

## Revenue Proposal: *Electronic Product Promotion Kiosks*

### ***Proposal Overview***

The proposal discusses the legalization of Prize and Gift Kiosks, also known as Electronic Product Promotion Kiosks, to be included in the list of permitted devices in the City's existing amusement device tax. According to the proposal, Prize and Gift Kiosks refer to a "device used to promote the purchase of bona fide product and offers or awards a prize, including cash, without requiring payment or purchase to participate." The devices are not connected to the internet and will contain a Fill System. The Fill System "permits the operation of the device solely determined on a fee basis or the amount of revenue generated but does not include a system based on time, number of spins or spin equivalent or other non-revenue-based system and automatically ceases to operate upon the completion of a pre-determined cycle."

Expanding the definition of amusement devices to allow for such Kiosks is an opportunity for additional City tax revenue as a share of what revenue the devices collect. The retail establishment that operates the kiosk would be required to obtain a license from the Department of Business Affairs and Consumer Protection to operate the device. The City would receive 30% of all net revenues from Kiosks in designated Prize and Gift Kiosk Zones as well as fees on a quarterly basis "equal to 30% for each Full Fill loaded onto the Prize and Gift Kiosk Fill System by the distributor less the cost of the Fill not to exceed 15%." The tax would be paid by the device owner, and the owner will be required to purchase a tax emblem, no greater than \$150 per year, to reflect legitimacy of the Kiosk location.

### ***Context***

To enable the revenue stream from the Kiosks, the City Council will need to pass an ordinance to amend the existing Municipal Code related to amusement device taxes, and ensure compliance with State law. The City [currently defines](#) "Automatic amusement device" as any machine to be operated by the public for use as a game, entertainment, or amusement, that requires a form of payment. The Municipal Code explicitly says these devices include but are not limited to jukeboxes, marble machines, pinball machines, movie and video booths or stands, and "all games, operations, or transactions similar thereto under whatever name by which they may be indicated." Each separate game monitor counts as its own amusement device, though the Kiosks would not count toward the existing limit of four amusement devices per licensed operator. Amending the Municipal Code to explicitly include Prize and Gift Kiosks as part of allowable amusement devices will be necessary to implement this revenue proposal.

The proposal's accompanying ordinance includes: a definition of lawful technology consistent with existing state law, establishes an agreement with a qualified and eligible group for the enforcement at no cost to the City, describes the selection of City Kiosk Zones, opportunity for generating additional revenue for the City over and above of the revenue fee, and language related to the operation and maintenance of the lawful Kiosks.<sup>1</sup> The proposed ordinance

<sup>1</sup> The proposal also includes language to designate Sports Lottery Kiosk zones, overseen by the Department of Revenue, if the IL State Legislature legalizes sports lottery wagering program beyond its initial pilot. This analysis does not include revenue estimates for Sports Lottery Kiosks.

notes there will be no exemptions for airports, piers, convention spaces and similar locations within selected Kiosk Zones. It also includes the creation of a public-private partnership for the enforcement of the digital product kiosk market.

The proposal points to Illinois' [720 ILCS 5/28-1-b-13](#) as State authorization for allowing electronic product promotion. The General Assembly introduced bills in both the [Senate](#) and [House](#) to amend its Video Gaming Act to provide specific technical specifications for operation of Prize and Gift Kiosks -- with which the proposed ordinance aligns -- including not being connected to the internet, only selling bona fide products, having a self-contained fill system determined on a fee basis or predetermined cycle instead of based on time, spins, or other non-revenue-based system. However, the bills did not pass during the 2025 session.

Illinois has a robust casino and gaming market, generating [\\$2.92 billion in 2024](#). However, the legality of the Kiosks has been challenged. Notably, in 2013, the Illinois Gaming Board -- the State's regulatory authority for casinos and gaming -- claimed the Kiosks violated State law and exploited a "[legal loophole](#)" by having users purchase a coupon rather than wagering for credits, using that determination to seize two machines. In its opinion, the Illinois Gaming Board [cited](#) other State Court decisions that the Kiosks qualified as gambling. The State Criminal Code defines gambling as a game of chance or skill for money or other thing of value (with certain exemptions) that requires one to "make a wager upon the result of a game, contest, or any political nomination, appointment, or election." The owners of the machines then sued the Gaming Board noting its lack of authority to opine on the legality of the Kiosks and take the Kiosks. The legality of the Kiosks was not determined in the lawsuit, rather, the Appellate Court of Illinois [ruled in favor](#) of the Illinois Gaming Board in 2017, saying it did have the authority to adopt interpretive rules and policy statements, as it did in this scenario.

### Estimated Revenue

The estimate below outlines a sample scenario of annual revenues generated through each Kiosk device. As an example of potential total City revenues, the proposal assumes a total of 7,700 devices across the City. **Revenue estimates were provided through the proposal, COFA was unable to verify similar revenue sources for comparison in this scenario.**

*Table 1. Revenue projection for 7,700 DPKs, by number of annual full fills*

#Full Fills/Year*	3 Full Fills/Year	4 Full Fills/Year
Revenue/Fill Cycle	\$10,000	\$10,000
Cost of Fill	\$1,500	\$1,500
<b>Adjusted Revenue per kiosk</b>	<b>\$8,500</b>	<b>\$8,500</b>
City Revenue Fee	30%	30%
<b>Revenue Fee/Full Fill</b>	<b>\$2,550</b>	<b>\$2,550</b>
# Fills/Year	3	4
<b>Net Revenue Fee</b>	<b>\$7,650</b>	<b>\$10,200</b>
# DPKs	7700	7700
<b>Annual Fee to City</b>	<b>\$58,705,000</b>	<b>\$78,540,000</b>

\*Year refers to revenue cycle that triggers digital product kiosk company to submit payment to City

### Implementation & Stakeholders

There will be related departmental costs to implement an amusement device tax and fee structure for such Kiosks. Amending the Municipal Code to explicitly include such Kiosks as part of the allowable amusement devices will

be necessary to implement this revenue proposal, requiring coordination of the City Council, the Department of Law, and other relevant City departments. In addition to the departments outlined below, the City Clerk will also need to coordinate to implement this proposal in the issuance of tax emblems to device owners and collection of the amusement device tax.

Notably, the City will also need to determine whether it is necessary to establish a public-private partnership to enforce the Kiosk market as outlined in the proposal. Closer coordinated with affected departments will inform City decisionmakers of the potential costs to the City to oversee enforcement itself and weigh the non-revenue costs and benefits of the proposals.

*Responsible departments:*

- **Department of Business Affairs and Consumer Protection:** licensure of Kiosk locations, education campaign for public and business owners about legalization and compliance requirements; if ordinance adopted as proposed, identify private partners to formalize partnership for enforcement
- **Department of Finance:** coordination with City Clerk's office to collect revenue
- **Department of Law:** consider the legality of the Kiosks in Illinois

***Discussion***

*Proponents*

Supporters of legalizing electronic product promotion kiosks argue that they represent an innovative source of new revenue for the City. If properly regulated, these kiosks could generate licensing fees, business activity, and potential advertising revenue while providing bona fide products of businesses with new promotional tools.

***Opponents***

Critics have raised legal and regulatory concerns, particularly regarding whether these kiosks function as unlicensed gambling devices. As noted above, the Illinois Gaming Board has previously referred to them as operating within a "legal loophole," calling into question compliance with state gambling laws. There are also concerns that authorizing these Kiosks -- especially through a public-private enforcement model as proposed -- could diminish City oversight and accountability, as private vendors may prioritize profit over public interest. Private oversight may lead to concerns about inconsistent enforcement and increased regulatory risk for the City.