

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 498** HLS 19RS 574

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 15, 2019 7:31 PM	Author: ABRAMSON
Dept./Agy.: Public Safety - Gaming Control Board	Analyst: Greg Albrecht
Subject: Sports Wagering - Taxation	

TAX/GAMING OR +\$477,000 GF EX See Note Page 1 of 1
Levies a state tax on the net gaming proceeds of sports wagering, dedicates the avails of the tax, and provides for a fee

Proposed law imposes a state tax of 8% of the monthly net gaming proceeds of sports wagering gaming offered within the state. An annual gaming license or permit fee of \$5,000 is also levied. Collections are to be deposited into the state treasury, to be allocated 50/50 to the state general fund and the Early Childhood Education Fund. Parish governments are authorized to levy a tax up to 4% on net gaming proceeds of sports wagering gaming offered within their parishes.

Effective the day after the effective date of any law enacting sports wagering gaming, including any vote of the electors for approval at an election held for such purpose.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$477,000	\$460,000	\$460,000	\$604,000	\$460,000	\$2,461,000
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	\$477,000	\$460,000	\$460,000	\$604,000	\$460,000	\$2,461,000

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

Sports wagering has yet to be authorized in the state, and would also require voter approval in parishes with venues, as contemplated in the bill. Assuming such authorizations and voter approvals occur, in order to implement the bill, state police anticipates the need for 5 positions (two troopers, 2 auditors, and one investigative specialist). The first year costs to operate and equip this staff group is some \$707,000 (\$247,000 in initial system setup and equipping and \$460,000 in personnel and operating costs). State Police anticipates replacement equipment acquisitions by the fourth year of operation. Full equipping costs and half-year operations 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.

REVENUE EXPLANATION

The magnitude of sports wagering in the state is speculative, and would depend heavily on the authorized and approved structure (locations, mobile, licensees etc). Limited information on this activity suggests that total tax receipts the state might expect to eventually receive are relatively small. The state of Nevada has allowed sports betting for a number of years and dominates the industry. On nearly \$5 billion of wagering in 2018, the state generated only about \$20 million of tax revenue from a 6.75% tax rate. Sports wagering in Mississippi has been reported for 7 months, generating \$2.5 million of tax revenue from a 12% tax rate. This might annualize to some \$5 million of tax revenue.

The bill contemplates the approval of electors at an election, and the earliest this could occur is at the statewide election scheduled for October 12, 2019. Implementation of sports wagering would then require the promulgation of rules and regulations by the Gaming Control Board; a process that takes about 5 months, followed by a licensing process. Full year tax receipts don't 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
 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