

# LEGISLATIVE FISCAL ESTIMATE

[Fourth Reprint]

**SENATE, No. 2400**

## **STATE OF NEW JERSEY 219th LEGISLATURE**

DATED: JUNE 24, 2021

### **SUMMARY**

<b>Synopsis:</b>	Provides temporary modifications to payment and use of certain casino gaming taxes and fees; permanently redefines promotional gaming credits to include certain coupons and table game wagers; requires priority funding for senior and disabled transportation services.
<b>Type of Impact:</b>	Reduction in State revenues; potential shift in State revenues between FY 2022 and FY 2023.
<b>Agencies Affected:</b>	Casino Control Commission; Casino Reinvestment Development Authority; Department of Law and Public Safety; and Department of the Treasury.

### **Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>FY 2022</u></b>	<b><u>FY 2022</u></b>
<b>State Revenue Loss</b>	\$56.3 million to \$98.0 million	At least \$7.2 million
<b>State Revenue Shift</b>	Indeterminate	

- The Office of Legislative Services (OLS) estimates that this bill could reduce FY 2022 revenues by \$56.1 million to \$97.3 million and FY 2023 revenues by at least \$7.2 million. The bill may also shift revenue from FY 2022 to FY 2023 by a negligible amount depending upon when the bill is enacted.
- The OLS notes that the fees deferred and waived by the bill are likely used, at least in part, to satisfy debt service and operational costs. The Casino Reinvestment Development Authority (CRDA) may have to utilize other sources of funding for debt service and operations that are traditionally covered by those fees.

### **BILL DESCRIPTION**

This bill provides for temporary modifications to the payment and use of certain casino gaming taxes, fees, and promotional gaming credits.

The bill allows for certain licensing and other fees imposed on casino licensees to be deferred during the six-month period immediately following the bill's effective date. The annual license fee on each slot machine would be waived for a 12-month period commencing on the first day of the next calendar month following the effective date of the bill. The deferment or waiver would not apply to any fees imposed on a casino licensee or its Internet gaming affiliate for the issuance or renewal of any Internet gaming license or permit, or to any amounts required to be deposited in the Casino Control Fund (CCF) from Internet wagering inactive or dormant accounts.

The bill requires any surplus funds held by the Division of Gaming Enforcement in the CCF, or held by the division due to an overpayment of the investment alternative tax in the case of a downward adjustment of the casino licensee's audited gross revenues, to be returned to the casino licensee within a specified time period.

This bill provides for a reduced tax liability on casino gross revenue tax for brick-and-mortar casino properties. The reduced tax liability would be in effect during the 12-month period commencing on the first day of the calendar month following the effective date of the bill. To remain eligible to receive the tax liability reductions, the bill requires each casino licensee to submit certain information to the State Treasurer and the Division of Gaming Enforcement, at the same time that the reduced tax payments are made.

This bill temporarily allows casino licensees, during the 24-month period commencing on the first day of the calendar month following the effective date of the bill, to receive a monthly deduction from gross revenues taxed in an amount equal to the full amount of promotional gaming credits, including match play coupons and table game wager coupons, reported each month by that licensee.

The bill prohibits a casino operator from using funds or savings resulting from this bill to repurchase stock or stock options, or to provide for bonuses for any officer or employee. This bill does not impact any casino licensee's tax liabilities on gross revenues realized from casino simulcasting, internet gaming, or sports wagering.

The bill requires that for State Fiscal Years 2021 and 2022, appropriations to the New Jersey Transit Corporation from the revenues deposited in the Casino Revenue Fund (CRF) shall be given priority to ensure that the corporation receives an amount equal to 8.5% of the revenues deposited in the fund during the State Fiscal Year 2019, as determined by the State Treasurer, to effectuate the purposes and provisions of P.L.1983, c.578 (C.27:25-25 et seq.).

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS estimates that this bill could reduce FY 2022 revenues by \$56.1 million to \$97.3 million and FY 2023 revenues by at least \$7.2 million. The bill may also shift revenue from FY 2022 to FY 2023 by a negligible amount depending upon when the bill is enacted. The OLS notes that the fees deferred and waived by the bill are likely used, at least in part, to satisfy debt service and operational costs. The CRDA may have to utilize other sources of funding for debt service and operations that are traditionally covered by those fees.

*Licensing and Other Fee Deferrals and Waivers*

Based on the State's Comprehensive Annual Financial Report for FY 2020, the CCF had total revenues of \$50.3 million from licenses and fees. With a few exceptions, the bill defers or waives the payment of licensing and other fees that impact the CRDA, CCF, and CRF. This deferment is set to last for six months following the effective date of the bill. For most fees, each casino licensee would have to pay back the deferred amounts over a 12-month period. Thus, the bill could shift, at least in part, revenue from casino licenses and fees to FY 2023 depending on when the bill is enacted.

The bill waives the cost of the annual slot machine license fee for a 12-month period commencing on the first day of the next calendar month following the effective date of the bill. The OLS notes that the FY 2022 Governor's Budget Message includes an estimate of 17,767 slot machine licenses in FY 2022. At a cost of \$500 per annual license, the projected one-time revenue loss is \$8.9 million for FY 2022.

*Alternative Gross Revenue Tax Calculation*

The bill prescribes a new formula for the calculation of a casino's eight percent tax liability on gross revenues for a 12-month period commencing on the first day of the next calendar month following the effective date of the bill. Based on monthly press releases published by the Division of Gaming Enforcement, gross revenue tax collections between March 2019 and February 2020 totaled \$194.0 million across all licensees. This amount was based on casino win totaling \$2.7 billion in that same period.

Based on casino win and tax revenue performance in January 2021 and February 2021, the OLS attempted to project how the bill's tax liability reduction could affect revenues. Total tax revenue in January 2021 was \$11.2 million and \$10.4 million in February 2021 compared to \$13.6 million in January 2020 and \$15.6 million in February 2020. The calculation prescribed in the bill would have likely allowed reductions of 25 to 50 percent for most casinos' gross revenue tax payments. A comparison of more recent data from March, April, and May show that the reductions in liability would be closer to 25 percent. Assuming that liability reductions are 25 percent for a full fiscal year, the revenue loss would be \$40.7 million in FY 2022 based on the Executive's FY 2022 gross revenue tax estimate of \$162.7 million. If the liability reductions were 50 percent, the revenue loss would be \$81.4 million for FY 2022.

*Promotional Gaming Credits*

The bill also modifies and enhances a deduction provided to casino licensees against their gross revenues for promotional gaming credits. The bill removes the \$90.0 million threshold for the 24-month period commencing on the first day of the next calendar month following the effective date of the bill. Essentially, \$180.0 million in promotional gaming credits would no longer be taxable pursuant to this section. At the eight percent gross revenue tax rate, this will reduce revenues by \$14.4 million over two years. In addition to promotional gaming credits, casino licensees will also be temporarily allowed to deduct match play coupons and table game wager coupons because of the bill, which will further reduce revenues.

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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.).