model is that the state takes a direct share of the net revenue generated by these machines. This share is currently set at 13 percent, as previously mentioned. Other shares go to the master licensees (those who own the machines), and the location licensees (businesses where the machines are placed, such as convenience stores or arcades). The revenue-sharing arrangement is designed to ensure that the state benefits directly from COAM operations, with the proceeds being funneled into educational programs, particularly the HOPE Scholarship and Pre-K programs.

Similar to other southeastern states in the comparison group, Georgia prohibits gambling outside of state-sanctioned environments (like the lottery), and it has taken significant steps to ensure that COAMs do not cross into illegal gambling territory. As in all other Southeastern states, machines cannot offer cash payouts, and in Georgia, operators face severe penalties if they violate this rule. The GLC actively monitors the machines, conducts audits, and enforces regulations to prevent unreported earnings or unauthorized machine operation. Georgia's direct involvement in revenue-sharing and its use of COAM proceeds for educational funding make it one of the most regulated and structured environments for COAMs in the region.

Alabama

In contrast to Georgia's revenue-sharing model, Alabama primarily focuses on taxation and licensing requirements to regulate coin-operated amusement machines. Alabama does not take a direct share of the revenue generated by the machines. Instead, operators must pay a sales

[28] *Frequently Asked Questions*. Georgia Lottery Coin Operated Amusement Machines. (n.d.). https://www.gacoam.com/faq

tax of 4% on the gross receipts earned from these machines.[29] The state's approach centers around treating COAMs as taxable sources of income, similar to other business operations.

Alabama's regulatory framework mandates that operators obtain a business license from the county or municipality in which they operate. COAM operators may need more than one license for the operation. For example, for the operation of a "coin-operated" "amusement" (non-vending) machine Section 40-12-176(p) applies, which requires a separate license to be paid based on the coin cost of the machine.[30] The licensing process ensures that the state has oversight of the machines and that they comply with local zoning and operational regulations. Additionally, local jurisdictions may impose an occupational tax on businesses hosting these machines, adding another layer of taxation that businesses must navigate.

A key component of Alabama's regulatory stance is its strict anti-gambling laws, prohibiting the use of some machines as too closely resembling a lottery, which is not permitted within the state.[31] The state prohibits any machines that resemble or function as gambling devices.[32] Machines that offer cash payouts or rewards of significant monetary value are strictly illegal. Only machines that offer non-cash rewards, such as tickets redeemable for low-value prizes, are allowed.[33] Alabama's stringent regulations ensure that COAMs remain firmly within the realm of amusement rather than gambling, and operators who violate these laws face severe penalties, including fines and possible criminal charges.

Florida

Florida, like Alabama, does not use a direct-revenue sharing model, and instead focuses on a comprehensive licensing and sales taxation system. Operators of COAMs in Florida are required to obtain both a business license and a specific machine license from the Florida Department of Revenue (FDOR). Each machine must be registered, which requires a separate certificate fee, and must display a decal that proves it is authorized for operation.[34] This system ensures that the state can closely monitor the number and distribution of COAMs within its jurisdiction.

Additionally, Florida imposes a sales tax on the gross receipts generated by these machines. The operator is responsible for calculating and remitting the sales tax to the state. The state sales tax rate is 6%, and local sales taxes may apply depending on the county in which the machines are operated.[35] Rather than collecting sales tax on each transaction, the operator must divide the proceeds by 1 plus the sales tax rate to arrive at gross sales. The difference between this

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[29] *What are the state sales tax rates?*. Alabama Department of Revenue. (n.d.). https://www.revenue.alabama.gov/faqs/what-are-the-state-sales-tax-rates/
[30] Alabama State Code, Section 40-12-176 (2024)
[31] Opinion of the Justices, 795 So. 2d 630 (Alabama 2001)
[32] AL Code § 13A-12-76 (2023)
[33] Ibid.
[34] *see* Fla. Stat. 212.05(1)(h)(3)(b)(2024)
[35] *Florida Sales and use tax*. Florida Department of Revenue. (n.d.). https://floridarevenue.com/taxes/taxesfees/pages/sales_tax.aspx

number and the gross receipts is the tax. This simplifies the collection process by not requiring the collection of sales tax on each small transaction. In other words, the gross proceeds include the tax collected rather than adding tax on top of the gross proceeds. This tax structure treats COAMs like any other commercial enterprise.

Florida's approach to gambling regulation is particularly strict. The state prohibits any machines that are classified as gambling devices, such as slot machines or those offering cash payouts.[36] Non-gambling amusement devices, such as video games and pinball machines, are allowed, provided they offer no significant monetary rewards. Florida has also implemented specific regulations for "redemption games," which allow players to win non-cash prizes like tickets or tokens. The Family Amusement Games Act of 2015 clarified the legal status of these games, permitting them with the requirement that the prizes remain of minimal value and the games are skill-based rather than chance-based. Non-compliance with Florida's regulations can result in the seizure of machines and significant fines for operators.

North Carolina

North Carolina places a strong emphasis on preventing illegal gambling through its regulation of COAMs. This state has a State Lottery Commission, but it regulates sports betting only and is not applicable to this report.[37] COAM operators must obtain a business license from the North Carolina Department of Revenue (NCDOR) and pay an annual privilege license tax on each location and on each machine. The number of machines per location is limited to three. The amount of the tax depends on the type of machine and its intended use.[38] Local jurisdictions may also charge license fees.

North Carolina has been vigilant in enforcing its anti-gambling laws, particularly with respect to video poker machines. These devices were banned as of July 1, 2007. The state has aggressively pursued legal action against operators allowing illegal gambling operations, ensuring that COAMs remain strictly for amusement purposes.

Like other states, North Carolina allows non-gambling amusement machines, such as arcade games and pinball machines, provided they do not offer significant monetary rewards. Redemption games, which allow players to win tickets or tokens for small prizes, are also permitted if the prizes are of minimal value.

Tennessee

Tennessee's regulation of COAMs focuses on preventing illegal gambling while ensuring that machines are taxed and licensed appropriately. Operators of COAMs must obtain a business license, and certain machines require an additional amusement machine licensing fee.

[36] Fla. Stat. § 46.849.11 (2024)
[37] See generally http://ncgaming.gov (last accessed November 13, 2024).
[38] N.C.G.S. § 14-306.1

Tennessee's Department of Revenue oversees the taxation and licensing process, ensuring that operators comply with the state's regulatory framework.

Tennessee legislature has directly addressed COAMs. It passed a specific privilege and excise tax on the subject in the Coin Operated Amusement Machine Tax Act, which became effective on September 1, 2002.[39] COAMs are taxed exclusively through an annual Master license fee and are not subject to the state or local sales tax. Annual fees range from $500 for owners of 50 machines or fewer up to $2,000 for owners of more than 200 machines. Local jurisdictions are specifically forbidden to charge any additional taxes or fees on COAMs.[40]

Tennessee's strict anti-gambling laws prohibit machines that offer cash payouts or simulate gambling. Slot machines, video poker, and other gambling devices are generally outlawed unless specifically permitted under legal frameworks such as state-approved charitable gaming. Machines that offer non-cash rewards, such as redemption games, are permitted if the prizes are of minimal value and the games are based on skill rather than chance. Operators who fail to comply with Tennessee's regulations face significant penalties, including fines, machine confiscation, and potential criminal charges.[41]

South Carolina

South Carolina takes a slightly different approach from Alabama, Florida, North Carolina, and Tennessee by imposing a biennial license tax on coin-operated amusement machines, but it does not levy sales tax on gross receipts. The license tax varies depending on the type of machine, with Class A machines (non-payout games like arcade games) requiring a lower tax of $50, while Class B and C machines (those offering limited payouts) are subject to higher taxes of $200 to $4,000 and more stringent regulations.[42] Operators must renew their licenses biennially and display a tax decal on each machine to demonstrate compliance.[43]

South Carolina has a complicated history with gambling-related COAMs. In the 1990s, video poker machines were widespread in the state, leading to a legal battle that culminated in the state outlawing video poker in October 1999. Today, machines that offer cash payouts or operate in a manner resembling gambling are illegal.[44] South Carolina Department of Revenue is responsible for monitoring COAMs to ensure they do not function as gambling devices, and operators found violating these laws face significant penalties, including fines and confiscation of the machines.

Local governments in South Carolina may impose an additional license fee on certain types of machines. Municipalities may not restrict the number of machines allowed within the

[39] See T.C.A. Section 67-4-2201, et seq. (2024)
[40] Tennessee Code Annotated § 67-4-2201 - 2207
[41] Tennessee Code Annotated § 39-17-501 - 509
[42] *Coin operated devices*. SC Department of Revenue. (n.d.). https://dor.sc.gov/tax/coin-operated-device
[43] S.C. Code § 12-21-2720 (2023)
[44] S.C. Code § 12-21-2710

municipality or impose zoning restrictions that limit where these machines can be placed. South Carolina's regulatory approach ensures tight control over COAMs, particularly in the wake of its history with gambling machines. [45]

In summary, Georgia's model of direct revenue-sharing for COAMs distinguishes it from other southeastern states, which primarily rely on taxation and/or higher licensing fees to regulate these machines. Georgia's structured system, managed by the Georgia Lottery Corporation, ensures that the state directly benefits from COAM operations, with proceeds supporting educational programs. By contrast, states like Alabama and Florida focus on taxing gross receipts and requiring master license taxes, while maintaining strict anti-gambling laws to prevent machines from operating as gambling devices. South Carolina, North Carolina, and Tennessee focus on higher licensing fees but do not levy sales tax on gross receipts. Each state's approach reflects its unique legal and economic priorities, but all share a commitment to regulating COAMs in a way that supports public revenue while curbing illegal gambling activities.

[45] S.C. Code § 12-21-2720

Economic Impact

The economic activity linked to the operation of COAMs is analyzed in three ways. First, CBAER generated an economic impact analysis based on the net revenue linked to the COAMs between FY 2020 – FY 2024. This five-year timeframe was selected because overall net revenue collection had changed and stabilized over this timeframe. This provides CBAER an opportunity to evaluate how this program has changed over time. This choice made it more meaningful to look at the five-year timeframe in its totality rather than in individual pieces. This economic impact is generated using IMPLAN, which is a model that uses input variables to determine the output of an economic effect. This economic impact is split into three overall impacts: direct impact, which measures revenue from COAMs; indirect impact, which is related to purchases and leasing of COAMs between businesses; and induced impact, which involves wages paid to employees linked to the COAM industry. A complete overview of this modeling system is available in Appendix A.

Next, a "but for" analysis was prepared, which assesses how many of the benefits related to the COAMs are directly related to the exemption from sales tax. Lastly, this section concludes with an alternate tax model analysis that focuses on what would have happened if the COAMs had been subject to sales tax rather than a direct-revenue share system and if the state government collected these funds and used them for general state government operations.

Current Revenue Sharing Model

The analysis of COAMs covers FY 2020 – FY 2024 and is based on revenue collected by the GLC and businesses involved in the operations. These years were included in the previous section to illustrate the trends in the COAM market. Over this time frame, there is an average of 5.3 machines per location, and COAMs have generated $39,998 in revenue per device. The average collection by master and location license holders is $17,984 per machine, while the state of Georgia has collected $4,030 per machine.

The economic activities linked to COAMs were measured using two different variables: net revenue and net revenue shared with the Georgia Lottery and spent on education. First, CBAER examined the net revenue generated by master and location license holders between FY 2020 – FY 2024. Next, the team examined the net revenue shared with the Georgia Lottery and then spent on education. Finally, CBAER did not include any funds paid to winners in this analysis. These funds were excluded because it was unclear how much is spent in the economy and how much is staying in the Georgia Lottery System. In addition, these funds are part of the player's entertainment budget, and tracking this secondary spending goes beyond the scope of this analysis.

This economic impact analysis focuses on the impact of the program, not a tax incentive. This is due to a shift in how the revenue is collected compared to a traditional tax incentive. In the COAM project, a unit of state government is directly collecting revenue from the net revenue of

the operation of a program along with the master and location license holders and monitors gameplay at the machine level. This differentiates the COAM project from traditional tax incentives, where a unit of state government forgoes revenue to encourage a private entity to make a choice.

The economic impact of COAMs is linked to the amount of funds spent by players. Using these spending figures, CBAER calculated the economic impact at the state level using the three different groups that are collecting revenue. The analysis will begin using output as the first variable.[46] Output covers the monetary value of the industrial production, which includes net sales and inventory changes estimated using the annual production estimators embedded in IMPLAN. Table 9 depicts the economic output of the revenue based on the current structure of the COAM program and how it operates in Georgia.

Table 9: Output Current COAM Economic Contribution Analysis

Impact	FY 20	FY 21	FY 22	FY 23	FY 24
Direct	$884.11	$1,331.56	$1,399.99	$1,417.80	$1,405.69
Indirect	425.15	640.33	673.24	681.80	674.58
Induced	447.46	673.92	708.55	717.57	711.86
Total	$1,756.72	$2,645.80	$2,781.78	$2,817.17	$2,792.13

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions

Direct output reached $1.4 billion in FY 2024 and increased to just under $2.8 billion after the secondary transactions were included. These transactions include indirect spending (business-to-business) transactions and induced contributions (business-to-consumer) transactions, which account for 49.7 percent of this total. Within this group, the induced transactions are the largest source of secondary transactions.

Next, CBAER examined value added, which is closely related to gross domestic product. The value added variable removes the intermediate transaction from the output variable, including employee compensation, proprietors' income, taxes on production and inputs, and other proprietor income. An example of intermediate inputs removed are goods imported from outside the target area.[47] The value added impacts are displayed in Table 10.

[46] Data Team. (2019, September 17). *Understanding output – IMPLAN - support*. IMPLAN. https://support.implan.com/hc/en-us/articles/360035998833-Understanding-Output
[47] Clouse, C. (2020, February 26). *Intermediate Inputs– implan - support*. IMPLAN. https://support.implan.com/hc/en-us/articles/360044116233-Intermediate-Inputs

Table 10: Value Added Current COAM Economic Contribution Analysis

Impact	FY 20	FY 21	FY 22	FY 23	FY 24
Direct	$552.88	$832.70	$875.49	$886.63	$879.96
Indirect	216.06	325.41	342.13	346.49	342.76
Induced	263.11	396.27	416.63	421.93	418.58
Total	$1,032.05	$1,554.37	$1,634.25	$1,655.05	$1,641.29

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions

The direct value added has steadily increased over time, except for a slight decline in FY 2024, which is due to the changes in input data noted previously. In FY 2024, just under $880 million in economic activity was created by the operations of COAMs. Once these direct impacts moved through the economy, the total GDP supported by COAM operations increased to $1.6 billion. Across the five-year timeframe of the analysis, indirect transactions accounted for 20.9 percent of total contributions linked to COAMs, while induced transactions covered the remaining 25.5 percent of related economic activity.

Building on the value-added figures, the team then examined the impact this policy change would have on Labor Income. Labor Income consists of both employee compensation and proprietor income and includes both wages paid and benefits provided to employees.[48] Table 11 displays the Labor Income contribution linked to COAM revenue collections.

Table 11: Labor Income Current COAM Economic Contribution Analysis

Impact	FY 20	FY 21	FY 22	FY 23	FY 24
Direct	$390.80	$588.59	$618.84	$626.72	$622.42
Indirect	127.96	192.72	202.62	205.20	202.89
Induced	134.93	203.21	213.66	216.38	214.66
Total	$653.69	$984.52	$1,035.12	$1,048.29	$1,039.96

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions

In FY 2024, the economic activity supported by COAMs was $622.42 million in direct Labor Income. This contribution was just over $1.0 billion in total. In the case of Labor Income, 40.2 percent of the total contribution was linked to indirect and induced transactions. Further, the contribution of indirect and induced transactions is split evenly, with the induced category only slightly ahead of the indirect transactions category.

To conclude this part of the analysis, CBAER examined employment, which in this case will be referred to as supported employment, and covers the number of jobs that are funded by the

[48] Data Team. (2019, June 11). *Understanding labor income (LI): Employee compensation (EC) and proprietor income (PI) – implan - support*. IMPLAN. https://support.implan.com/hc/en-us/articles/360024509374-Understanding-Labor-Income-LI-Employee-Compensation-EC-and-Proprietor-Income-PI

revenue created spending on COAMs. According to IMPLAN, employment includes all full-time, part-time, and temporary labor.[49] Table 12 depicts the supported employment linked to the change in COAM revenue.

Table 12: Employment Current COAM Economic Contribution Analysis

Impact	FY 20	FY 21	FY 22	FY 23	FY 24
Direct	10,313	15,532	16,330	16,538	16,386
Indirect	2,155	3,246	3,413	3,456	3,419
Induced	2,326	3,503	3,683	3,730	3,701
Total	14,794	22,281	23,427	23,725	23,506

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions

Across the analyzed time frame, the direct spending from COAMs supported 16,386 jobs in Georgia, and the majority of these jobs are in the retail industry. Overall, in FY 2024, 16,386 jobs were in the direct sector, which increased to 23,506 total supported jobs. Within this total, about 7,120 jobs are connected to secondary transactions. Overall, the number of supported jobs in total has remained above 22,000 since FY 2021.

But For Analysis

In conducting a "but for" analysis of Georgia's tax exemptions on coin-operated amusement machines (COAMs), the objective is to ascertain the level of economic activity specifically attributable to the exemption itself. For COAMs, revenues from these machines are exempt from sales tax, but Georgia levies a direct-revenue share on their net revenue, creating a unique dynamic in tax policy. At the state level, the revenue generated from this share exceeds what would be collected from a state-level sales tax when the program's operational tax collections are combined with this GLC revenue share (see Table 21). Head-to-head, the sales tax is still higher even if the tax is levied only at the state level and not local. The gap between the current model and sales tax closes significantly when the 13 percent rate is applied, suggesting that the increased direct-revenue share approach yields competitive revenue outcomes. However, if we also factor in local sales taxes, the combined revenue from state and local sales taxes would outpace the revenue share model by an average of $46.3 million annually. This conclusion makes the tax exemption's effectiveness in driving additional economic activity relatively negligible, as the revenue outcomes between a sales tax and the commission structure are close.

In essence, the "but for" analysis here does not reveal a clear advantage to the tax exemption when assessed purely on revenue production grounds. The minimal difference between potential sales tax revenue (inclusive of local rates) and the current model revenue suggests

[49] Data Team. (2017, June 27). *Employment and labor income data – implan - support*. IMPLAN. https://support.implan.com/hc/en-us/articles/115009505727-Employment-and-Labor-Income-Data

that exempting COAM revenue from sales tax does not significantly incentivize additional COAM-based economic activity. It implies that the economic landscape for COAMs would likely remain largely unchanged if this exemption were not in place, as the exemption does not generate a substantial revenue differential, nor does it appear to strongly stimulate unique economic behavior that would justify its retention. The exemption's current structure enhances operational feasibility for COAM operators and streamlines revenue collection, yet the "but for" assessment suggests these aims do not produce distinct economic growth attributable solely to the tax policy. Additionally, the share to GLC increased from 10% to 13% as of May 12, 2024, which will serve to further close the gap between what is collected currently as a direct-revenue share versus what could be collected at both the state and local level as sales taxes.

In summary, while Georgia's commission on COAM revenue presents an effective alternative to direct sales taxation at the state level, the overall fiscal impact appears neutral. Replacing the exemption with a traditional sales tax (incorporating local rates) would slightly increase revenue but not enough to make a compelling economic case for change.

Alternate Sales Tax Model

The alternate tax model examines the economic and fiscal impact of the additional revenue that could be gained from implementing a sales tax on COAM spending. CBAER is modeling the difference in funds that would have been collected using the sales tax system. The analysis assumes that the state of Georgia uses the additional revenue as part of the general fund. Although under current law, COAM revenue is used to support education spending, the immediate economic impact of changing where these funds are spent will have a negligible effect on the current economic impact. This segment is fully focused on the funds spent by the state of Georgia. Although some states allow local governments to collect sales taxes on these transactions, this analysis focuses on how this change would impact state government. However, the research team did model the impact this tax would have on local government revenue and included it in Appendix B. Most of the difference between potential state and local government revenue collection lies in the ability, under current law, of the state government to collect revenue for COAMs while the local government cannot. This difference would have a large impact on local government if the sales tax model were adopted.

The team used FY 2020 – FY 2024 as the selected timeframe to measure the impact of the difference in tax collections and also modeled each year over this period to provide the clearest view of the impacts of this change over the last five years. Table 12 displays state revenue collections for both systems and highlights the difference between these systems.

Table 13: State Revenue Collections for Potential and Current System

Year	Current State Collection	Potential State Tax Collection with Sales Tax	State Increase in Sales Tax Collection Over Current System
FY20	$88.41	$115.72	$27.31
FY21	133.15	174.87	41.72
FY22	140.00	188.40	48.41
FY23	141.78	198.46	56.68
FY24	146.27	203.55	57.28

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions

Over the current five-year timeframe, the average increase in revenue collection would have been $46.28 million. Table 13 also shows that revenue collection would be increased over the selected timeframe, and this increase follows changes in net revenue collection discussed previously in the report. The focus of the remainder of this section is how the state increase in sales tax collection over the current system could impact the economy. CBAER assumes that the funds being modeled will be added to the general fund. From an economic impact standpoint, there is a limited difference between spending on education and general state spending in a given year.

First, CBAER examined the amount of additional economic output linked to the increased state sales tax collection over the amount of revenue being collected in the current model. Table 14 displays the result of this modeling from FY 2020 – FY 2024.

Table 14: Output - Potential Difference with COAM Sales Tax

Impact	FY 20	FY 21	FY 22	FY 23	FY 24
Direct	$21.99	$33.59	$38.98	$45.64	$46.12
Indirect	5.25	8.03	9.31	10.91	11.02
Induced	13.27	20.27	23.52	27.54	27.83
Total	$40.52	$61.89	$71.81	$84.09	$84.97

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions

The direct output decreased by just over $11.15 million due to imports to state and institutional commodity sales built into IMPLAN. A similar decrease has been noted across the other years of this analysis. In FY 2024, direct output would reach $46.12 million, and this would increase to $84.97 million in total after including the secondary transactions. Indirect spending (business-to-business) accounts for 13 percent of the total, and induced contributions (business-to-consumer) covers 32.8 percent of the total.

Building on the economic output analysis, CBAER next examined the value added. This variable is closely linked to gross domestic product.

Table 15: Value Added - Potential Difference with COAM Sales Tax

Impact	FY 20	FY 21	FY 22	FY 23	FY 24
Direct	$17.25	$26.35	$30.57	$35.80	$36.17
Indirect	2.77	4.24	4.92	5.76	5.82
Induced	7.81	11.93	13.84	16.21	16.38
Total	$27.83	$42.51	$49.33	$57.76	$58.37

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions

The direct value added in FY 2024 would reach $36.17 million, and this would increase to $58.37 million in total after including secondary transactions. These secondary transactions account for 38 percent of this total impact. The indirect spending will account for the majority of the secondary transactions.

Next, CBAER examined the potential impact this change would have on labor income. Employee compensation, the proprietor's income, and benefits.

Table 16: Labor Income - Potential Difference with COAM Sales Tax

Impact	FY 20	FY 21	FY 22	FY 23	FY 24
Direct	$12.62	$19.28	$22.37	$26.20	$26.47
Indirect	1.65	2.52	2.93	3.43	3.46
Induced	4.08	6.23	7.23	8.46	8.45
Total	$18.35	$28.03	$32.52	$38.09	$38.48

Source: Georgia Lottery Corporation Data and CBAER Analysis
**Dollars In millions*

In FY 2024, the change in state revenue would have supported $26.47 million in direct labor income. When the secondary transactions were included, the total contributions would have been $38.48 million. This includes $11.91 million in indirect and induced compensation, which is 31 percent of the total labor income. Within this group, induced labor income is the larger source of revenue.

All of these monetary variables contributed to employment in the region. In IMPLAN, employment includes all full-time, part-time, and temporary workers. In this case, these are not new jobs; they are jobs that support COAM-related spending.

Table 17: Employment - Potential Difference with COAM Sales Tax

Impact	FY 20	FY 21	FY 22	FY 23	FY 24
Direct	184	281	326	381	385
Indirect	25	39	45	53	53
Induced	72	110	128	150	152
Total	281	430	499	584	590

Source: Georgia Lottery Corporation Data and CBAER Analysis
**Dollars In millions*

The direct spending linked to COAMs would support 385 jobs. After the indirect and induced transactions were added to the impact, this number would increase to 590 jobs. Within this analysis, an additional 205 jobs are supported by secondary transactions. Some of the industries whose employment would be most supported include food services, health care, and real estate.

Next, CBAER estimated the amount of tax revenue that would have been collected. These tax figures are generated by individuals and businesses that are connected to economic impact figures. Although government units do not directly pay taxes, their employees and businesses linked to operations do. Table 18 shows the annual tax collection over the past five years.

Table 18: State Taxes - Potential Difference with COAM Sales Tax

Impact	FY 20	FY 21	FY 22	FY 23	FY 24	Average 2020 – 24
Georgia Income Tax	$0.37	$0.57	$0.66	$0.78	$0.79	$0.63
Sales Tax	$0.48	$0.73	$0.85	$0.99	$1.00	$0.81
All other taxes	$0.12	$0.18	$0.20	$0.24	$0.24	$0.20
Total State	$0.97	$1.48	$1.72	$2.01	$2.03	$1.64

Source: Georgia Lottery Corporation Data and CBAER Analysis
**Dollars In millions*

Based on the alternative model economic impact analysis, the total state tax collection would have been $2.03 million in FY 2024. The most prominent category for state government in terms of revenue is the income tax estimate, which would account for $790,000, or 38.9 percent, of the total tax. Sales taxes and other Georgia taxes were $1.00 million and $240,000, respectively.

In addition, the spending also supported local tax collections, see Table 19 for details.

Table 19: Local Taxes- Potential Difference with COAM Sales Tax

Impact	FY 20	FY 21	FY 22	FY 23	FY 24	Average 2020 – 24
Sales Taxes	$0.21	$0.32	$0.37	$0.43	$0.44	$0.35
Property	$0.46	$0.70	$0.82	$0.96	$0.97	$0.78
All other taxes	$0.04	$0.06	$0.06	$0.08	$0.08	$0.06
Total Local	$0.71	$1.08	$1.25	$1.47	$1.49	$1.20

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions

The total state tax collection would have been $1.49 million in its most recent fiscal year. The most prominent category for local government in terms of revenue is the property tax estimate, which would be $970,000 in collections. Sales taxes and other Georgia taxes were $440,000 and $80,000, respectively.

Fiscal Impact

The fiscal impact analysis section compares the revenues that COAMs generated under the current tax-exempt system versus the projected revenues generated by a system in which a sales tax is imposed on the use of a COAM. The fiscal impact of the use of a COAM is twofold. The primary revenue comes from the use of a COAM, and the secondary revenue comes from the impact of other transactions that a consumer will make in each location that is directly tied to the use of a COAM. These revenues both have an impact on state and local government tax collections. Companies will pay sales tax on non-exempt items purchased in-state, employees pay income tax on their wages, and companies will pay corporate taxes on their profits.

To calculate the net revenue loss to the state due to the COAMs exemption from sales tax, the cost of the exemption is offset by the new tax revenue generated by economic activity. This activity is spurred by the provision of the exemption, which is reduced by the tax revenue lost from the fiscal impact of alternative government spending. This loss is partially offset by the share currently payable to GLC.

In Tables 20 and 21, the new taxes are based on the economic impact of the current treatment of COAMs, not whether or not the local governments are collecting taxes. The new sales tax, personal income, and all remaining taxes are using total taxes, which include both state and local governments. These tables focus on changes in revenue collection by the state and local governments based on current law, meaning with or without the exemption in place. Therefore, only the sales tax foregone line changes. Table 20 shows the sales tax foregone if lifting the exemption allowed local governments to collect tax, and Table 21 shows if lifting the exemption only affected the state.

Table 20: Net Revenue Loss to State & Local Governments due to COAMs Exemption

Type of Tax	2020	2021	2022	2023	2024	Average 2020 – 24 l
Sales tax forgone on COAMs exemption (State and Local)	($214.08)	($323.52)	($348.56)	($367.16)	($376.58)	($1,629.90)
Commission to GLC	88.40	133.15	140.00	141.78	146.27	649.60
New sales tax receipts	49.68	74.82	78.67	79.67	78.81	361.65
New personal income tax	17.18	25.87	27.2	27.55	27.33	125.13
New all remaining taxes[#]	46.44	69.90	73.51	74.45	73.67	337.97
Forgone sales tax from alternate spending	(0.69)	(1.05)	(1.22)	(1.42)	(1.44)	(5.82)
Forgone income tax receipts from alternate spending	(0.37)	(0.57)	(0.66)	(0.78)	(0.79)	(3.17)
Foregone all remaining taxes alternate spending[#]	(0.62)	(0.94)	(1.08)	(1.28)	(1.29)	(5.21)
Net revenue loss from COAMs sales tax exemption	**($14.06)**	**($22.34)**	**($32.14)**	**($47.19)**	**($54.02)**	**($169.75)**

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions
#corporate tax, property taxes, & other taxes

The net revenue loss from the provision of the exemption for COAMs yields an average cost per supported job of $7,878 for the years 2020 through 2024. The annual return on investment from the net new tax revenue is 16.5 percent per year.

The above analysis assumes that the removal of the sales tax exemption for COAMs would result in local governments collecting sales tax as well as the state. The local sales tax receipts are reflected in the "sales tax forgone on COAMs exemption" line in the above table. It is possible that if the shift were made from the current revenue share model to a sales tax on gross receipts, the sales tax would be levied only at the state level. If this were to be the case, then there would be no revenue loss due to the COAM sales tax exemption, and the result would instead become a revenue gain to the state calculated as shown in Table 21.

Table 21: Net Revenue Gain to the State Due to COAMs Exemption

Type of Tax	2020	2021	2022	2023	2024	Average 2020 – 24
Net revenue sales tax exemption absent Commission						
Sales tax forgone on COAMs exemption (State)	($115.72)	($174.87)	($188.40)	($198.46)	($203.55)	($176.20)
New sales tax receipts	49.68	74.82	78.67	79.67	78.81	72.33
New personal income tax	17.18	25.87	27.2	27.55	27.33	25.03
New all remaining taxes#	46.44	69.90	73.51	74.45	73.67	67.59
Forgone sales tax from alternate spending	(0.69)	(1.05)	(1.22)	(1.42)	(1.44)	(1.16)
Forgone income tax receipts from alternate spending	(0.37)	(0.57)	(0.66)	(0.78)	(0.79)	(0.63)
Foregone all remaining taxes alternate spending#	(0.62)	(0.94)	(1.08)	(1.28)	(1.29)	(1.04)
Net revenue loss	($4.10)	($6.84)	($11.58)	($20.27)	($27.26)	($14.09)
Net Revenue sales tax exemption including Commission						
Commission to GLC	$88.40	$133.15	$140.00	$141.78	$146.27	$129.92
Net revenue Gain from COAMs sales tax exemption	**$84.30**	**$126.31**	**$128.02**	**$121.51**	**$119.01**	**$115.83**

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions
#corporate tax, property taxes, & other taxes

This comparison illustrates that the current direct-revenue share structure results in more revenue to the state than the imposition of a sales tax at the state level only on gross receipts. Using the data from Table 21, the COAM exemption reduces state tax revenue by an average of $176.2 million annually for the five-year period.

The economic activity generates an average of $164.95 million in new tax revenue, and the alternative use scenario would have generated $1.64 million in tax revenue forgone under current law. Consequently, the state's net revenue loss from the exemption would average $2.83 million per year. If the state chose to switch systems, some of the added revenue being collected would need to be spent on collection and enforcement costs. However, once the tax collection is linked to operating the current system, the collection turns positive on an average annual basis over the past five years. Under the current system, the average GLC share is $129.92 million annually. Once the program operation tax collection is included and the potential sales tax collection is subtracted, the average net benefit will be $115.83 million per year over the five-year timeframe under the current law.

Summary of the Findings and Public Benefits

COAMs make an important economic contribution to Georgia. The report examined the COAM program as managed by the GLC. It split the analysis into two different segments. First CBAER analyzed the economic and fiscal impact of the current model. The second segment examined the fiscal impact of removing the current sales tax exemption and moving to a sales tax-based revenue model.

The analysis of the COAMs exemption requires a broad perspective when compared to other economic and fiscal impact analyses that CBAER has conducted for DOAA. This is due to the system in place where GLC takes a commission on the net revenue in lieu of the Department of Revenue collecting a sales tax and due to the GLC's role in regulating COAMs. In this case, the state of Georgia is more directly involved in the market and can better control illegal gambling. Thus, a broader approach to this analysis was warranted. Further, it also makes the sales tax exemption less influential on behavior than the forgone tax revenue might be. Regardless of how the state receives its share of the revenue, a commission, or a tax, the cost to the customer does not change. Thus, the participation of those customers using the COAMs is not likely to change. Likewise, the impact on the businesses owning and hosting the COAMs is minimal other than the added administrative burden of managing a sales tax. This is different from the normal evaluation of exemptions as an incentive.

In FY 2024, machine licensees and the revenue collected by the GLC supported $1.4 billion in direct revenue and $2.8 billion in total output. This revenue also had an impact on employment. It supported 16,386 direct and 23,506 total jobs across Georgia. The placement of COAMs was widely distributed across the state, with 1 COAM for every 1,549 residents statewide. Rural and micropolitan counties have more COAMs per capita than counties in metropolitan areas.

The report addresses two major questions regarding the COAM program: what is the current economic and fiscal impact of operating the program, and what would have been the effect of applying a sales tax to COAM revenue instead? In FY 2024, CBAER found that switching to a sales tax collection model would increase total revenue by $10.45 million using the standard 4 percent sales tax and the 13 percent collection rate if it had been applied across the entire year.

If the state of Georgia implemented a sales tax on COAM gross revenue, the direct output would increase by $46.12 million from the current level, totaling $84.97 million when including secondary transactions. This economic activity would directly support 385 jobs, rising to 590 jobs after modeling the full impact. Additionally, the sales tax model would generate an extra $2.03 million in tax revenue for the state and $1.49 million for local governments from operations-related taxes.

These findings also hold up on an average annual basis over the five-year time period of analysis. Under the current revenue sharing model, the COAMs exemption reduces state tax revenue by an average of $176.2 million annually. While the economic activity generates $164.95 million in new tax revenue, the alternative model scenario would have generated an average annual $1.64 million in tax revenue forgone under current law. Consequently, on an average annual basis, state net revenue loss from the exemption would average $2.83 million per year. Switching to a sales tax system would also come with a cost, and some of this additional revenue would be needed to support additional collection and enforcement costs.

Finally, once the tax collection from operating the project is included, the impact of this tax collection becomes positive under the current system. The average GLC share is $129.92 million annually. Once the program operation tax collection is included and the potential sales tax collection is subtracted, the average net benefit will be $115.83 million per year over the five-year timeframe under the current law.

Under current law, GLC revenue is used to provide the HOPE scholarship to Georgia students and supports Georgia's pre-K program, thus directly benefiting education. This share provides no direct benefit to local governments. If we assume that the removal of the sales tax exemption for COAMs would apply only to the state portion of the sales tax, current law is more advantageous for furthering education initiatives than the removal of the exemption.

Moreover, the HOPE Scholarship, funded by the commission paid to the Georgia Lottery Corporation, is a vital resource for Georgia students aiming to pursue higher education. These scholarships provide financial support to eligible high school graduates, allowing them to attend colleges and universities within the state with reduced tuition costs. By easing the financial burden on families, the HOPE Scholarship promotes higher education accessibility, helps build a skilled workforce, and retains talent within Georgia. Therefore, these benefits ultimately strengthen the state's economy.

Allocating funds generated by COAMs specifically to support this scholarship may yield greater long-term benefits than redirecting these revenues to the general fund and potentially to local governments. While local sales tax revenues contribute to essential community services, the targeted use of COAMs funds for the HOPE Scholarship and Pre-K programs directly invests in Georgia's future workforce and encourages academic achievement, fostering broader socio-economic progress that benefits both state and local communities in lasting ways.

Appendix A: IMPLAN Methodology

Input/output (I/O) models examine the relationships between different industrial sectors in a targeted geographic area. These sectors are typically interdependent based on the goods/services being produced and consumed.[50] The regions could include (but are not limited to) the United States, Grouping of States, One State, or Sub-State (County or City). These models are not forecasting models, which are designed to predict changing economic situations. Rather, I/O models, including IMPLAN, assume that the economy is in a state of general equilibrium. When an analyst enters data into an input-output system, the economy is "shocked by the new action."

This shock to the model sets off a set of relationships between the different industrial sectors in the model. These relationships create changes in the equilibrium of the model. It is this change from the old equilibrium to new equilibrium that creates the economic impact.

The IMPLAN model follows this type of format. The general equilibrium in the model is defined using the Use Matrix and the Make Matrix with the Make Matrices being defined by the value of all commodities each industry produces making this matrix about the value of production, while the Use Matrices focuses on the commodity purchases each industry makes to produce its output. This means that the matrix is focusing on the industry outlays used for intermediate goods and services production.[51]

IMPLAN then links the structural matrix to the North American Industry Classification System (NAICS) codes. These codes organize the model into sectors of the economy that follow the NAICS codes. The codes determine how closely the economy will be examined. In general, the more specific the NAICS code, the more detailed the analysis. For example, NAICS Code 42 represents wholesale trade, which includes durable goods wholesalers, nondurable goods wholesalers, and wholesale electronic markets and agents and brokers. In contrast, NAICS Code 423220 represents a specific type of wholesale trade, home furnishing merchant wholesalers. Once the level of specificity is selected, then the user can select the targeted region.

Next, IMPLAN adds the regional purchase coefficient to the matrix calculation. This coefficient is the embedded estimate for total local demand of the study area. The coefficient is specific to each model's regional configuration.[52] It is important to the modeling process because it is how the model accounts for the local goods and services necessary to process one unit of output.

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[50] Clouse, Candi. (2020). About IMPLAN, Economic Impact Report's Toolkit. IMPLAN Group, retrieved from implanhelp.zendesk.com/hc/en-us/articles/360044985833-About-IMPLAN.

[51] Anonymous. (2020). National Structural Matrix, From the Data Team, IMPLAN Group, retrieved from implanhelp.zendesk.com/hc/en-us/articles/115009674648-National-Structural-Matrix#:~:text=Rearranging%20the%20U.S.%20Make%20Matrix,to%20create%20a%20Byproducts%20Matrix.&text=Accepting%20the%20Byproducts%20Matrix%20now,)%2C%20distributed%20across%20the%20matrix

[52] implanhelp.zendesk.com/hc/en-us/articles/115009499527-Regional-Purchase-Coefficient-RPC-.

It also determines how many of the goods and services are produced locally and what will need to be imported into the region.[53]

This coefficient is also useful in determining the amount of output in the regional configuration being studied. Inside IMPLAN, output is the base statistic used to calculate employment. This employment is total jobs and does not account for differences between full-time, part-time, seasonal, or other types of employment. It follows the standard definitions used by the Bureau of Economic Analysis and Bureau of Labor Statistics.

Data Used in the IMPLAN Model

The data used in the IMPLAN model are collected from a variety of data sources. The most important federal data sources for IMPLAN come from the U.S. Department of Commerce. This department includes the U.S. Census Bureau and the Bureau of Economic Analysis. Other data come from the Bureau of Labor Statistics through the U.S. Department of Labor.

The major federal data sets that IMPLAN uses to develop the underlying model are:

- U.S. Bureau of Labor Statistics, Census of Employment and Wages,
- U.S. Bureau of Economic Analysis, Regional Economic Accounts,
- U.S. Census Bureau, County Business Patterns, and
- U.S. Bureau of Economic Analysis, National Income and Product Accounts.[54]

Each of these data sets provide the IMPLAN model with reliable data. IMPLAN then synthesizes the information and develops appropriate equations to make the model function. In addition, IMPLAN fills in any gaps using methods consistent with the common theory in this area, allowing IMPLAN data to be available at the zip code, county, metropolitan statistical area, state, and national level. It is produced on an annual basis and includes inter-county trade flow data and multi-regional analysis.[55]

With these tools in place, the IMPLAN model produces three elements to determine economic impact in the analysis.

Direct effects are the effects of the capital or labor directly being studied/entered in the modeling process. An example of a direct effect is the spending by visitors on goods and services within the targeted region.[56]

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[53] Anonymous. (2020). Regional Purchase Coefficients, Data Basics, IMPLAN Group, retrieved from implanhelp.zendesk.com/hc/en-us/articles/115009674588-Regional-Purchase-Coefficients.
[54] Anonymous. (2020). IMPLAN Data Source Overview, Economic Impact Report's Toolkit, retrieved from implanhelp.zendesk.com/hc/en-us/articles/360044458674-IMPLAN-Data-Source-Overview.
[55] Ibid.
[56] Anonymous. (2020). Glossary, Economic Impact Report's Toolkit, IMPLAN Group, retrieved from implanhelp.zendesk.com/hc/en-us/articles/360044986593-Glossary.

Indirect effects are the business-to-business transactions caused by the direct effects. For example, when a general contractor purchases supplies, the supplying vendors will use the revenue generated to restock inventory and to potentially hire additional employees.[57]

Induced effects are the effects linked to consumer-to-business transactions as employees spend after tax household income on goods and services. An example of an induced effect is when a person uses income earned on the job to pay rent or purchase a home.[58]

These efforts typically apply to four variables including output, employment, labor income and value added. Using these effects, the model produces several multipliers. Multipliers are a rate of change triggered by the increase or decrease made in the direct input. These are commonly expressed as using the amount of investment made to the rate of change, which typically means that, for every dollar spent in the target economy, $0.50 in economic activity is generated in the region. These changes then move through the economy multiple times and create changes to both sectors/variables directly affected and to other sectors/variables that support these changes.[59]

In general, for every input into a transaction, an amount over that transaction is generated. For example, if a visitor or employee buys lunch at a local restaurant, the amount of this purchase will be re-circulated into the economy. This happens when the business owner replaces the ingredients used in preparing lunch (the indirect effects) or hires an employee to prepare or serve the meal (induced effect). The receivers in this transaction become the next round's inputs, and, so, the cycle continues. The direct and indirect calculations make up the Type 1 multipliers in the IMPLAN model. This multiplier only examines the combination of direct, indirect and in effect impacts and is called the Type Social Accounting Matrix or Type SAM multiplier.

The Type 1 multiplier in IMPLAN only covers the direct and indirect impacts when considering a change in economic activity while the Type SAM multipliers cover the direct effects, business to business and household spending transactions.[60] This means the Center for Business Analytics and Economic Research only uses SAM multipliers.

[57] Ibid.
[58] Ibid.
[59] Clouse, Candi. (2020). Understanding Multipliers, Region Details: Behind the "i." IMPLAN Group, retrieved from implanhelp.zendesk.com/hc/en-us/articles/115009505707-Understanding-Multipliers.
[60] Clouse, Candi. (2020). Multipliers, Region Details: Behind the "i." IMPLAN Group, retrieved from implanhelp.zendesk.com/hc/en-us/articles/360037178313-Multipliers.

Appendix B: Local Government Revenue

Table 22: Output-Potential Impact of Sales Tax Collection

Impact	FY 20	FY 21	FY 22	FY 23	FY 24
Direct	$79.21	$119.71	$128.97	$135.85	$139.34
Indirect	$18.93	$28.60	$30.82	$32.46	$33.29
Induced	$47.80	$72.23	$77.82	$81.97	$84.07
Total	$145.94	$220.54	$237.61	$250.29	$256.71

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions

Table 23: Value Added-Potential Impact of Sales Tax Collection

Impact	FY 20	FY 21	FY 22	FY 23	FY 24
Direct	$62.13	$93.88	$101.15	$106.55	$109.28
Indirect	$9.99	$15.09	$16.26	$17.13	$17.57
Induced	$28.13	$42.51	$45.80	$48.24	$49.48
Total	$100.24	$151.49	$163.21	$171.92	$176.33

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions

Table 24: Labor Income-Potential Impact of Sales Tax Collection

Impact	FY 20	FY 21	FY 22	FY 23	FY 24
Direct	$45.47	$68.71	$74.03	$77.98	$79.98
Indirect	$5.94	$8.98	$9.68	$10.20	$10.46
Induced	$14.68	$22.19	$23.91	$25.18	$25.83
Total	$66.10	$99.88	$107.61	$113.36	$116.26

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions

Table 25: Employment-Potential Impact of Sales Tax Collection

Impact	FY 20	FY 21	FY 22	FY 23	FY 24
Direct	662	1,000	1,077	1,135	1,164
Indirect	91	138	149	157	161
Induced	260	393	424	447	458
Total	1,013	1,531	1,650	1,738	1,783

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions

Table 26: State Potential Difference with COAM Sales Tax

Impact	FY 20	FY 21	FY 22	FY 23	FY 24
Georgia Income Tax	$1.35	$2.04	$2.20	$2.32	$2.37
Sales Tax	$1.72	$2.60	$2.80	$2.95	$3.02
All other taxes	$0.41	$0.63	$0.68	$0.71	$0.73
Total State	$3.48	$5.27	$5.68	$5.98	$6.12

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions

Table 27: Local Taxes Potential Difference with COAM Sales Tax

Impact	FY 20	FY 21	FY 22	FY 23	FY 24
Sales Taxes	$0.75	$1.14	$1.23	$1.29	$1.32
Property	$1.66	$2.51	$2.71	$2.85	$2.92
All other taxes	$0.13	$0.20	$0.21	$0.22	$0.23
Total Local	$2.54	$3.85	$4.15	$4.36	$4.47

Source: Georgia Lottery Corporation Data and CBAER Analysis
*Dollars In millions