

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

## SENATE, No. 3994 STATE OF NEW JERSEY 219th LEGISLATURE

DATED: DECEMBER 10, 2021

### SUMMARY

- Synopsis:** Temporarily modifies taxes and credits of casino licensees; permanently redefines promotional gaming credits to include certain coupons and table game wagers; requires priority funding for senior and disabled transportation services.
- Type of Impact:** Temporary and permanent reductions in State revenues to the Casino Revenue Fund.
- Agencies Affected:** Department of Law and Public Safety;  
Department of the Treasury

#### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3 and Thereafter</u></b>
<b>State Revenue Loss</b>	\$27.2 million	\$7.2 million	Indeterminate
<b>State Expenditure Decrease</b>		Indeterminate	

- The Office of Legislative Services (OLS) estimates that this bill will reduce State revenues over an initial 12-month period by at least \$27.2 million and an additional \$7.2 million over the subsequent 12-month period. Of the \$34.4 million in quantifiable revenue loss, \$20 million is derived from the bill's tax credits for casino licensees, which would be awarded over a 12-month period. The remaining \$14.4 million revenue loss comes from a more generous promotional gaming credit deduction, which would be in effect for a 24-month period.
- The bill also permanently modifies the definition of promotional gaming credit to allow casino licensees to deduct match play coupons and table game wager coupons, which will result in a recurring indeterminate revenue loss to the Casino Revenue Fund. The OLS notes that allowing these coupons to be deductible could prompt casino licensees to increase the amounts being awarded, which in turn could alter the revenue and expenditure impacts associated with that provision of the bill.
- For purposes of calculating the appropriation to the New Jersey Transit Corporation for the Senior Citizen and Disabled Resident Transportation Assistance Program in Fiscal Years 2022,

2023, and 2024, the bill adds back the revenue losses associated with the bill's tax credits and promotional gaming credit deduction to ensure the appropriation will not be significantly altered as a result of the bill's enactment.

- Given that the change to the definition of promotional gaming credit is permanent, the amount appropriated for the Senior Citizen and Disabled Resident Transportation Assistance Program will be lower for each fiscal year thereafter the bill's enactment. The OLS does not have data on the total amount of match play and table game coupons currently being wagered to determine this impact.

## **BILL DESCRIPTION**

This bill temporarily modifies the taxes and credits of casino licensees, permanently redefines promotional gaming credits to include certain coupons and table game wagers, and requires priority funding for senior and disabled transportation services.

Under the bill, each casino licensee would be allowed a credit against the tax imposed under current law for the 12-month period following the effective date of the bill in an amount representing the difference between the amount calculated by applying an 8 percent tax rate to the adjustable taxable gross revenue of each casino licensee and the amount calculated by applying the tax rates set forth in the bill to the adjusted taxable revenue of each casino licensee.

The Division of Gaming Enforcement would calculate the casino win of each casino licensee for the four-month period beginning January 1, 2021 and ending April 30, 2021 as a percentage of the casino win of each casino gaming property for the four-month period comprised of January 2020, February 2020, March 2019, and April 2019. The bill also requires that each casino licensee allowed a credit submit a report to the State Treasurer and the Division of Gaming Enforcement on its usage of the credit.

In addition, each casino licensee is permitted to take a deduction against gross revenues equal to the full amount of promotional gaming credits, including match play and table game coupons that are issued by the licensee and redeemed by its patrons, for a 24-month period. 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.

Under the bill, a casino operator is prohibited from using any funds or savings resulting from enactment of the bill to repurchase stock or stock options, issue a dividend, or provide for bonuses for any officer or executive employee.

The bill also provides that during Fiscal Years 2022, 2023, and 2024, the monies appropriated to the New Jersey Transit Corporation for the Senior Citizen and Disabled Resident Transportation Assistance Program should be given priority to ensure that the corporation receives an amount equal to 8.5 percent of the sum of revenues deposited in the Casino Revenue Fund during the preceding fiscal year, adding back any reductions in revenues during the preceding year that directly resulted from the temporary credits or deductions allowable under the bill.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

***OFFICE OF LEGISLATIVE SERVICES***

The OLS estimates that this bill will reduce State revenues over an initial 12-month period by at least \$27.2 million and an additional \$7.2 million over the subsequent 12-month period. Of the \$34.4 million in quantifiable revenue loss, \$20 million is derived from the bill's tax credits for casino licensees, which would be awarded over a 12-month period. The remaining \$14.4 million revenue loss comes from a more generous promotional gaming credit deduction, which would be in effect for a 24-month period.

***Gross Revenue Tax Credit***

The bill provides tax credits to casino licensees to be applied against their gross revenue tax liability. The tax credit calculation takes into consideration gross revenue performance, commonly referred to as "casino win," for the four month period of January 1, 2021 through April 30, 2021 compared to the four month period January 2020, February 2020, March 2019, and April 2019. This comparison, along with adjusted gross revenues for Calendar Year 2021, determine a casino licensee's credit amount.

Based on monthly gross revenue data published by the Division of Gaming Enforcement, the OLS believes that five casino licensees would qualify for a tax credit based on the 6.8 percent rate and two casino licensees would qualify at the 7.4 percent rate. The two remaining casino licensees would qualify for a tax credit equal to 90 percent of the lowest credit dollar amount awarded to one of the other seven casino licensees.

In order to estimate the credit amount for each casino licensee, the OLS utilized ten months of actual gross revenue data and projected the remaining two months. The OLS reduced the total forecasted gross revenue amount for each casino licensee by an adjusted value of promotional gaming credits wagered at each respective casino. In total, the OLS estimates that the bill's tax credits will reduce State revenues by approximately \$20 million over a 12-month period.

***Promotional Gaming Credits***

The bill modifies and enhances a deduction provided to casino licensees against their gross revenues for promotional gaming credits. The bill removes the \$90 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 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 the 24-month period.

The bill also permanently modifies the definition of promotional gaming credits to allow casino licensees to deduct match play coupons and table game wager coupons, which will result in a recurring indeterminate revenue loss to the Casino Revenue Fund. The OLS notes that allowing these coupons to be deductible could prompt casino licensees to increase the amounts being awarded, which in turn could alter the revenue and expenditure impacts associated with that provision of the bill.

***Senior Citizen and Disabled Resident Transportation Assistance Program***

For purposes of calculating the appropriation to the New Jersey Transit Corporation for the Senior Citizen and Disabled Resident Transportation Assistance Program in Fiscal Years 2022, 2023, and 2024, the bill adds back the revenue losses associated with the bill's tax credits and promotional gaming credit deduction to ensure the appropriation will not be significantly altered as a result of the bill's enactment.

Given that the change to the definition of promotional gaming credit is permanent, the amount appropriated for the Senior Citizen and Disabled Resident Transportation Assistance Program will be lower for each fiscal year thereafter the bill's enactment. The OLS does not have data on the total amount of match play and table game coupons currently being wagered to determine this impact.

*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.).