

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 4002
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: JULY 23, 2020

SUMMARY

Synopsis: Allows deduction of promotional gaming credit from gross revenue on sports wagering.

Type of Impact: Annual State loss of revenue to the General Fund and the Casino Revenue Fund.

Agencies Affected: Casino Control Commission; Casino Reinvestment Development Authority; Department of Community Affairs; Department of Law and Public Safety; and Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2021 and Thereafter</u>
Annual State Revenue Loss	Indeterminate

- 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.

BILL DESCRIPTION

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 are 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.

Under this bill, the first \$12 million of promotional gaming credits for Internet sports wagering issued by all casinos and racetracks that hold a sports wagering license would still be taxed, but any amount in excess would be deductible from the gross revenues for Internet sports wagering. The first \$8 million 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, but any amount in excess would be deductible from the gross revenues for non-Internet sports wagering.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The 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.

The bill's gross revenue deduction is based on the total value of promotional gaming credits redeemed by a casino's patrons in excess of \$12 million for Internet sports wagering and \$8 million for non-Internet sports wagering. 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.

Section: *Revenue, Finance and Appropriations*
Analyst: *Jordan M. DiGiovanni*
 Revenue Analyst
Approved: *Frank W. Haines III*
 Legislative Budget and Finance Officer

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.).