



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 323** SLS 18RS 386
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: March 28, 2018 11:04 AM	Author: MARTINY
Dept./Agy.: State Police / Gaming Control Board	
Subject: Free or Promotional Wagering	Analyst: Greg Albrecht

GAMING OR SEE FISC NOTE GF RV See Note Page 1 of 1
Provides for the deduction of fees attributable to qualified wagers from net gaming proceeds. (8/1/18)

Present law subjects the net gaming revenue of operators to taxation, regardless of how the wagers generating that revenue were financed by players (from their own resources or promotional or free play provided by the gaming operator).

Proposed law defines “qualified wagers” as the various cash equivalents (promotional or free play) provided to players by the gaming operator, and exempts from taxation of that amount of gaming revenue attributable to qualified wagers that exceeds a baseline of qualified wagering established after July 1, 2020 by the operator and the Gaming Control Board. New baselines may be established in subsequent years if the gaming operator has insufficient qualified wagering relative to the established baseline. Applicable to gaming activity on riverboat casinos. The Gaming Control Board is to promulgate rules to implement these provisions.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$10,550	\$0	\$0	\$0	\$0	\$10,550
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$10,550	\$0	\$0	\$0	\$0	\$10,550

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0				\$0

EXPENDITURE EXPLANATION

The Dept. of Public Safety expects to incur \$10,550 of one-time programming costs (overtime and related benefits) to modify the existing system to track promotional play credits (qualified wagers), so that the correct amount of gaming tax can be exempted on these wagers relative to the baseline amounts established for each operator. This cost would presumably be charged against gaming tax receipts currently dedicated to Public Safety. If those resources are insufficient, state general fund support would be necessary to cover these costs.

REVENUE EXPLANATION

The bill would apply to gaming tax receipts beginning in FY21 (after July 1, 2020, both general fund and dedicated amounts). The amount of baseline promotional play that will exist at that point is unknown, and the bill provides no guidance as to how the baselines are to be determined and what period of time will be the period of gaming activity that determines the baselines. However, Public Safety estimates that currently there is approximately \$251 million of promotional play generating some \$48 million of state gaming tax revenue, collectively associated with riverboats, the land-based casino, and racetrack slots. Simple pro-ration based on the proportion of operator gaming revenue suggests promotional play at riverboats alone may be some \$188 million (75%) generating some \$36 million of state gaming revenue. Presumably, some greater figure will be established as the collective baseline for riverboats once operators apply to the Board to establish their respective baselines after July 1, 2020. The baseline amounts will still be subject to gaming taxation, and only promotional play above the baselines will effectively be exempt from gaming tax.

The current official forecast of gaming tax receipts from this type of gaming is flat throughout the forecast horizon. Within this forecast is, implicitly, promotional play. Given the stability of the overall forecast, the promotional play component is presumably stable, as well. Thus, exempting promotional play above a baseline presumably considered in the forecast does not reduce anticipated state tax receipts. However, this assessment depends on forecasts of gaming activity and the implicit promotional play component remaining stable and not moving to an upward trend. It also depends on the baselines not being established below the levels that would likely otherwise exist in the absence of this bill (for example, the approximate \$188 million collective figure for riverboats).

State tax receipts may be exposed to loss, however, from the provision allowing new baselines to be established if a gaming operator can not utilize an established baseline. This seems to allow subsequent baselines to be established that would allow promotional play that is subject to tax to be exempted from tax upon establishment of a new lower baseline.

It is also possible that gaming operators will make greater use of promotional play offers that, while increments over the baseline being exempt from tax themselves, lead to a greater amount of taxable gaming play than would otherwise be the case.

Senate	Dual Referral Rules	House	
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	John D. Carpenter
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	Legislative Fiscal Officer