



January 19, 2012

Dear General Business License Holder,

My name is Kirby Cline and I am the President of the Amusement and Music Operators of Texas (AMOT). I am writing to let you know of serious and very real threats our industry faces in the Texas Legislature.

The State of Texas faced substantial budget cuts in the last Legislative Session that ended in June of this year. While the state is required to pass a “balanced budget”, the budget they did pass is anything but balanced. Two major components of the budget are estimated to be underfunded by as much as \$7 Billion.

Because of the devastating economy tax revenues are far below the levels necessary to fully fund both public education and Medicaid – the state supported health care program for the poor.

When the Legislature convenes in January of 2013 they will immediately face a funding crisis to not only fill the \$7 Billion shortfall for public education and Medicaid, but they will also face a huge shortfall for the next budget.

To make matters worse, if you have been following the newspapers, you have seen many stories about school districts around the state filing lawsuits over the level of funding the State provides for public education. Most experts believe the Courts will rule that the State has seriously underfunded public education and will require the State to spend even more money.

I bring all of this to your attention for one simple reason – when government runs out of money they only have two choices – cut spending or raise taxes.

Most experts and many members of the Legislature will tell you they have cut spending as much as they can.

That leaves but one choice – RAISE TAXES.

Our industry has specifically been targeted by the Legislature. The House Committee on Ways and Means (the committee which is responsible for all tax bills) has already started committee hearings on the various ways the Legislature might increase tax revenue.

One of the specific ways they are considering is to remove the sales tax exemption on coin-operated equipment.

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Our industry has been under assault for years. Surveys done by the Amusement and Music Operators of America have shown consistent, long-term declines in revenue. Smoking bans have been devastating and to make matters worse, many cities are now implementing ordinances that have restricted many of our operations. Combined with a poor economy and the fact many of our customers are spending less, our industry is on the verge of extinction.

Many of our members feel that any tax increase will be devastating.

Think about what would happen to your business if the State required you to pay a sales tax on 100% of your revenue. The current sales tax rate is 6.25% and most cities add to that rate increasing the tax to 8.25% in most major metropolitan areas.

The math is pretty simple – take your gross sales from operations and multiply that amount by 8.25%. If you have \$100,000 in gross revenue you will be sending the State of Texas a check for \$8,250.

This is in addition to the \$60 tax stamp we pay per machine every year.

Can your business sustain that kind of tax? Will you even be in business if the State increases our taxes by this amount?

AMOT has been the leading voice for the coin-operated industry for over 40 years. Most of our members believe this is the most significant threat we have faced in the history of the industry. Most of us believe we will be out of business if the State raises taxes at a time when most businesses are barely surviving.

AMOT is fighting this threat on every front. Our lobby team is working overtime to protect our interest and to convey our concerns to members of the Legislature but they are telling us the threat is very real.

To fully brief the industry we are holding a meeting in Austin on February 8th at Big Star Bingo, 910 West Anderson Lane, Austin, TX (512-472-1043) at 10:30 AM.

We have invited a State Representative to brief the membership on this very real threat.

We invite you to join us for this critically important meeting. Your participation can mean the difference between success or failure. We also ask you to talk with your competitors and your locations to let them know of the dangers our industry faces.

If we do not meet this challenge our industry may very well simply go out of business.

Please join us in Austin on Feb. 8th for this critically important briefing.

Sincerely,

Kirby Cline

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President

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