



October 16, 2008

Sent via email

Ms. Sherrie Kinkle
State Board of Equalization
Property and Special Taxes Department
PO Box 942879
Sacramento, CA 94279-0064

Re: Economic Lives in Assessors' Handbook Section 581

Dear Ms. Kinkle:

This letter is in response to the October 2, 2008 letter from the State Board of Equalization to interested parties regarding the possibility of including economic lives for various equipment categories in the Assessors' Handbook Section 581. After reviewing the list of categories, it is our recommendation that a category titled "Computerized Gaming Equipment" be added to the Economic Lives and Valuation Table.

Native American gaming casinos have become a significant part of California's marketplace with more than 60 casinos throughout the state and several more casinos being built or expanding their current operations. One of the key items of equipment at these casinos is computerized gaming equipment, commonly referred to as slot machines. We estimate that there are currently more than 200,000 computerized gaming machines in place throughout all of the California casinos. The number of machines has grown substantially in the past 5 years due to new legislation and compacts between the various tribes and the State of California.

IGT is the largest seller and lessor of computerized gaming equipment in North America with a substantial presence in the California. We file California property tax returns in every county where we lease or own gaming equipment or related property. It has become clear to us in the past few years that there is wide variation and lack of uniformity and consistency with regard to assessors' treatment of computerized gaming equipment. There is a general lack of understanding of what a computerized gaming machine is and how it operates in today's casino. Obsolete slot machines of yesterday, consisting of three-mechanical wheels that pay out a series of coins based upon lining the wheels in a winning combination, have been replaced by today's gaming machines which are sophisticated and highly-computerized pieces of equipment.

The computerized gaming machine of today typically has dual high-definition video monitors, superb sound systems, internal memory boards, and multi-line and multi-denomination capabilities with multiple buttons and options that allow the player to interact with the machine in a way that is very similar to a video game machine. Almost all computerized gaming equipment are networked to a server to maintain player tracking information and provide for the issuance and redemption of paper tickets that reflect a player's winnings. In fact, most gaming machines created today have the same technological obsolescence considerations as computer equipment. Combined with the highly competitive gaming market, most gaming machines today have a floor life of 18 to 24 months before they must be replaced with more technologically advanced versions having new and more powerful computerized features.

As a result of the large number of computerized gaming equipment in place in California and the technological advances that have been made over the past few years, we respectfully request, and believe it is imperative to add, a separate category titled "Computerized Gaming Equipment" to the Economic Lives and Valuation Table. It is our recommendation that the category be treated in the same manner as the category titled "Video Game Equipment" with a 4-year economic life and untrended index factor. As described above, the computerized gaming equipment of today is substantially similar to a video game machine with its graphics, sound, buttons, and overall computerized components. An economic life of 4 years correlates to a technological environment where today's computerized gaming machines lose their appeal and value in just a few years.

Please feel free to contact me with any questions or further information you may need to support the addition of "Computerized Gaming Equipment" to the Economic Lives and Valuation Table.

Respectfully Yours,



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