

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

[Second Reprint]

SENATE, No. 2400

with committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 22, 2020

The Assembly Budget Committee reports favorably Senate Bill No. 2400 (2R) with committee amendments.

As amended by the committee, this bill provides for temporary modifications to the payment and use of certain casino gaming taxes and fees due to the COVID-19 Public Health Emergency and State of Emergency declared by the Governor in Executive Order No. 103 of 2020. This bill also amends current law to redefine promotional gaming credits issued by casino licensees to include match play coupons and table game wager coupons. The bill also amends current law to require priority funding for senior citizen and disabled residents transportation services funded from the Casino Revenue Fund.

The bill allows for certain licensing and other fees imposed on casino licensees, that are deposited to the Casino Control Fund, to be deferred during the period the licensee's casino hotel facility remains closed due to the emergencies, and during the six-month period immediately following the date that the casinos are permitted to reopen after the emergency declarations. The amounts deferred would be required to be paid by each casino licensee in equal monthly installments over the 12-month period following the deferment period. Under the bill, the annual license fee of \$500 imposed on each slot machine, and that fee imposed on a pro-rata basis, would be reimbursed from July 1, 2020 through October 30, 2020, inclusive. The deferment or reimbursement 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 from Internet wagering inactive or dormant accounts.

The bill requires any surplus funds held by the Division of Gaming Enforcement in the Casino Control Fund, 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 five business days following the effective date of the bill, and then, for the six months

following that effective date, within 30 days following the end of each fiscal quarter, to mitigate the impacts of the emergencies.

This bill provides for a reduced tax liability on casino gross revenue tax obligations for brick-and-mortar casino properties reopening following their closure due to the COVID-19 emergency declarations. The reduced tax liability would be in effect during the 12-month period commencing on the date that the casinos are permitted to reopen after the declarations and ending on the last day of the 12th month thereafter. Under current law, casinos are required to pay an 8% tax on the gross revenues generated from gaming at their brick-and-mortar casino properties. Under the bill, each casino's tax obligations would be reduced, on a monthly basis during that period, to be calculated subject to rounding, as follows:

(1) for each calendar month in which the gross revenues are less than 25% of the gross revenues for the same calendar month immediately prior to March 1, 2020, the gross revenues tax obligation would be zero;

(2) for each calendar month in which the gross revenues are at least 25% and not more than 49% of the gross revenues for the same calendar month immediately prior to March 1, 2020, the gross revenues tax obligation would be 25% of the full amount that would normally be due;

(3) for each calendar month in which the gross revenues are at least 50% and not more than 74% of the gross revenues for the same calendar month immediately prior to March 1, 2020, the gross revenues tax obligation would be 50% of the full amounts that would normally be due; and

(4) for each calendar month in which the gross revenues are at least 75% and not more than 99% of the gross revenues for the same calendar month immediately prior to March 1, 2020, the gross revenues tax obligation would be 75% of the full amounts that would normally be due.

The full tax obligations would be due in each calendar month in which the gross revenues are 100% or more of the gross revenues for the same calendar month immediately prior to March 1, 2020.

To remain eligible to receive the tax liability reductions, the bill requires each casino licensee to submit to the State Treasurer and the Division of Gaming Enforcement, at the same time that the reduced tax payments are made, a report documenting that an amount equal to the entire dollar amount reduced, that was not subject to collection by the State, is being expended by the licensee to: (1) promptly re-hire and employ former employees and new applicants, which shall include a certification by each casino licensee that the licensee has made a good faith effort to rehire former and new employees commensurate with an increase in business activity; (2) attract tourists, gaming, and hospitality patrons to visit and stay at the casino hotel property; (3) market and promote events that would draw visitors to the property or

Atlantic City, such as entertainment and conventions; and (4) any other activity the State Treasurer or the division deem beneficial to the return of pre-emergency economic, gaming, and tourism levels to Atlantic City.

This bill amends current law to redefine promotional gaming credits to include match play and table game coupons that are issued by the licensee and redeemed its patrons. This bill temporarily allows casino licensees, during the 12-month period commencing on the date that the casinos are permitted to reopen and ending on the last day of the 12th month thereafter, to receive a monthly deduction from the 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. Currently, casinos are permitted to take such deductions only for the amount of promotional gaming credits redeemed in a tax year that exceed \$90,000,000. The \$90,000,000 threshold would not apply during the 12-month period.

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.

Finally, the bill provides priority funding from the Casino Revenue Fund for "The Senior Citizen and Disabled Resident Transportation Assistance Program." Under the bill, for the State Fiscal Year 2021, appropriations to the corporation from the revenues deposited in the Casino Revenue Fund 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.).

As amended and reported by the committee this bill is identical to Assembly Bill No. 4032 which also was amended and reported from the committee on this date.

COMMITTEE AMENDMENTS:

The committee amended the bill to:

(1) insert a findings and declarations section concerning the impacts of the COVID-19 emergencies on the casino industry and the State and regional economies;

(2) provide for a reimbursement of the \$500 slot machine fee from July 1, 2020 through October 30, 2020, instead of a waiver of that fee through June 30, 2021;

(3) remove from the bill the provision concerning the casino hotel room fee;

(4) remove references to the investment alternative tax from the provision concerning the period of reduced gross revenues tax liability;

(5) require each casino licensee to certify that the licensee has made a good faith effort to rehire former and new employees commensurate with an increase in business activity;

(6) remove a provision that would have permanently allowed each casino licensee to receive a gross revenues tax deduction for the full amount of promotional gaming credits issued by the licensee and redeemed by patrons;

(7) temporarily allow, for a 12-month period, each casino licensee to receive a gross revenues tax deduction for the full amount of promotional gaming credits, including match play and table game wager coupons, issued by the licensee and redeemed by patrons;

(8) remove a provision that would have required the Casino Reinvestment Development Authority to commit any available funds in its general fund for a marketing campaign;

(9) prohibit each casino 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; and

(10) remove the \$100 million General Fund appropriation to the New Jersey Economic Development Authority.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that the bill will result in indeterminate temporary decreases in State revenues, and a shift in the timing of when certain revenues are received into future fiscal years. The OLS cannot quantify all aspects of the bill due to certain factors, including the extent and timing of casino economic activity returning to pre-Covid-19 levels.