

**Maryland General Assembly
Department of Legislative Services**

**Proposed Regulations
Maryland State Lottery and Gaming Control Agency
(DLS Control No. 24-131)**

Overview and Legal and Fiscal Impact

These regulations repeal the ability of a video lottery facility or sports wagering licensee to deduct promotional play redeemed by players from its taxable revenues.

The regulations present no legal issues of concern.

Special fund revenues from gaming taxes may increase significantly, potentially by \$7.1 million in fiscal 2025 and by \$14.9 million annually thereafter, from no longer deducting promotional play from gross gaming revenues. Additionally, revenues to local governments may increase, potentially by \$0.9 million in fiscal 2025 and by \$1.8 million annually thereafter, from receiving additional local impact aid as a result of taxing promotional play on video lottery terminals (VLTs) and table games.

Regulations of COMAR Affected

Maryland State Lottery and Gaming Control Agency:

Gaming Provisions: Video Lottery Facility Minimum Internal Control Standards:
COMAR 36.03.10.36

Table Games: Table Game Procedures: COMAR 36.05.03.15

Sports Wagering Provisions: Sports Wagering Licensee Minimum Internal Control Standards: COMAR 36.10.13.39

Legal Analysis

Summary of Regulations

The regulations repeal the ability of a video lottery facility or sports wagering licensee to deduct promotional play redeemed by players from its taxable revenues. Additionally, the regulations alter the reporting requirement so that a facility operator or sports wagering licensee is no longer required to provide recommendations to the State Lottery and Gaming Commission regarding altering the promotional play deductible.

Statutory Authority and Legislative Intent

The Commission cites §§ 10-101 and 26-801 of the Education Article, § 10-113.1 of the Family Law Article, and §§ 9-1A-01(u), 9-1A-02, 9-1A-04, 9-1A-24, 9-1A-33, and 9-1E-01 through 9-1E-15 of the State Government Article as statutory authority for the regulations.

Section 9-1A-02 requires the Commission to regulate the operation of video lottery terminals and table games. Section 9-1A-04 requires the Commission to adopt regulations regarding the manner and method of collection of taxes. Moreover, § 9-1A-04 also requires the Commission to adopt regulations that define and limit the types and values of promotional items that may be given away to encourage play of video lottery terminals and table games.

More specifically, § 9-1E-04 grants the Commission the authority to regulate sports wagering and the conduct of sports wagering to the same extent that the Commission regulates the operation of video lottery terminals and table games.

The remaining cited authority is not relevant to these regulations.

This authority is correct and complete. The regulations comply with the legislative intent of the law.

Fiscal Analysis

Special fund revenues from gaming taxes may increase significantly, potentially by \$7.1 million in fiscal 2025 and by \$14.9 million annually thereafter, from no longer deducting promotional play from gross gaming revenues. Additionally, revenues to local governments may increase, potentially by \$0.9 million in fiscal 2025 and by \$1.8 million annually thereafter, from receiving additional local impact aid as a result of taxing promotional play on video lottery terminals (VLTs) and table games.

Agency Estimate of Projected Fiscal Impact

The agency advises that the regulations increase gaming revenues by an indeterminable but potentially significant amount and have no impact on local governments. The Department of Legislative Services concurs that the regulations may significantly increase gaming revenues but disagrees that there is no fiscal impact on local governments. Local governments may benefit from additional local impact aid as a result of taxing promotional play on VLTs and table games.

In fiscal 2023, video lottery facility licensees provided \$258.6 million in promotional play for VLTs and table games, and sports wagering licensees provided \$167.3 million in promotional play in fiscal 2024. Assuming only a minimal decline in promotional play spending due to taxing these revenues, Education Trust Fund (ETF) revenues may increase by \$5.2 million in fiscal 2025 and by \$10.3 million annually thereafter. The Blueprint for Maryland's Future Fund (BMFF) revenues also increase – potentially by \$900,000 in fiscal 2025 and by \$2.4 million annually thereafter. Revenues for the Small, Minority, and Women-owned Businesses Account and the

Purse Dedication Account increase by \$169,000 and \$678,000, respectively, in fiscal 2025 and by \$339,000 and \$1.4 million, respectively, annually thereafter. Revenues for the Racetrack Facility Renewal Account and the State Lottery and Gaming Control Agency each increase by \$113,000 in fiscal 2025 and by \$226,000 annually thereafter.

Assuming only a minimal decline in promotional play spending due to taxing VLT and table game promotional play revenues, local governments may benefit from local impact grants increasing – by potentially \$917,000 in fiscal 2025 and by \$1.8 million annually thereafter.

However, the actual impact on revenues may be significantly less if sports wagering and video lottery facility licensees greatly reduce promotional play spending due to that spending being subject to gaming taxes. A more meaningful decline in such spending could significantly reduce these revenue projections.

Impact on Budget

There is no material impact on the State operating or capital budget.

Agency Estimate of Projected Small Business Impact

The agency advises that the regulations have minimal or no economic impact on small businesses in the State. The Department of Legislative Services concurs that the regulations generally have a minimal impact on small businesses. However, approximately five small businesses that hold sports wagering licenses may incur additional gaming taxes as a result of no longer being allowed to deduct promotional play from sports wagering proceeds.

Contact Information

Legal Analysis: Matthew Buzard – (410) 946/(301) 970-5350

Fiscal Analysis: Heather N. MacDonagh – (410) 946/(301) 970-5510