

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 5** SLS 201ES 12  
 Bill Text Version: **ENROLLED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> June 25, 2020 4:21 PM	<b>Author:</b> JOHNS
<b>Dept./Agy.:</b> Public Safety	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Deduct Promotional Play From Gaming Tax Base	

GAMING EN -\$11,200,000 RV See Note Page 1 of 1  
 Provides relative to promotional play wagers. (Item #36) (gov sig)

Present law defines gaming operator revenue subject to tax and fee levies for riverboat casinos, the land-based casino, and racetrack slot machines.

Proposed law provides that \$5 million annually of net gaming proceeds attributable to promotional play wagers be deducted from gaming operator revenue subject to tax and fee levies for riverboat casinos, the land-based casino, and racetrack slot machines.

Effective upon governor's signature.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$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
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	(\$4,600,000)	(\$6,700,000)	(\$7,500,000)	(\$7,600,000)	(\$7,600,000)	(\$34,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	(\$6,600,000)	(\$9,600,000)	(\$10,800,000)	(\$11,000,000)	(\$11,000,000)	(\$49,000,000)
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>(\$11,200,000)</b>	<b>(\$16,300,000)</b>	<b>(\$18,300,000)</b>	<b>(\$18,600,000)</b>	<b>(\$18,600,000)</b>	<b>(\$83,000,000)</b>

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

**REVENUE EXPLANATION**

State Police reports that promotional play wagers accounted for approximately \$251 million (10.2%) of gaming operator revenue in 2019. Using a weighted average tax rate of 20.6% across all three forms of gaming affected by the bill, State Police estimated that exclusion of these wagers from state tax and fee levies in 2019 would have reduced total state gaming receipts by some \$52 million. State Police then applied an exemption of \$5 million of operator gaming revenue to the 2019 activity levels to generate a state gaming tax revenue loss totaling \$19.8 million.

Scaling that aggregate approach to the official state revenue forecasts of gaming receipts adopted May 11, 2020, reduced in response to the coronavirus pandemic, the loss of state gaming receipts attributable to the bill is estimated at \$11.2 million in FY21, with approximately 41% of this loss associated with the state general fund (\$4.6 million), and approximately 59% associated with various statutory dedications (\$6.6 million; the SELF Fund-\$2.1M, riverboat enforcement-\$3.4M, parish education funds & N.O. sports franchise support-\$1.1M). Revenue losses here are attributable to promotional play deducted by riverboat and racetrack slot casinos only, since the land-based casino has a minimum payment obligation. This bill would reduce land-based casino remittances to the state in the case where casino gross revenue exceeds \$280 million per year. This has occurred often in the past, but is not expected to occur in the current official forecast horizon. As gaming activity returns over time, state revenue losses increase as contained in the table above.

It is possible that exempting promotional play from the tax base would encourage more use of it by the industry, and attract more taxable play. Based on the official revenue forecasts, taxable play would have to increase by some 11.4% (solely attributable to the use of promotional wagers) more than the recovery of the industry already anticipated in the official forecasts in order to offset the state tax revenue loss from exempting promotional play entirely from tax. The \$5 million/property exemption here requires a 4.3% increase in taxable play (solely attributable to the use of promotional wagers) above the already anticipated industry recovery. It is also possible, though, that the reluctance of customers to return to casinos in the period of recovery/reopening after the Covid-19 pandemic event may require the industry to use more promotional play for any given dollar of taxable play, resulting in greater state revenue losses than estimated above.

Senate Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House  
 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}

*Evan Brasseaux*  


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