

HB 217_OPP_MGM_B&T 03-29-2023.pdf

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Position: UNF



To: Senate Budget and Taxation Committee
From: MGM National Harbor
Date: March 29, 2023
Re: HB 217 (Video Lottery Operation License-Renewal)
Position: Oppose Unless Amended

HB 217 would (1) clarify the process and standards for the renewal of a VLT operation license, and (2) assess an annual VLT operation license renewal fee equal to 1% of the licensee's average annual proceeds from the operation of video lottery terminals and table games. While MGM supports clarifying the renewal process, it opposes HB 217 because it would impose an unreasonably high license renewal fee.

As shown in the revised fiscal note, under HB 217 MGM National Harbor would pay **nearly \$2 million annually as a license renewal fee.**

A \$2 million annual license renewal fee is **dramatically higher than any licensing renewal fee anywhere in the country.**

Our surrounding states (Delaware, Pennsylvania and Virginia) impose **no license renewal fees.** Most states have annual license renewal fees of **\$100,000 or less.**

While a few states have license renewal fees higher than \$100,000, no other state comes close to imposing the \$2 million annual fee that MGM would pay under HB 217 **AND** the states with a fee higher than \$100,000 all have **tax rates that are dramatically lower** than Maryland's casino taxes. At a blended rate of 41% (VLTs and table games), Maryland has the second highest tax rate in the country, second only to Pennsylvania, which imposes no fee for license renewal. MGM pays a much higher tax on VLTs (56%) than any of the large casinos in Maryland.

The 1% fee on Gross Gaming Revenue would be an additional tax on revenue that has already been taxed. Essentially, the fee under HB 217 would be an additional yearly tax on monies already taxed by the State.

As regional casino gaming has grown over the last decade, MGM National Harbor is on the front lines of the battle for market share, requiring it to make additional investments in marketing efforts and capital improvements to keep the casino competitive, and prevent or minimize loss of market share. As the largest source of revenue to the Education Trust Fund, MGM National Harbor regards itself as a partner with the State in its efforts to minimize this impact. The fee proposed in HB 217 is contrary to this objective.

For these reasons, MGM requests an unfavorable report on HB 217 in its current form, or that it be amended to replace the unreasonably high renewal fee with a direction to the Maryland State Lottery and Gaming Commission to establish a reasonable fee in line with other states and taking into account Maryland's high casino tax rates.



Facts About MGM National Harbor and Maryland Gaming

- Maryland, with the 19th largest population in the country, generates the 4th highest gaming tax revenues in the nation.
- Maryland's six commercial casinos create 15,000+ direct jobs, generate \$3.0 billion in economic impact; and a \$962.2 million tax impact (AGA).
- Maryland currently has the second highest tax rate in the country (2nd only to PA)- (41% Blended Tax Rate).
- Maryland has one of the highest gaming tax revenues as a percentage of corporate income tax collected in the country - 52%. In other words, the 6 casinos in Maryland pay over half as much tax annually as the thousands of other corporations doing business in the state each year. (\$832 million Gaming Tax v \$1.6 billion corporate income tax - Source DLS fiscal briefing).
- Maryland casinos spent over \$3 billion in initial construction. **MGM National Harbor alone spent over \$1.4 billion in initial construction.**
- Maryland casinos have provided \$4.9 billion to the Maryland Education Trust Fund and \$6.5 billion in overall taxes since the program began.
- **MGM National Harbor alone had generated \$1 billion in total contributions to the ETF by the end of calendar year 2022.**
- Maryland's casino operators also pay annual assessments into the Problem Gambling Fund of \$425 per slot machine and \$500 per table game to fund programs to combat gambling addiction.

HB217 LOI - MLGCA.pdf

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Position: INFO



March 29, 2023

Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis, MD 21401

Letter of Information – House Bill 217 - Video Lottery Operation License - Renewal

Dear Chair Guzzone, Vice Chair Rosapepe, and Members of the Budget and Taxation Committee:

The Maryland Lottery and Gaming Control Agency (“MLGCA” or “Agency”) submits this letter of information to the Budget and Taxation Committee (“Committee”) as background information regarding House Bill 217 – Video Lottery Operation License – Renewal.

HB217 would amend the current statute (State Government Article §9-1A-13) by clarifying the application process for renewal of an initial video lottery operation license and each subsequent renewal thereafter. The Maryland Lottery and Gaming Control Commission (“Commission”) would renew the license using existing qualification requirements unless it finds, after conducting background investigations, that the licensee is no longer qualified to hold a license. This legislation also would clarify the process and timing for the filing of the renewal application, and would give the licensee an opportunity for a hearing before the Commission could deny an application for renewal.

This proposed bill would require a video lottery operation licensee to pay, for each 5-year period of its initial 15-year renewal term, a license renewal fee equal to 1% of the average annual proceeds from the operation of video lottery terminals and table games at the video lottery facility for the preceding 3-year period in equal annual installments and credited to the Education Trust Fund.

Thank you for your consideration of this information. If you should have any questions or need more information about this subject, please do not hesitate to contact Sean Ford, MLGCA’s Director of Legislation and Policy Development, at 410-230-8988 or sean.ford@maryland.gov.

Sincerely,

John A. Martin
Director

cc: All Committee Members
Delegates Ebersole, Charles, and Wilkins