

LEGISLATIVE FISCAL ESTIMATE
SENATE CONCURRENT RESOLUTION No. 133
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: NOVEMBER 6, 2020

SUMMARY

- Synopsis:** Amends State Constitution to permit sports wagering through casinos and current or former horse racetracks on certain sanctioned collegiate tournament, playoff, championship, or other postseason athletic competitions in New Jersey.
- Type of Impact:** Periodic State revenue increase to the Casino Revenue Fund and the General Fund; periodic increase in revenue to the Casino Reinvestment Development Authority and certain local government units.
- Agencies Affected:** Department of the Treasury, Casino Reinvestment Development Authority, and certain local government units.

Office of Legislative Services Estimate

Periodic Fiscal Impact	
State Revenue Increase	Indeterminate
CRDA Revenue Increase	Indeterminate
Local Revenue Increases	Indeterminate

- The Office of Legislative Services (OLS) estimates that the concurrent resolution will periodically increase State revenues deposited into the Casino Revenue Fund and the General Fund, as well as the revenues received by the Casino Reinvestment Development Authority (CRDA) and certain local government units.
- These revenue increases would result from the expansion of the sports wagering tax base to include wagers placed on certain in-State collegiate sporting events, for which sports wagering is currently prohibited. The OLS assumes that the total volume of sports wagers will be increased by this expansion, thereby increasing (1) the sports wagering gross revenues generated by licensed casinos and racetracks, and (2) the total tax liabilities of those entities.
- Given that the OLS cannot predict the number and the frequency of postseason collegiate sporting events that will be held in the State, and the amount of gross revenues that will be generated from wagering on such events, the OLS is unable to quantify the magnitude and the timing of anticipated revenue increases that would result from the concurrent resolution.

BILL DESCRIPTION

This concurrent resolution proposes to amend the State Constitution to permit wagering through casinos and current or former racetracks on a collegiate sport or athletic event that takes place in New Jersey as a tournament, playoff, championship, or other postseason competition. Wagering on these collegiate sporting events would be permitted even if a New Jersey college team participates in the event. A nonprofit collegiate athletic association that is led by its members would be required to sanction the event.

Currently, the State Constitution prohibits sports wagering on any collegiate sport or athletic event held in New Jersey or in which a New Jersey college team participates. Wagering is permitted only through casinos and current or former racetracks.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the concurrent resolution would periodically increase State revenues deposited into the Casino Revenue Fund and General Fund by an indeterminate amount. The concurrent resolution would also increase periodic revenues received by the CRDA and, by way of distributions from the State, certain local government units. These revenue increases would result from the expansion of the sports wagering tax base to include wagers placed on certain in-State collegiate sporting events, for which sports wagering is currently prohibited. However, given that the OLS cannot predict the number and the frequency of postseason collegiate sporting events that will be held in the State nor the amount of gross revenues that will be generated from accepting wagers on such events, the OLS is unable to quantify the magnitude and the timing of anticipated revenue increases that would result from the concurrent resolution.

Taxation of Licensed Racetracks – State and Local Revenue Increases

The concurrent resolution is expected to periodically increase State and local revenues through the increased taxation of sports wagering revenues at racetracks.

Under current law, the State imposes three distinct taxes on the revenues realized by licensed racetracks from sports wagering operations, less the amounts paid to patrons as winnings: (1) an 8.5 percent tax on the sums received from sports wagering, paid to the General Fund; (2) a 13 percent tax on the sums received from Internet sports wagering, paid to the General Fund; and (3) a 1.25 percent tax on all sports wagering, disbursed to certain local government units for economic development purposes.

The proceeds of the 1.25 percent tax are distributed by the Department of Community Affairs upon application by qualifying municipalities and counties, as follows: (1) 0.75 percent paid to the municipality in which the majority of the racetrack is located (e.g. the boroughs of Oceanport and Freehold); (2) 0.5 percent paid to the county in which the racetrack is located (e.g. Monmouth County); or (3) an undesignated amount paid to an economic development authority of the municipality and county in which the racetrack is located. However, the proceeds of the 1.25

percent tax generated from the Meadowlands Racetrack are instead used to pay Meadowlands adjustment payments to municipalities in the Meadowlands District.

As noted, the concurrent resolution is expected to increase the number of sporting events on which licensed racetracks may accept wagers. The OLS assumes that this expansion will increase the total volume of sports wagers placed in the State from time to time, thereby increasing the sports wagering gross revenues generated by licensed racetracks, as well as the total sports wagering tax liabilities of those racetracks. Consequently, the OLS expects the concurrent resolution to marginally increase State tax revenues that will be deposited into the General Fund. Similarly, the OLS also expects certain local government units to experience marginal revenue increases associated with the receipt of the 1.25 percent economic development tax.

Taxation of Licensed Casinos – State and CRDA Revenue Increases

The concurrent resolution is expected to increase periodic State and CRDA revenues through the increased taxation of sports wagering revenues at licensed casinos.

Under current law, a licensed casino that realizes revenue from sports wagering is subject to the following State taxes on revenue from sports wagering operations, less the total of all sums actually paid out as winnings to patrons: (1) an 8.5 percent tax on retail sports wagering, paid to the Casino Revenue Fund; (2) a 13 percent tax on online sports wagering, paid to the Casino Revenue Fund; and (3) a 1.25 percent tax on all sports wagering, paid to the CRDA for promoting the City of Atlantic City.

By authorizing sports wagering on certain in-State collegiate sporting events, the concurrent resolution would increase the number of sporting events from time to time on which licensed casinos may accept wagers. As a result, the OLS assumes that licensed casinos will generate increased gross revenues from sports wagering, thereby increasing the sports wagering tax liabilities of those casinos. The OLS therefore expects the concurrent resolution to marginally increase the amount of State revenues that will be periodically deposited into the Casino Revenue Fund and remitted to the CRDA.

Section: *Revenue, Finance, and Appropriations*
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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).