LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 415** HLS 25RS 588
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date:
Author: ECHOLS
Dept./Agy.: Economic Development/Lottery
Subject: Promotional Play Allowance for Capital Investments
Analyst: Mimi Blanchard

GAMING EG -$50,600,000 GF RV See Note

Authorizes enhanced promotional play allowances for gaming operators that make certain capital investments

Current law provides that gaming operators can deduct up to $5M annually from their net gaming proceeds and gross revenue for amounts directly attributable to promotional play wagers. This deduction from gaming proceeds is applied to riverboat casinos results in net gaming proceeds, which are taxed at 21.5%.
Proposed law retains current law and allows riverboat and land-based casino operators that make qualifying capital outlay expenditures to claim an additional promotional play credit (presumably each year and not tied to promotional play wagers) capped at the greater of 10% of the certified capital outlay or 20% of the gaming operator's gross gaming revenue with allowable carryforward for 10 years. Qualifying capital outlay as broadly defined in the bill includes expenditures made on or after January 1, 2022, for acquiring land, buildings, equipment, or presumably most typically scheduled renovations or improvements. Proposed law directs Louisiana Economic Development (LED) to develop and submit a strategic economic development plan to the legislature by January 1, 2027, with recommendations concerning gaming taxes and incentives.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	**INCREASE**	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total		**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	**($50,600,000)**	**($51,500,000)**	**($51,900,000)**	**($53,400,000)**	**($56,300,000)**	**($263,700,000)**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	**($29,100,000)**	**($29,600,000)**	**($29,900,000)**	**($30,700,000)**	**($32,400,000)**	**($151,700,000)**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**($79,700,000)**	**($81,100,000)**	**($81,800,000)**	**($84,100,000)**	**($88,700,000)**	**($415,400,000)**

EXPENDITURE EXPLANATION

Louisiana Economic Development (LED) reports that the bill will require additional SGF appropriations for a one-time increase in expenditures ranging from $500,000 to $1M to contract with an external firm to develop a strategic economic development plan and make recommendations to the legislature, including research, stakeholder engagement, drafting, and finalizing the report. LED reports that they do not currently have the internal expertise or funding to conduct this analysis, as traditional gaming operations are generally excluded from the agency's incentive programs. LFO believes this LED reporting will require at least $100,000 in expenditures, which is the dual referral threshold. DPS reports no additional expenditures.

REVENUE EXPLANATION

This bill will decrease state general fund and statutory dedications by expanding the promotional play deduction for riverboat and land-based casino gaming operators. Current law limits this deduction to $5M annually per operator, while the bill allows additional credits, presumably each year, which are capped at the greater of 10% of the investment or 20% of gross gaming revenue annually, with a 10 year carryforward. Although current law provides that the annual $5M deduction per operator must be directly attributable to promotional play wagers, there are no such provisions for the proposed credits. Almost any capital outlay expenditure regardless of the amount appears to qualify an operator for the additional credit. The fiscal note assumes that the credit is limited to the greater of 10% of capital expenditure or 20% of gross gaming revenue per year and not limited to the amount of capital expenditures, though the language may be subject to interpretation. The note also assumes all credits are taken immediately and not spread over the 10 year carryforward period.

Based on FY24 actual revenues and promotional play deductions, DPS estimates an annual reduction in riverboat casino fee collections of $75.6M (based on the greater of 10% of capital expenditures or 20% of net gaming proceeds per casino). All casinos except the newly opened casino qualify for the additional promotional credits based mostly on recent on-shore renovations. The credit amount was assumed to be 20% of gaming revenue for established casinos. It is expected that most, if not all, casinos will qualify every year due to planned capital expenditures that have historically taken place and appear to meet the capital outlay qualifiers in the bill. The bill has no sunset. **See note on page 2.**

Scaling that approach to the official forecast of gaming receipts on 12/19/24, the loss of state gaming receipts attributable to the bill is estimated to be $415.4M from FY26 to FY30, with approximately 63% of this loss associated with the state general fund ($263.7M), and approximately 37% associated with various statutory dedications ($151.7M = SELF Fund: $90.1M, Riverboat Gaming Enforcement Fund: $61.5M). Revenue losses are attributable to promotional play deducted by riverboat casinos only, since the land-based casino has a minimum payment obligation under which any increase in promotional pay deductions would occur. The current official forecast is fixed at the minimum payment throughout the forecast horizon. However, any remittances above the minimum payment obligation would flow to the Early Childhood Education Fund, and this bill would make that threshold more difficult to attain. **See table on page 2 for fund impact.**

Senate — Dual Referral Rules — House

[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}

[x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}

[x] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}

[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

Note: DPS analysis includes 14 riverboat casinos. For each, the option yielding the greater credit was assumed with 13 casinos qualifying under the 20% of gross gaming revenue cap, and one qualifying under the 10% of capital expenditures cap due to lack of revenue data. LFO's analysis held this selection constant across all fiscal years and did not account for potential changes in qualifying capital expenditures which could occur under the bill. As such, the fiscal impact assumes the same earned credit path for each casino annually, though in practice, capital outlay activity may vary year to year and shift the optimal selection for each operator.

	FY 26	FY 27	FY 28	FY 29	FY 30	Total Decrease
SGF	*($50,636,549)	($51,475,544)	($51,914,403)	($53,411,685)	($56,292,360)	($263,730,541)
Riverboat Gaming	($11,815,195)	($12,010,960)	($12,113,361)	($12,462,727)	($13,134,884)	($61,537,127)
SELF	($17,305,458)	($17,592,191)	($17,742,175)	($18,253,883)	($19,238,378)	($90,132,085)
Total	($79,757,202)	($81,078,696)	($81,769,938)	($84,128,295)	($88,665,622)	($415,399,753)

*Figures in the table on **page 1** are rounded to the nearest hundred thousand due to forecast variability and uncertainty in estimating future casino behavior and capital expenditure claims.

Senate	Dual Referral Rules	House
[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}		[x] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
[x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}		[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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