



Fact Sheet

Sports Betting

As of January 2022, 31 states and Washington D.C. authorize and tax sports gambling, with measures in four additional states pending. As more states legalize sports gambling, lawmakers should not overpromise what the revenue will do for state budgets and would be wise to avoid making critical programs dependent on that revenue. Instead, policies should be structured to improve equity across race and income levels for students in existing state programs while minimizing the negative risks associated with gambling.

Policy Recommendations

Direct Potential Sports Betting Funds into Pre-K and Higher Education

If lawmakers choose to legalize sports gambling, the Georgia Lottery should regulate and govern operators, with revenue supplementing existing lottery funds for pre-K and higher education. Funding could help to address major student needs in both programs, as Georgia's current-year budget anticipates 84,000 pre-K students, and last year, more than 2,600 children were on waiting lists statewide. Georgia also remains one of two states nationally that does not offer needs-based financial aid.

Administer Sports Gambling Through the State Lottery

Governance of sports gambling should not require a state gaming commission and should be separate from a discussion about casino gambling. States without casino gambling have successfully authorized sports gambling under their state lotteries.

Maintain Tax Rate with Lottery Return Percentage

Keep integrity of tax rates currently written into law for the lottery by maintaining the current rate of 35 percent, and forbidding sports betting operators to make deductions that lower effective tax rates.

Boost State Revenues from Sports Betting License Fees

Registration and licensing fees can be a significant source of revenue for states, in addition to tax revenue, and should be included in any enabling legislation. For example, multiple states, such as Pennsylvania, charge a flat licensing application fee for potential sports betting operators of \$10 million, along with recurring renewal fees.

Key Facts

Tax revenue is a very small percentage of total wagers.

Gaming revenue, or the “hold percentage,” averages 7.4 percent of total wagers across states, and state tax revenue is a percentage of gaming revenue. Although not calculated in official state estimates, gambling winnings are also federally considered taxable income and must be reported as such by individual bettors.

In Tennessee, individuals wagered \$2.3 billion on sports from November 2020 to October 2021. After payouts, gaming revenue was \$205 million (8.8 percent hold). A 20 percent tax rate yielded \$36 million in revenue or **1.5 percent of total wagers**.



States can also collect significant revenue from sports betting license fees.

Licensing fees range widely. In Pennsylvania, operators must pay a one-time license fee of \$10 million. In Illinois, the initial in-person license is \$10 million and the online license is \$20 million. Some states with pre-existing casino gambling do not charge additional fees for sports betting.

States like Georgia without casino gambling (e.g., Tennessee) tend to regulate and govern sports gaming through their state lotteries.

These states combine sports gaming revenue with state lottery funds to be used for the same purposes.

States with higher sports gambling tax revenues allow online gambling.

This is a tradeoff that accompanies maximizing gambling revenue, which means more constituents are betting and losing money on sports wagers.

Several states contribute a portion of funding to address the consequences of gambling addiction and the potential harms caused.

Tax rates range from 6.75 percent in Nevada and Iowa, to 51 percent in Rhode Island. (See table on gbpi.org/SportsBetting)

Four states allow sports betting operators to deduct certain expenses from gaming revenue, such as other taxes paid, resulting in a lower effective tax rate. Below is an example of how tax rates affect state revenues greatly.

	Pennsylvania	Illinois
Population	12.8 million	12.6 million
Tax rate	36 percent	17 percent
Last 12 months tax revenue	\$180 million	\$76 million

Two states operate their own sports gambling systems.

- The Montana State Lottery acts as both a regulator and operator. Montana does not allow private operators.
- In Washington, DC, the Office of Lottery and Gaming (OLG) regulates private operators and also acts as an operator itself. DC's OLG is the only online betting option, while private operators are not permitted to offer online gambling.

It is not clear how sports betting will affect other forms of state gaming revenue, like the lottery.

Sources

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