



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

## Fiscal Analysis Memorandum

**CONFIDENTIAL**

**Requestor:** Senators Daniel, Rabon, and Newton  
**Analyst(s):** Brent Lucas and Barry Boardman  
**RE:** Tax Revenue Generating Portions of Senate Bill 688 (V1)

### SUMMARY TABLE

**Disclosure:** This document was prepared by the Finance Team for use in the Senate Finance Committee's August 4, 2021 meeting, and only addresses the tax revenue generation piece of SB 688 (V.1).

FISCAL IMPACT OF S.B. 688, V.1 (\$ in millions)															
	<u>FY 2021-22</u>			<u>FY 2022-23</u>			<u>FY 2023-24</u>			<u>FY 2024-25</u>			<u>FY 2025-26</u>		
State Impact															
General Fund Revenue	1.3	to	4.0	4.0	to	12.0	4.0	to	12.0	4.0	to	12.0	4.0	to	12.0
General Fund Impact	1.3	to	4.0	4.0	to	12.0	4.0	to	12.0	4.0	to	12.0	4.0	to	12.0
Special Fund Revenues	1.3	to	4.0	4.0	to	12.0	4.0	to	12.0	4.0	to	12.0	4.0	to	12.0
Special Fund Impact	1.3	to	4.0	4.0	to	12.0	4.0	to	12.0	4.0	to	12.0	4.0	to	12.0
(North Carolina Major Events, Games, and Attractions Fund)															
NET STATE IMPACT	\$2.6	to	\$8.0	\$8.0	to	\$24.0	\$8.0	to	\$24.0	\$8.0	to	\$24.0	\$8.0	to	\$24.0

**TECHNICAL CONSIDERATIONS:** See Technical Considerations Section

### FISCAL IMPACT SUMMARY

#### Overview of Revenue Generating Portion of Bill

Section 1 imposes a tax of eight percent (8%) on the adjusted gross revenue of each interactive sports wagering operator. The bill does not subject sports wagering operators to excise, license, permit, privilege, amusement, or occupation tax from the State or any of its political subdivisions. The bill further requires that, after covering expenses related to implementing sports betting, the Commission must remit all tax payments and fees to the Department of Revenue, which must allocate the revenue as follows:

- 50% of the tax collected to a new fund established in the bill (the North Carolina Major Events, Games, and Attractions Fund), which is intended to attract major events to the State, and which would be administered by the Department of Commerce; and
- 50% to the General Fund.

## **FISCAL ANALYSIS**

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FRD anticipates that sports betting, as proposed in the bill, would generate between \$1 million and \$3 million annually per percentage point of tax on gross gaming revenue. In total,

- FY 2021-22 sports betting revenues are anticipated to be between \$2.7 million and \$8 million to account for time to develop and implement the new form of gambling, with \$1.3 million to \$4 million going to each fund.
- For subsequent years, FRD estimates sports betting will produce total annual revenues of between \$8 million and \$24 million in a full year of operation. This would generate \$4 million to \$12 million for the North Carolina Major Events, Games, and Attractions Fund, and the same amount to the General Fund annually.

## **TECHNICAL CONSIDERATIONS**

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The following are key assumptions FRD used in arriving at this estimate:

- Administration and enforcement by the Commission is sufficient and fully supported by revenues directed to it by the bill, and State and local law enforcement will not incur additional costs because of this program;
- Sports wagering will have no negative effect on sales of existing traditional lottery products (e.g., scratch offs, draw games, etc.);
- There will be a lag period before sports wagering operators and wagers would begin in the State; this lag is meant to allow the Lottery Commission time to establish contracts with vendors, advertise the new method of gambling, and establish a regulatory and enforcement structure. Thus, no revenues would be generated until late FY 2021-22; and
- License application fees and revenues derived from licensing fees to the Lottery Commission will fully cover the Commission's administrative and enforcement functions for the sports betting program.

## **DATA SOURCES**

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North Carolina Education Lottery Commission; National Conference of State Legislatures; Tax Foundation; LegalSportsReport.com; Spectrum Gaming Group; and data from other states with sports wagering programs.

## **FISCAL ANALYSIS MEMORANDUM – PURPOSE AND LIMITATIONS**

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This document is a fiscal analysis of a bill, draft bill, amendment, committee substitute, or conference committee report that is confidential under Chapter 120 of the General Statutes. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts. This document is not an official fiscal note. If a formal fiscal note is requested, please email your request to the Fiscal Research Division at [FiscalNoteRequests@ncleg.net](mailto:FiscalNoteRequests@ncleg.net) or call (919) 733-4910.

