

# **Gross casino revenue tax: Collection and Distribution**

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# Casino tax

- Cleveland and Toledo facilities opened in May, 2012
- Columbus facility opened October 8, 2012
- Cincinnati casino expected to open in Spring 2013 (but no opening date yet established)

# Casino amendment

- Casino gambling approved by Ohio voters in November 2009 ballot issue that amended Article XV, Section 6 of the Ohio Constitution.
- The amendment authorizes casinos to operate in four separate cities: Cincinnati, Cleveland, Columbus and Toledo.
- “Casino gaming” means any type of slot machine or table game wagering authorized in any of the states of Indiana, Michigan, Pennsylvania and West Virginia.

# Casino amendment

- The facilities are regulated by the Ohio Casino Control Commission (CCC).
- The CCC shall license and regulate casino operators, management companies retained by such casino operators, key employees, gaming-related vendors, and all gaming authorized by section 6(C) to ensure the integrity of casino gaming.

# Casino fee and tax

- Casino operators are each subject to an upfront license fee of \$50 million, to be used “to fund economic development programs which support regional job training efforts”.
- Casino gaming is subject to a 33% “gross casino revenue” tax.

# Constitutional tax provisions pertaining to casinos

- Casinos are subject to “all customary non-discriminatory fees, taxes and other charges that are applied to ... other Ohio businesses”.
- No other casino gaming related taxes, fees or other charges may be imposed on casino revenue, operators, operations, owners, or their property.

# Casino tax administration

- Gross Casino Revenue Tax is administered by the Department of Taxation.
- To carry out the casino tax provisions, the Department of Taxation and the CCC may inspect books, accounts, records and memoranda of any casino taxpayer.
- CCC has financial auditors on-site that verify daily tax payments are accurate.

# Casino tax base

- Tax base: “gross casino revenue” means the amount of money exchanged for the purchases of chips, tokens, electronic cards, or similar objects by casino patrons less winnings paid to wagerers.
- Tax computed and reported on a daily basis, reflecting activity over the 24-hour period.
- Ohio Revised Code Chapter 5753. contains gross casino revenue tax provisions.



# Casino tax distribution

- **Fifty-one percent (51%) into the Gross Casino Revenue County Fund.** Money is distributed quarterly from this fund to all 88 counties based upon county population. If the most populated city located in that county had a population over 80,000 according to the 2000 census, then that city will receive fifty percent (50%) of the county money. The cities receiving fifty percent (50%) of the county distribution are: Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo and Youngstown. The Department of Taxation remits payments directly to the counties and largest cities by the last day of the month following the end of the quarter.
- **Thirty-four percent (34%) into the Gross Casino Revenue County Student Fund.** Money is distributed from this fund to all school districts in Ohio based upon student populations as certified by the Department of Education. Taxation receives a student count by county and by district within the county. Money is remitted directly to the school districts by January 31<sup>st</sup> and August 31<sup>st</sup>. The first distribution of casino revenue to school districts will be January 31, 2013.

# Casino tax distribution (con'd)

- **Five percent (5%) into the Gross Casino Revenue Host City Fund.** Taxation remits directly to Cincinnati, Cleveland, Columbus, and Toledo five percent (5%) of the gross casino tax revenue collected at the casino within that respective city during the previous quarter. Payments are made by the last day of the month following the quarter's end.
- **Three percent (3%) into the Casino Control Commission Fund.** One percent (1%) of the amount deposited into this fund is subsequently transferred to the Casino Tax Administration Fund.
- **Three percent (3%) into the Ohio State Racing Commission Fund.**
- **Two percent (2%) into the Law Enforcement Training Fund.** (Ohio Attorney General's Office). Eighty-five percent (85%) of the amount deposited into the Law Enforcement Training Fund is subsequently transferred into the Police Officer Training Academy Fund; and fifteen percent (15%) is transferred into the Criminal Justice Services Casino Tax Revenue Fund.
- **Two percent (2%) into the Problem Casino Gambling and Addictions Fund.** (Alcohol and Drug Addictions Services)

# Casino tax – Actual amounts to-date

- One partial-quarter and one full-quarter's worth of gaming activity have transpired at the Cleveland and Toledo casinos
- Each month, the CCC releases facility-specific figures showing gaming volumes that have occurred during the indicated period
- In contrast, Taxation releases figures in the month following the end of each calendar quarter, showing tax revenues to be deposited in appropriate funds based on tax revenue received during the just-ended quarter

# Casino tax – Actual amounts to-date

## Casino tax deposits in July 2012 and October 2012

Reflects taxes paid by Cleveland and Toledo casino facilities

The total allocated amount is based on tax collections received during the second quarter and third quarter, respectively, of calendar year 2012.

The indicated fund amounts conform with funding shares prescribed by Ohio Revised Code section 5753.02(D).

|  | July deposits:<br>Second-quarter<br>tax | October<br>deposits: Third-<br>quarter tax | CY 2012<br>deposits to<br>date | Implied average<br>monthly tax<br>using 3rd<br>quarter figures | Implied average<br>daily tax using<br>3rd quarter<br>figures |
|--|---|--|--------------------------------|--|--|
| Host City Fund (5JJ0)                        | \$988,007                               | \$1,971,982                                | \$2,959,988                    |  |  |
| Student Fund (5JH0)                          | 6,718,445                               | 13,409,474                                 | 20,127,920                     |  |  |
| County Fund (5JG0)                           | 10,077,668                              | 20,114,212                                 | 30,191,879                     |  |  |
| Casino Control Commission<br>Fund (5HS0)     | 592,804                                 | 1,183,189                                  | 1,775,993                      |  |  |
| Ohio State Racing Commission<br>Fund (5JK0)  | 592,804                                 | 1,183,189                                  | 1,775,993                      |  |  |
| Law Enforcement Training Fund<br>(5JN0)      | 395,203                                 | 788,793                                    | 1,183,995                      |  |  |
| Problem Gambling & Addictions<br>Fund (5JL0) | <u>395,203</u>                          | <u>788,793</u>                             | <u>1,183,995</u>               |  |  |
| <b>Total</b>                                 | <b>\$19,760,133</b>                     | <b>\$39,439,631</b>                        | <b>\$59,199,763</b>            | <b>\$13,146,544</b>  | <b>\$428,692</b>   |

# Casino tax – Actual amounts to-date

Casino gross receipts, June-September 2012

(Refer to hard copy)

# Casino tax – Actual amounts to-date

Casino gross receipts, June-September 2012

(Refer to hard copy)

# Casino tax – 2009 estimation methodology

- The 2009 estimates were predicated on a specific set of assumptions, any number of which could deviate from reality
- The estimates attempted to reflect the market demand for each facility, using a distance-sensitive “gravity model”
- The model uses two basic components: adult population figures for each 15-minute drive time band from each facility; and the annual average loss per adult for drive-time band

# Casino tax – 2009 estimation methodology

- In 2009, the Strickland administration proposed that video lottery terminals (VLT's) be allowed to be placed at racetracks.
- Because of the possibility of VLT's being located at tracks, Taxation developed a set of estimates under a scenario in which all 7 existing tracks had VLT operations
- The total “with-VLT” revenue estimates were 27 percent below the total “without-VLT” estimates
- Toledo is the only market not expected to face local-market competition from VLTs



# Casino tax – 2009 figures

| Casino               | Estimated Tax Revenue from Oct. 2009 OBM/Tax memo with VLT's | Daily Tax Payments Needed With VLT's | Estimated Tax Revenue from Oct. 2009 OBM/Tax memo without VLT's | Daily Tax Payments Needed Without VLT's |
|----------------------|--|--------------------------------------|---|---|
| Horseshoe Cleveland  | \$156,152,612  | \$427,815                            | \$230,333,394   | \$631,050                               |
| Hollywood Toledo     | \$71,045,933   | \$194,646                            | \$82,499,032  | \$226,025                               |
| Hollywood Columbus   | \$131,222,790  | \$359,514                            | \$188,614,437   | \$516,752                               |
| Horseshoe Cincinnati | \$111,331,512  | \$305,018                            | \$141,986,711   | \$389,005                               |

## Casino tax – Cleveland

- As evident in the CCC-reported figures, the Cleveland facility is performing below the original estimate
- The current casino facility is not expected to reach either the “with-VLT” or “without-VLT” estimate anytime soon
- The Cleveland casino appears to have attributes the gravity model methodology could not reflect: facility space constraints (limiting the number of gaming positions) and accessibility issues (downtown location, parking) are among the factors that could not be adequately quantified in the 2009 revenue estimate

## Casino tax – Cleveland

- The gravity-based estimate was based on applying Midwestern customer gaming expenditures to the size of the local market
- The “without-VLT” estimate found the Cleveland market to be sufficiently large to support the maximum 5,000 allowable slot machines, and therefore anticipated this number of machines at the casino (and somewhat under that amount for the “with-VLT” estimate)
- Just under 2,100 slots actually located at casino

## Casino tax – Toledo

- According to CCC-published figures for the July-September period, the Toledo facility is performing at a level that implies an annualized figure somewhat below the 2009 estimate
- There may be enough growth at this facility to reach the 2009 estimate after several years

# Casino tax – Columbus and Cincinnati

- How will the Columbus and Cincinnati facilities fare relative to 2009 estimate?
- Columbus has competition from an existing facility, Scioto Downs
- Even so, given the announced number of games, the vibrant local economy and reasonable proximity to other areas of the state, Columbus could perform reasonably close to the 2009 estimate
- Too early to know how close Cincinnati will perform relative to the estimate

# Casino tax – Issues that may have revenue implications

- Competition from VLTs located at race tracks: which tracks will offer such facilities (and where might relocations occur); when will they open; to what extent will they be close substitutes for “full-service” casinos; how will the casinos respond to such competition?
- What kind of “early-period” growth will occur at the Ohio casinos, and might some of them have a fairly long maturation process?
- Seasonality effects
- Exogenous effects: economic conditions, Ohio tourism/events, etc.

# Presentation finale

Casino tax information available on  
Department of Taxation web site:

[http://tax.ohio.gov/divisions/gross\\_casino\\_revenue/index.stm](http://tax.ohio.gov/divisions/gross_casino_revenue/index.stm)

Questions?