

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 64** HLS 201ES 209
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 19, 2020 3:53 PM	Author: STEFANSKI
Dept./Agy.: Public Safety - Gaming Control Board	Analyst: Greg Albrecht
Subject: Fantasy Sports Contests - Taxation	

TAX/GAMING RE INCREASE SD RV See Note Page 1 of 1
 Levies a state tax on the net revenue of fantasy sports contests (Item #17)

Proposed law imposes a tax of 8% on the net revenues (entry fees less winnings paid to players) of fantasy sports contests offered to consumers within the state, due and payable monthly. The gaming division of State Police shall collect the taxes, and deposit the collections into the Louisiana Early Childhood Education Fund.

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.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

REVENUES	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	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

State Police reports that the administration of fantasy sports taxation may require two additional positions; an auditor and an investigator (approximately \$200,000 of payroll, related benefits, and operating expenses) plus one-time modifications to the gaming activity and remittance system (\$70,000). Actual requirements will be determined as the overall regulatory structure for fantasy sports wagering is established. Permitting/licensing fees are typically utilized to offset administrative and enforcement costs.

REVENUE EXPLANATION

Fantasy sports contests were authorized by Act 322 of 2018, and approved in 47 parishes at the November 6, 2018 statewide election. Assuming a regulatory and tax collection framework is adopted, the potential revenue base is discussed here.

The magnitude of fantasy sports contests net revenue in the state is speculative. Limited information on this activity suggests that total tax receipts the state might expect to eventually receive are relatively small. The New York State Gaming Commission reports that interactive fantasy sports in Apr'17-May'18 generated only \$4.038 million in tax receipts, based on a tax rate rate of 15%, and with New York state residents comprising 9.3% of nationwide gross revenue of this industry. Louisiana residents of the 47 parishes that approved fantasy sports contests would comprise a much smaller share of industry revenue, and this bill levies a tax rate only 53% as high. Simply using the state population share of the nation (1.4%) and the 8% tax rate of this bill, the New York report implies only about \$375,000 of tax receipts to Louisiana. This rough extrapolation might be somewhat low, since the New York participation share (9.3%) is over 60% larger than the NY state's share of nationwide population (6%). However, not all of the Louisiana population would be able to participate without being in an approved parish when participating.

It is not clear if full year tax receipts are likely in FY21, but are presumably likely in FY22 and beyond. What collections that do occur are dedicated to the Louisiana Early Childhood Education Fund.

In addition, the REC has typically not adopted gaming revenue estimates for new forms or venues until after the activity has been observed for some time.

Senate
 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}

John D. Carpenter
 Legislative Fiscal Officer