

# ANALYSIS OF GAMING LEGISLATIVE PROPOSAL

JUNE 4, 2019



# New High Revenue Proposal

(June 4, 2019)

---

Policy assumptions for this scenario:

- 1) No iGaming slots
- 2) Limit multi-jurisdictional games and pooling gaming across licensees
- 3) Average effective rates for online games close to onsite rates
- 4) Correct the HB4311 Detroit hold harmless provision by including all sources of revenue
- 5) Change HB4311 to not allow free-play deduction from internet gaming tax base
- 6) Correct HB4307 changes to the definition of “gross receipts” and “winnings” to prevent untaxed free-play

Proposed Tax Rates and Distribution for this scenario:

- 1) Apply tax rate for sports betting of 15%
- 2) Apply graduated rate schedule for non-slots iGaming
- 3) Implement separate tiered one-time initial licensing fees for iGaming and for Sports Betting, and renewal fee at half the initial fees amounts
  - Distribution of licensing fees is still undecided
- 4) Use HB4311 distribution of tax revenue, but reduce City of Detroit share of iGaming and Sports Betting tax revenues to 25% and increase School Aid Fund share to 10%

# New High Revenue Proposal Tax Rates and Revenues

Sports Betting tax rate of 15% and Online Non-Slots Games graduated rates as follows:

| Adjusted Gross Receipts (AGR) Brackets       | Tax Rate |
|--|----------|
| Up to \$2.5 million                          | 8%       |
| More than \$2.5 million, up to \$4.0 million | 16%      |
| More than \$4.0 million, up to \$8.0 million | 32%      |
| More than \$8.0 million                      | 40%      |

Estimated total net revenue:

- On-going revenue from tax revenue of \$39.2 million

| School Aid Fund | Other State Funds* | Total State Impact | City of Detroit |
|-----------------|--------------------|--------------------|-----------------|
| \$0.6           | + \$27.8           | = \$28.3           | \$10.8          |

- One-time revenue from licensing fees of \$21.7 million (distribution TBD)
- Annual renewal licensing fee revenue of \$10.9 million (distribution TBD)

\*State funds include Internet Gaming Fund (IGF), Michigan Strategic Fund (MSF), Agricultural Fund (AG), and the Michigan Transportation Fund (MTF)  
All values shown in millions. Individual amounts may not add to totals due to rounding.  
ORTA Reference: Set BF

# New High Revenue Proposal Initial Licensing Fees Structures

---

Initial licensing fees structure for non-slots iGaming and for sports betting based on number of slot machines in 2018:

| <b>Number of Slots Machines in 2018</b> | <b>Fee</b>  |
|---|-------------|
| Up to 1,200 machines                    | \$350,000   |
| More than 1,200 but less than 2,000     | \$700,000   |
| 2,000 or more machines                  | \$1 million |

Renewal annual licensing fees are half of the initial fees and based on licensees adjusted gross receipts (AGR).

# New High Revenue Proposal Renewal Licensing Fees Structures

---

## Online Non-Slots Games Renewal Annual Licensing Fees

| <b>Adjusted Gross Receipts (AGR) Brackets</b> | <b>Fee</b> |
|---|------------|
| Up to \$2 million                             | \$175,000  |
| More than \$2 million, up to \$5 million      | \$350,000  |
| More than \$5 million                         | \$500,000  |

## Sports Betting Renewal Licensing Fees

| <b>Adjusted Gross Receipts (AGR) Brackets</b> | <b>Fee</b> |
|---|------------|
| Up to \$4 million                             | \$175,000  |
| More than \$4 million, up to \$10 million     | \$350,000  |
| More than \$10 million                        | \$500,000  |

# New High Revenue Proposal:

## Online Non-Slots AGR, Effective Tax Rate and Licensing Fees by Provider

| <b>Online Non-Slots Provider (1)</b>            | <b>Estimated Online Non-Slots AGR</b> | <b>Online Games Tax Revenue</b> | <b>Effective Tax Rate</b> | <b>Online Games License Fees</b> |
|---|---------------------------------------|---------------------------------|---------------------------|----------------------------------|
| Lac Vieux Desert Band                           | \$363,478                             | \$29,078                        | 8.0%                      | \$350,000                        |
| Bay Mills Community                             | \$583,969                             | \$46,718                        | 8.0%                      | \$350,000                        |
| Keweenaw Bay Indian Community (Ojibwa)          | \$731,331                             | \$58,506                        | 8.0%                      | \$350,000                        |
| Little Traverse Bay Band                        | \$1,299,078                           | \$103,926                       | 8.0%                      | \$350,000                        |
| Hannahville Indian Community                    | \$1,328,274                           | \$106,262                       | 8.0%                      | \$350,000                        |
| Grand Traverse Band                             | \$2,058,079                           | \$164,646                       | 8.0%                      | \$700,000                        |
| Sault Ste. Marie Chippewa (Kewadin)             | \$2,110,376                           | \$168,830                       | 8.0%                      | \$700,000                        |
| Little River Band                               | \$2,219,348                           | \$177,548                       | 8.0%                      | \$700,000                        |
| Match-E-Be-Nash-She-Wish Pottawatomi (Gun Lake) | \$5,742,592                           | \$997,629                       | 17.4%                     | \$1,000,000                      |
| Nottawaseppi Huron Band (FireKeepers)           | \$7,510,128                           | \$1,563,241                     | 20.8%                     | \$1,000,000                      |
| Pokagon Band (Four Winds)                       | \$7,539,013                           | \$1,572,484                     | 20.9%                     | \$1,000,000                      |
| Saginaw Chippewa (Soaring Eagle)                | <u>\$7,889,335</u>                    | <u>\$1,684,587</u>              | 21.4%                     | <u>\$1,000,000</u>               |
| <b>Total Tribes</b>                             | \$39,375,000                          | \$6,673,456                     | 16.9%                     | \$7,850,000                      |
| Greektown                                       | \$9,103,014                           | \$2,161,206                     | 23.7%                     | \$1,000,000                      |
| Motorcity                                       | \$13,434,318                          | \$3,893,727                     | 29.0%                     | \$1,000,000                      |
| MGM   | <u>\$16,837,668</u>                   | <u>\$5,255,067</u>              | 31.2%                     | <u>\$1,000,000</u>               |
| <b>Total Detroit Casinos</b>                    | \$39,375,000                          | \$11,310,000                    | 28.7%                     | \$3,000,000                      |
| <b>Total All Providers</b>                      | \$78,750,000                          | \$17,983,456                    | 22.8%                     | \$10,850,000                     |

(1) Tribal casinos data based on estimated CY 2018 slot AGR; Detroit casino data based on actual FY 2018 total AGR.

# New High Revenue Proposal:

## Sports Betting AGR, Effective Tax Rate and Licensing Fees by Provider

| <u>Sports Betting Provider (1)</u>              | <u>Estimated Sports Betting AGR</u> | <u>Sports Betting Tax Revenue</u> | <u>Effective Tax Rate</u> | <u>Sports Betting License Fees</u> |
|---|-------------------------------------|-----------------------------------|---------------------------|------------------------------------|
| Lac Vieux Desert Band                           | \$865,424                           | \$129,814                         | 15.0%                     | \$350,000                          |
| Bay Mills Community                             | \$1,390,403                         | \$208,560                         | 15.0%                     | \$350,000                          |
| Keweenaw Bay Indian Community (Ojibwa)          | \$1,741,264                         | \$261,190                         | 15.0%                     | \$350,000                          |
| Little Traverse Bay Band                        | \$3,093,042                         | \$463,956                         | 15.0%                     | \$350,000                          |
| Hannahville Indian Community                    | \$3,162,557                         | \$474,384                         | 15.0%                     | \$350,000                          |
| Grand Traverse Band                             | \$4,900,187                         | \$735,028                         | 15.0%                     | \$700,000                          |
| Sault Ste. Marie Chippewa (Kewadin)             | \$5,024,704                         | \$753,706                         | 15.0%                     | \$700,000                          |
| Little River Band                               | \$5,284,161                         | \$792,624                         | 15.0%                     | \$700,000                          |
| Match-E-Be-Nash-She-Wish Pottawatomi (Gun Lake) | \$13,672,838                        | \$2,050,926                       | 15.0%                     | \$1,000,000                        |
| Nottawaseppi Huron Band (FireKeepers)           | \$17,881,258                        | \$2,682,189                       | 15.0%                     | \$1,000,000                        |
| Pokagon Band (Four Winds)                       | \$17,950,030                        | \$2,692,505                       | 15.0%                     | \$1,000,000                        |
| Saginaw Chippewa (Soaring Eagle)                | <u>\$18,784,131</u>                 | <u>\$2,817,620</u>                | 15.0%                     | <u>\$1,000,000</u>                 |
| <b>Total Tribes</b>                             | \$93,750,000                        | \$14,062,500                      | 15.0%                     | \$7,850,000                        |
| Greektown                                       | \$21,673,843                        | \$3,251,076                       | 15.0%                     | \$1,000,000                        |
| Motorcity                                       | \$31,986,471                        | \$4,797,971                       | 15.0%                     | \$1,000,000                        |
| MGM   | <u>\$40,089,687</u>                 | <u>\$6,013,453</u>                | 15.0%                     | <u>\$1,000,000</u>                 |
| <b>Total Detroit Casinos</b>                    | \$93,750,000                        | \$14,062,500                      | 15.0%                     | \$3,000,000                        |
| <b>Total All Providers</b>                      | \$187,500,000                       | \$28,125,000                      | 15.0%                     | \$10,850,000                       |

(1) Tribal casinos data based on estimated CY 2018 slot AGR; Detroit casino data based on actual FY 2018 total AGR.

