

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 459** HLS 19RS 473

Bill Text Version: **RE-REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 27, 2019 9:28 AM	Author: TALBOT
Dept./Agy.: Public Safety - Gaming Control Board	Analyst: Greg Albrecht
Subject: Fantasy Sports Contests - Taxation	

GAMING RR +\$94,000 SG EX See Note Page 1 of 2
Provides relative to fantasy sports contests

Proposed law provides for fantasy sports contest operators to be licensed in the state, and provides various definitions.

Provides that, if either HB 495 or HB 600 of this session be enacted and effective, it is the intent of the legislature that no tax shall be levied on net revenue of fantasy sports contests. Both of these bills provide for the taxation of fantasy sports.

Effective July 1, 2019.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$51,000	\$94,000	\$94,000	\$94,000	\$94,000	\$427,000
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	\$51,000	\$94,000	\$94,000	\$94,000	\$94,000	\$427,000

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	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
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Fantasy sports contests were authorized by Act 322 of 2018, and approved in 47 parishes at the November 6, 2018 statewide election. The operation of fantasy sports contests in parishes that approved is subject to the enactment of laws and regulations for the licensing, regulation, and taxation of such activity. To implement this bill, state police currently anticipates the need for 1 auditor position. The first year costs to operate and equip this position are roughly \$94,000 (\$7,000 in initial equipping and \$87,000 in personnel and operating costs). Full equipping costs and half-year personnel costs are displayed above for FY20 as the regulatory apparatus is set up. Depending on the number of operators and levels of activity, fewer resources may be needed to regulate this industry, and some regulatory effort might be handled by existing resources. However, this is a new and additional activity for the control board and gaming division, and some additional resources seem likely to be needed to adequately regulate the industry. Permitting/licensing fees are typically utilized to offset administrative/enforcement costs. While this bill provides no allocation from any of the proceeds collected for regulation/enforcement, other bills in the legislative process (HB 495 and HB 600) do contain such provisions. Thus, subject to appropriation, these costs are assumed to be financed by self-generated revenue in this fiscal note.

REVENUE EXPLANATION

This bill makes no provisions for tax or fee collections (these provisions are contained in HB 495 and HB 600). Information pertaining to the potential revenue base is discussed below. However, the bill includes a provision, explicitly tied to the enactment of either HB 495 or HB 600, that states legislative intent is not to tax this activity.

The magnitude of fantasy sports contests in the state that would be affected by the bill 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 2017 generated only \$4.8 million in tax receipts, based on a tax rate rate of 15%, and with New York state residents comprising 9.45% 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 renewal license fee rate against operator net revenue only 2/3 as high. Simply using the state population share of the nation (1.4%) and the bill's fee rate, the New York report implies only about \$470,000 of tax receipts to Louisiana. This rough extrapolation might be somewhat low, since the New York participation share (9.45%) is over 60% larger than the state's share of nationwide population (6%). However, not all of the Louisiana population would be able to participate without being in an approval parish when participating.

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}

John D. Carpenter
Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one:

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Continued Revenue Explanation

The Gaming Control Board and State Police have been working on drafting rules for this activity, but can not begin promulgation until the bill is enacted. That process takes about 5 months, followed by a licensing process. Full year tax receipts do not seem likely until FY21 and beyond. 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

Dual Referral Rules

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