

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4002

STATE OF NEW JERSEY

DATED: SEPTEMBER 17, 2020

The Assembly Appropriations Committee reports favorably Assembly Bill No. 4002.

This bill allows a deduction of promotional gaming credit from gross revenues on sports wagering.

Under current law, the sums received by a casino or horse racing permit holder from sports wagering and Internet sports wagering is subject to an 8.5 percent tax for brick and mortar wagering, 13 percent tax for Internet wagering, and 1.25 percent tax for the Casino Reinvestment Development Authority. Various casinos and racetracks with sports pool operators and Internet sports pool operators utilize promotional wagers and free bets to attract new patrons to their wagering operation. The promotional wagers and free bets are paid out by the operator and applied to the patron's account for use on all or certain sporting events, dependent on the operator's promotion.

This bill states that free bet amounts or promotional wagering amounts provided by a casino or racetrack that holds a sports wagering license given to patrons as promotional funds will qualify for a promotional gaming credit, whether or not such amounts include a play-through requirement or other restriction, if the amount is actually wagered by the patron.

Under this bill, the first \$12,000,000 of promotional gaming credits for Internet sports wagering issued by all casinos and racetracks that hold a sports wagering license would still be taxed as gross revenue for Internet sports wagering. Any amount above that would be deducted from the gross revenues for Internet sports wagering and not taxed. The first \$8,000,000 of promotional gaming credits for non-Internet sports wagering issued by all casinos and racetracks that hold a sports wagering license would still be taxed as gross revenue for non-Internet sports wagering. Any amount above that would be deducted from the gross revenues for non-Internet sports wagering and not taxed.

The Division of Gaming Enforcement (DGE) will provide regulations to ensure that the deductions from promotional gaming credits do not result in a negative fiscal impact to the Casino Revenue Fund, or the General Fund as appropriate. For the purposes of this bill, "negative fiscal impact to the Casino Revenue Fund or the General Fund" means that the amount generated from taxation of promotional gaming credits falls below the level generated in calendar year 2017.

FISCAL IMPACT:

The Office of Legislative Services (OLS) concludes this bill will reduce revenue statutorily earmarked for the Casino Revenue Fund and the General Fund by allowing casino and horse racing permit holders to deduct promotional gaming credits from their gross sports wagering revenues. However, the absence of data related to the current application of promotional gaming credits within New Jersey's sports wagering industry precludes the OLS from generating an estimate.

For each \$1 million in promotional gaming credits that a permit holder can deduct against gross revenue because of this bill, the State revenue loss would be roughly \$100,000 to \$150,000 when accounting for the two different tax rates (i.e. brick and mortar vs. Internet) and the additional 1.25 percent tax.