

2025 Casino Testimony on Table Games Tax Increase

Uploaded by: Marta Harting

Position: UNF



To: House Appropriations and Ways and Means Committees

Date: February 27, 2025

Re: Testimony in Opposition to Table Games Tax Increase in House Bill 352 (Budget Reconciliation and Financing Act of 2025)

Maryland’s six casinos oppose the table games tax increase proposed in HB352.

Maryland's casinos drive significant State revenues and other benefits to the State’s economy.

- Maryland has the 19th largest population in the country but generates the 4th highest gaming tax revenues.
- Maryland's six commercial casinos support 15,000+ direct jobs, generate \$3.0 billion in economic impact; and create \$962.2 million in tax impacts.¹
- Maryland's 41% Blended Tax Rate is the second highest tax rate in the country.
- Maryland has one of the highest gaming tax revenues as a percentage of corporate income tax collected in the country, at 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.** (\$848 million Gaming Tax v \$1.6 billion corporate income tax.²)
- Maryland casinos spent over \$3 billion in initial construction alone.
- **Maryland casinos have provided \$5.2 billion to the Maryland Education Trust Fund and over \$6.5 billion in overall taxes since the program began.**

The existing table games tax rate strikes the right balance between enabling casinos to make the necessary investments (both labor and capital) to offer table games and maximizing tax revenues to the State.

Tables games are highly effective tools to increase casino visitation and create jobs, but compared with slot machines, they are both labor and capital intensive, which results in narrower margins for casinos. Accordingly, to realize the economic benefits and increased investment that table games bring, casino gaming states (including neighboring states to Maryland) typically tax table games at significantly lower tax rates than slot machines. This is a delicate balance—states seek to maximize their tax revenues, but raising the tax rate too high will disincentivize casinos from investing in table games, with negative effects felt statewide. The existing table games tax rate strikes the proper balance between these considerations.

Table games drive casino visitation and revenues to the State.

Casino industry data provides some key insights regarding table games customers: they tend to be younger, travel farther, and stay longer compared to slot or other casino patrons. Indeed, over 40% of Maryland’s table games customers come from out of state, and they spend significantly more on both casino and hospitality services during their visits. Further, table games customers often expect

¹ Source: American Gaming Association

² Source: January, 2023 DLS Fiscal Briefing

a broader range of services and amenities than other casino customers, which encourages casinos to invest in their entertainment, lodging, and dining options. However, if the tax rate on table games increases, casinos' ability to sustain investment in these areas will be negatively impacted.

Table games create good jobs.

Unlike slot machines, which are self-operated by players, table games necessarily require a dealer for every table, which is why **table games account for 45% of all casino employment in Maryland**. These well-paid, union jobs, requiring only a high school diploma, are accessible to a wide workforce. However, given the relatively narrow margins on table games, an increase in the tax rate will put these jobs in jeopardy.

If The Table Games Tax Rate Increases, Casinos Will Be Forced To Make Tough Choices Involving Jobs, Vendors, and Investments.

If the table games tax rate increases, casinos will need to reexamine all aspects of their current operations. In doing so, it will become untenable to serve the table games customers who play only occasionally or who make only the minimum wagers, and casinos will thus operate fewer tables with high minimums appealing only to a subset of the current clientele. Even within this subset, the increased financial burden will require casinos to reduce the marketing incentives available to attract higher-value out-of-state customers. As a result, both of these customer categories will likely experience a decline in visitation, leading to a decrease in jobs, investment, and overall revenues. Less table game visits also leads to less slots revenue (and taxes), as tables players often are joined by a partner or spouse who prefers slots. To make matters worse, as visitation and income decline, it will become necessary to reduce spending, particularly with local vendors. This includes a wide range of Maryland-based small businesses and Minority Business Enterprises (MBEs) that make up a significant portion of casino spending on operational support, capital projects, and marketing campaigns. These reductions will not only impact the casino's operations but also have a broader effect on the local economy and the businesses that depend on casino-related spending.

Competitors in Neighboring States Will be the Biggest Beneficiaries of a Table Games Tax Increase

Decisions on the appropriate table games tax rate cannot be made in a vacuum. Casino players in this region can choose between Maryland's casinos and casinos in states such as Pennsylvania, New Jersey, New York, and Virginia, all of which already have lower table games tax rates than Maryland.³ Because the operators of Maryland's casinos all have casinos in one or more of these states, a further increase of the table games tax rate would incentive them to move table games business to jurisdictions with lower tax rates. Indeed, it's happened before. In 2003, Illinois raised its table games tax but quickly repealed it due to negative economic impacts and reduced competitiveness. This reversal underscores the need for a balanced tax structure that supports a competitive gaming industry.

FOR THESE REASONS, THE STATE'S SIX CASINOS REQUEST THE COMMITTEES TO STRIKE THE TABLE GAMES TAX INCREASE FROM SB 352.

³ The table games tax rates in Pennsylvania, New Jersey, and New York are 16%, 9.25%, and 10%, respectively. The table games tax rate in Virginia is 18% on the first \$200 million of gaming revenue.

UNF Testimony

Uploaded by: Michelle MacGregor

Position: UNF

Testimony before the House Appropriations Committee on
Progressive Sports Wagering Tax Increase included in HB352
February 28, 2025

Michelle MacGregor
Consultant for the Sports Betting Alliance

Chairman Barnes and members of the Committee,

My name is Michelle MacGregor and I am here today testifying on behalf of the Sports Betting Alliance, a trade association for online gaming operators that includes BetMGM, DraftKings, Fanatics, and FanDuel. I appear before you today to urge you to reject the proposed 100% tax increase on sports wagering included in the 2025 Budget Reconciliation and Financing Act (BRFA). This proposed tax increase will harm Maryland consumers by subsidizing the illegal market while undermining the state's regulatory efforts – including Responsible Gaming and Know Your Customer protections. It also has the potential to destabilize a nascent industry that is already providing economic benefits across the State, all while making Maryland among the top four highest sports betting tax states.

Maryland's 15% tax on sports betting already places it above the nationwide median tax rate for mobile sports betting (13%). Doubling the tax rate on legal operators who faithfully adhere to strict regulations is both harmful to a young market and a subsidy to platforms that operate illegally and contribute nothing in taxes to the State of Maryland. While the evidence demonstrates that illegal sportsbook operators have seen their traffic fall since Maryland launched online sports wagering in November 2022, they are still easily accessible to Marylanders of all ages. Anyone in this room could, for example, pull out their phone and place an illegal wager with any multitude of offshore sites without having to go through any of the identity verification procedures required by law.

Indeed, the ability for illegal operators to thrive in Maryland is in large part due to the absence of a legalized iGaming market. Coupled with a 100% increase on the legal sports betting market will be exactly what the illegal operators need to bolster their position within the broader online gaming market.

Just last week, the American Gaming Association, which represents legal gaming operators in both the land-based and online sectors highlighted the increasing size and pervasiveness of the illegal market in their recent Annual State of the Industry address. To paraphrase their comments, some unregulated operators deploy legal acrobatics to avoid labeling themselves as gambling entities while offering products that everyone would agree are gambling. Others make no bones about their legal status, and yet continue to offer their products in Maryland. The common factor between all operators besides those who proactively engage in the legal market is that they lack the safeguards and regulatory constraints that build consumer trust, promote responsibility, and support state budgets.

Online sports wagering is already an extremely low margin business, and doubling the tax rate that was previously provided for in the legislation would severely impact legal operators' ability to do business in the of Maryland. Legal operators have made decisions under the assumption that the agreed-upon 15% tax rate would remain in effect, meaning that they have limited options available to absorb this tax increase while remaining competitive. The massive investments legal operators have made in building out teams and resources dedicated to responsible gaming will be jeopardized if Maryland imposes this punitive tax increase. Furthermore, if operators have to worsen odds, limit promotional play, or reduce advertising in order to make up for that lost revenue, fewer people will utilize their products and will instead turn to enticing opportunities in the illegal market. Not only does this make those players less safe, but it also means significantly less tax revenue to the state in the long run.

To date, the young online gaming industry here has flourished in Maryland— as demonstrated by the over \$132 Million generated in sports wagering taxes. Legal operators have invested in relationships with local retail casinos, partnered with businesses and MBEs, created jobs through retail sportsbooks, and worked with philanthropic organizations to give back to this great State. I respectfully urge this committee to reject the proposed tax increase in the BFRA. It will not help state policymakers close the State's revenue gaps, but it will harm this industry at a crucial inflection point in its growth.

Appendix.

Now, when considering New York and Pennsylvania it is important to understand that the proposal under consideration by this committee is not an apples-to-apples comparison to what those states tax online gaming.

Both the tax base and the applicable markets are considerably different. In NY, for example, the operators: (1) have the benefit of being able to diffuse marketing costs across the entire tri-state area, and (2) have not been able to make local investments in the same way that the operators have in Maryland. In NY, operators such as Wynn, one of the largest gaming operators in the world, have pulled out of the market because the tax rate does not permit sustainable operations.

In Pennsylvania, the rate is distinguishable from this proposal in at least two critical ways: (1) the rate was set by the legislature at the time of inception so operators could plan and invest accordingly, and (2) includes both sports wagering and iGaming – online casino games such as poker, blackjack, and roulette. iGaming represents a significantly more stable tax base and revenue generator for operators, their partners and the state alike. Because the base is so much broader in Pennsylvania and does not include one of the largest expenses that operators incur, the rate is not comparable to this proposal.

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Uploaded by: Nancy Rosen-Cohen

Position: INFO



House Appropriations Committee

February 27, 2025

House Bill 352 – Budget Reconciliation and Financing Act of 2025

Support with Amendment – Direct Gaming Revenue to Problem Gambling Fund

NCADD-Maryland urges the General Assembly to identify funding from the profits of sports and fantasy wagering operators to direct to the state’s Problem Gambling Fund. There is separate legislation pending (HB 700/SB 706) to take an additional percentage of revenue from the operators of mobile sports wagering to dedicate to the Problem Gambling Fund. As the Budget Reconciliation and Financing Act (BRFA) also proposes to capture a greater percentage of their growing profits to address educational needs, the state must also redirect enough of the revenue to address the growing problems from expanded legalized gaming.

When the State of Maryland expanded legalized gaming to video lottery terminals and casino tables, the General Assembly saw fit to ensure a funding stream to address the problems that accompany gambling. A fee was assessed for slot machines. A fee was also assessed for casino table games. But we neglected to add an effective funding stream with the expansion into sports and fantasy wagering.

This has resulted in an expansion of gambling without the accompanying resources to address the problems. The latest gambling prevalence study conducted in Maryland in 2022 showed that:

- 90.4% of Marylanders reported that they had ever gambled, up from 87% in 2017;
- 4% of Marylanders met the criteria for disordered gambling, and of those:
 - 12.2% participated in traditional fantasy sports;
 - 15.6% participated in daily fantasy sports; and
 - 20.8% participated in online sports wagering

NCADD-Maryland understands the budget crisis facing the state. We believe a small investment in the Problem Gambling Fund will save the state money with more sufficient prevention and intervention strategies are available. Additional funding is needed to employ more Certified Peer Recovery Specialists who are crucial to the outreach and support to people experiencing problems. Funding is also needed to expand public awareness and prevention campaigns, research, and treatment.

We urge this committee to identify funding for a necessary increase to the Problem Gambling Fund, whether through the BRFA or separate legislation.