

Revenue Proposal: *Video Gambling*

Proposal Overview

Video gambling, or video game gambling, refers to bets placed video slot or poker machines. Video gambling machines, also called terminals, can be found in a variety of public establishments such as bars, restaurants, truck stops, or gambling parlors. The proposal suggests the City of Chicago allow video gambling within City limits to generate an additional local revenue source.

Context

The State of Illinois legalized video gambling in 2009 through the Video Gaming Act ([230 ILCS 40](#)), however, pursuant to [Chapter 8-12](#) in the Municipal Code, the City of Chicago does not allow video gambling within city limits. The proposal to legalize video gambling would allow the City of Chicago to share in the local government distributed cost from Illinois' tax on video gambling and collect revenues from other charges or fees. ***To enact this proposal, the City Council would need to pass an ordinance to “[opt-in](#)” to the Illinois’ Video Gaming Act. Chicago could not collect local tax revenue from video gambling without a change in state law.***

Estimated Revenue

Taxes. One-sixth of state tax imposed on video gaming terminal net income (NTI) is distributed to local governments in which the terminal is operated. Illinois brought in [over \\$1 billion](#) in tax revenue in calendar year 2024, with \$152 million going toward local governments. [In FY 2023](#), over 46% of local tax share went to the Chicago Metropolitan Statistical Area – representing nine counties surrounding the city. (As of 2025, the state tax rate is [35%](#), distributing 5.8% to respective local governments. Prior to July 1, 2024, the tax rate was 34% and local governments received 5.6% of revenues. IL raised rates in 2019 and 2020 as well.) Separately, certain counties levy separate taxes; for example, Cook County [levies](#) a Gambling Machine Tax of \$1,000 annually for a gambling device and \$200 annually for the terminal. However, [state law](#) ([230 ILCS 40/90](#)) prohibits both home rule and non-home rule units from taxing video gaming – unless the unit had a tax before November 2021 – so **any new local tax would require change in state law.**

Fees. Home rule units [can](#) impose fees on video gambling terminals. Establishments that operate video gaming terminals are required to pay licensing fees to the state and gaming board. Counties also administer separate fees; for example, Cook County has [annual fees](#) for license application (\$500) and the license (\$1,000) for each location that host video gaming terminals.

Note: The following estimate represents a high-end figure that may occur many years following implementation (a 2025 Christiansen Capital Advisors’ study estimated a fully mature VGT market 10 years after legalization). VGT adoption would like phase in over many years. Further, the estimate assumes full participation by [businesses](#) holding Consumption on Premise Incidental licenses. While not all Incidental Activity license holders will host VGTs, other

types of licenses – such as taverns or other businesses like gas stations or truck stops – will likely opt-in. For the purposes of an estimate, we assume 2,500 participating businesses around the city, though this still may be higher than actual VGT locations. (In 2023, there were [3,281 businesses](#) in the Chicago Metropolitan Statistical Area included in the State’s video gaming statistics.) This revenue estimate **does not** account for net loss in revenue to the City from other sources (e.g., Bally’s Casino), cost of implementation, or potential effect on the City’s workforce.

Table 1. Chicago video gaming annual revenue estimate*

Local Distribution of State Tax	\$63,542,410
Local Fees	\$3,750,000
Chicago Total Revenues	\$67,292,410

*Growth based on Illinois’ Commission on Government Forecasting and Accountability [March 2025 Monthly Briefing](#), 4.2% year-over-year growth NTI (2024, \$3004.4 million to 2025, \$3130.5 million); 2025 tax rate, 35% to IL, 5.8% local dist. (IL \$1,095.7 million); Fees equal to Cook County (\$1,500) by 2,500 businesses. (Based number of businesses in Chicago with Consumption on Premise – Incidental Activity licenses ([2,792](#) as of July 2025)).

Implementation & Stakeholders

As a new source of tax revenue, there will be associated departmental costs for legalizing video gambling, including costs related to educating the public and businesses, enforcement, administrative processing, and related personnel costs.

Responsible departments

- **Department of Business and Consumer Protection:** primary oversight authority; issuing licensing and collection of fees for terminal operation
- **Department of Finance:** if the state did change its law to allow local taxation of video gambling, Finance will need to coordinate with the state and businesses to related tax collection and enforcement

Discussion

Proponents

Those in favor of legalizing video gambling in Chicago argue it will bring more revenue into the city and disincentivize Chicagoans that spend money in establishments outside of city limits. The large percentage of local government revenues distributed within the Chicago Metropolitan Statistical Area suggests that many residents living within Chicago city limits are travelling to jurisdictions with video game gambling. Simultaneously, revenues generated from Chicago residents are going to other municipal governments that are not providing day-to-day services in exchange for gambling access. While in adjacent jurisdictions, Chicago residents are also likely spending money on drinks, food, gas, or other goods and services – boosting economies outside of the city as well as paying sales taxes or other jurisdictional fees or charges. With over [2.6 million residents](#), Chicago makes up over one-fifth of the state’s population, and state video gambling revenues would be significantly impacted with video gambling legalization in Chicago.

Opponents

Arguments against video gambling cite reduced revenue for casinos and various detrimental social impacts. While the extent of video gambling’s negative impact on local casinos is unknown, state-wide casino incomes have [decreased 12.9%](#) between FY 2012 and FY 2023 with the rise of video gaming. In the Chicago Metropolitan Statistical Area, there are almost [20,000](#) video gaming terminals, and casinos in the same area have seen gross revenues decline by 6% since video game legalization. After numerous mayors pursued opening a casino in

Chicago, the city opened its first temporary casino in 2023. In 2024, the first full year of operations, the casino brought in only [47%](#) of projected tax revenue for the city. Potential impacts of video gaming on unperforming casino revenues may draw further criticism.

Socially, gambling in general has long drawn critiques related to societal effects like addiction and disparate impacts on low-income communities. Terminals are in neighborhood restaurants, bars, or other similar establishments, making ease of access a key draw for users. Illinois residents spent [\\$2.8 billion](#) on video gaming in 2023 – nearly six times more than a decade earlier. Easy access to video gaming enables societal problems such as gambling addiction. Further, gambling has long been considered a regressive tax, taking a larger percentage of income from low-income earners than higher income earners. Opponents also argue that video gaming is not a sustainable source of revenue and will fluctuate with the economy. As seen with the casino, and the [higher than anticipated](#) regulatory expenses and social challenges experienced by Illinois since legalizing video gambling, the local benefits of legalization may not be immediately realized.

Concluding commentary

Allowing video gambling to generate additional revenue for the city is not a new proposal. The City of Chicago's Office of Budget and Management has previously assessed the budgetary impacts of allowing video gambling, City Council has introduced an ordinance reversing the video gambling, and in the 2023 mayoral election both candidates supported legalized video gambling.