U.S. iGaming State Tax Revenue Potential
August 2024

VIXIO | LIGHT & WONDER

Contents

About This Report

This report, produced on behalf of Light & Wonder, provides independent forecasts for the potential tax revenue that state governments could conservatively expect to earn if internet gaming, or iGaming, were legal in each state that currently has either legal land-based casino gaming or online sports betting, or both. It is an update to an initial report produced by Vixio and published by Light & Wonder in 2022, reflecting more recent revenue figures reported by state governments as well as alternative assumptions regarding the tax rates that future iGaming states might seek to apply.

iGaming is defined as the offering of virtual casino-style games, including slots and table games such as blackjack and roulette, made available via digital platforms through players' own devices. It does not include online or mobile sports betting, which involves wagers on real-life sporting events. State tax revenue forecasts included in this report therefore reflect iGaming only, and do not include additional tax revenue that could be derived from mobile sports betting.

Notable Numbers

$66.66bn
Total size of the U.S. commercial gaming industry, including land-based casinos, iGaming and sports betting, by gross revenue in 2023, according to the American Gaming Association.

$47.86bn
Potential size of the U.S. iGaming market by annual revenue if iGaming were legalized in all 44 states that currently have legal land-based commercial or tribal casinos or mobile sports betting.


$1.61bn
Direct gaming tax revenue generated by legal iGaming for state and tribal governments in 2023 in the six states where online casino games were legal.

$14.98bn
Estimated annual tax revenue that could be generated by legal iGaming if legalized in all 44 states with legal land-based casinos or mobile sports betting, assuming a comparable effective tax rate to the state of Pennsylvania.

U.S. iGaming Market Map

● iGaming Authorized ● Considered Legislation 2023/24
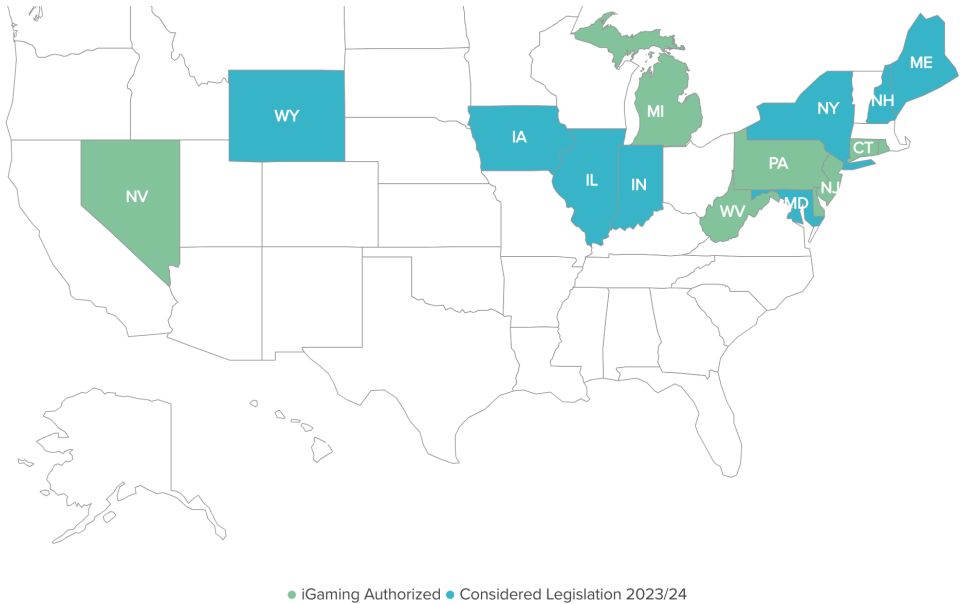
U.S. iGaming Tax Revenue Potential

State and local governments could conservatively generate approximately **$9bn to $15bn** in annual tax revenue from legal internet gaming, or iGaming, if iGaming were permitted in each of the states that presently allows land-based casino gaming or mobile sports betting.

iGaming involves the operation of casino-style games, including slots, blackjack and roulette, offered via digital platforms through players' own devices. It is distinct from sports betting, which involves betting on real-world sporting events.

At present, legal iGaming is restricted to just seven states: Connecticut, Delaware, Michigan, New Jersey, Rhode Island, Pennsylvania and West Virginia. Nevada permits online poker as a limited form of iGaming, but not the casino-style games that are also available in the other states. Online casinos in the six states with fully legal iGaming markets at the end of 2023 generated total annual tax revenue of

approximately $1.61bn, according to the American Gaming Association. The vast majority was derived from the three largest regulated iGaming markets: Michigan, New Jersey and Pennsylvania.

By comparison, legal sports betting generated approximately $2.06bn in tax revenue in 2023, but that was from a much higher total of 29 states where commercial sports wagering was taxed and regulated.

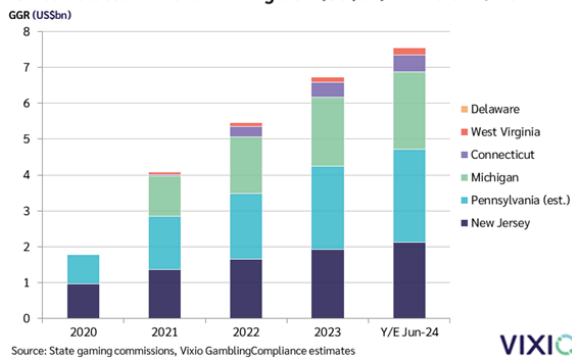### NJ, PA, MI: Commercial Gaming Tax Revenue Split – 2023

iGaming $1.52bn
Casinos $1.84bn
Sports Betting $317m
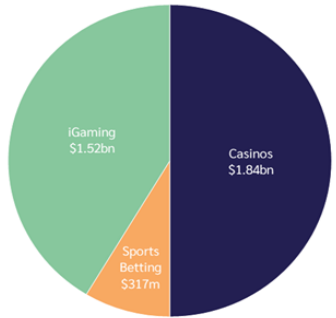
Source: AGA, Vixio GamblingCompliance estimates

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Internet gaming was first launched in New Jersey and Delaware in late 2013. Pennsylvania's iGaming market launched six years later, followed by West Virginia in 2020, Michigan and Connecticut in 2021, and Rhode Island in early 2024. Legislation to authorize iGaming has recently been introduced for consideration in several states, including Illinois, Maryland and New York. However, state legislatures have generally proven to be more reluctant to authorize iGaming compared to sports wagering, which has expanded rapidly across the United States since a landmark U.S. Supreme Court ruling in May 2018.

United States: Annual iGaming GGR (US$bn) - 2020 to Y/E Jun-24

GGR (US$bn)

Source: State gaming commissions, Vixio GamblingCompliance estimates

The projected iGaming tax revenues for state governments ranging from $8.96bn to $14.98bn assumes that each state with legal land-based commercial casinos, so-called Class III tribal gaming or mobile sports betting would generate average revenue per adult in line with the five established iGaming markets of Connecticut, Michigan, New Jersey, Pennsylvania and West Virginia.

As outlined in the Methodology section of this report, this revenue forecast is likely to be conservative since it reflects the average revenue per adult as reported across the five states for the twelve-month period through June 2024, and it does not account for continued future growth in iGaming revenue in those states. Further, average revenue per adult varies materially across the five established states, with the larger markets of Michigan, New Jersey and Pennsylvania generally producing greater revenue per capita, particularly as compared to less populous West Virginia. It is likely that larger, wealthier states that may authorize iGaming in the future would

similarly over-perform compared to the blended average revenue per adult figure used for the purposes of this report.

For the 37 states, with the exception of Nevada, that have yet to legalize iGaming, it is assumed that state governments would choose to tax iGaming at an equivalent rate to one of the three largest established iGaming markets.

New Jersey taxes iGaming revenue at a headline effective rate of 17.5 percent. In Michigan, a graduated rate of 20-28 percent applies depending on revenue thresholds, with operators paying an overall effective tax of 25 percent on their revenue in 2023. iGaming revenue in Pennsylvania is taxed at headline rates of 54 percent for slot-style games and 16 percent for interactive table games. Accounting for certain deductions permissible under Pennsylvania regulations, the state's iGaming operators were estimated to pay an effective tax of around 33 percent of total gross revenue for 2023.

Ultimately, the policymakers of each state would determine their state's specific tax rate for iGaming based on local public policy factors that include the current gaming tax rates paid by incumbent land-based casinos or sports betting operators, state budgetary needs and other matters. The tax rates for Michigan, New Jersey and Pennsylvania were used for this report, however, because each of the three states' iGaming markets have proven to be successful from a revenue generation perspective to the extent that all three are among the largest regulated markets for iGaming globally.

It should be noted that the forecasted tax revenue for each state reflects an iGaming market that has reached a point of maturity, potentially in the second or third year of full operations, or later. Still, past precedent from Michigan demonstrates that a state's regulated iGaming market could also quickly ramp up to a point of relative maturity and come to generate significant tax dollars within just a few months if accompanied by suitable marketing and product investment on the part of operators, including through the promotion of iGaming offerings to sports bettors.

U.S. iGaming Tax Forecasts - 2024

	Adult Population (m)	iGaming GGR Potential (US$m)	iGaming Tax Revenue Potential - NJ Tax Rate* (US$m)	iGaming Tax Revenue Potential - MI Tax Rate* (US$m)	iGaming Tax Revenue Potential - PA Tax Rate* (US$m)
Arizona	5.78	1,237	216.5	309.3	408.2
Arkansas	2.33	499.3	87.4	124.8	164.8
California	30.58	6,550	1,146	1,637	2,161
Colorado	4.56	976.3	171	244.1	322.2
Connecticut**	2.84	680	122	122	122
Delaware**	0.78	51	26	26	26
DC	0.58	124.9	21.9	31.2	41.2
Florida	17.48	3,745	655.3	936.2	1,236
Idaho	1.38	294.7	51.6	73.7	97.3
Illinois	9.81	2,101	367.7	525.3	693.4
Indiana	5.19	1,111	194.5	277.8	366.8
Iowa	2.44	522.2	91.4	130.6	172.3
Kansas	2.22	474.9	83.1	118.7	156.7
Kentucky	3.48	746.1	130.6	186.5	246.2
Louisiana	3.56	763.4	133.6	190.9	251.9
Maine	1.10	236	41.3	59	77.9
Maryland	4.72	1,011	177	252.9	333.8
Massachusetts	5.55	1,189	208.1	297.3	392.5
Michigan**	7.84	2,390	595	595	595
Minnesota	4.36	933.1	163.3	233.3	307.9
Mississippi	2.27	487	85.3	121.8	160.7
Missouri	4.78	1,024	179.2	256	337.9
Montana	0.86	182.3	31.9	45.6	60.1
Nebraska	1.46	313.3	54.8	78.3	103.4
Nevada***	2.44	522.8	35	35	35
New Hampshire	1.11	238.4	41.7	59.6	78.7
New Jersey**	6.95	2,301	400	400	400
New Mexico	1.64	350	61.2	87.5	115.5

State					
New York	15.35	3,288	575.3	821.9	1,085
North Carolina	8.29	1,777	310.9	444.2	586.3
North Dakota	0.58	125	21.9	31.3	41.3
Ohio	9.12	1,954	342	488.6	645
Oklahoma	3.03	648.4	113.5	162.1	214
Oregon	3.38	724.2	126.7	181	239
Pennsylvania**	10.16	2,801	930	930	930
Rhode Island	0.86	52	25	25	25
South Dakota	0.67	144.4	25.3	36.1	47.7
Tennessee	5.37	1,151	201.4	287.8	379.8
Vermont	0.52	112	19.7	28.1	37.1
Virginia	6.72	1,440	252.1	360.1	475.3
Washington	6.03	1,291	226	322.8	426.1
West Virginia**	1.43	218	33	33	33
Wisconsin	4.57	979.8	171.5	244.9	323.3
Wyoming	0.45	96.2	16.8	24.1	31.8
TOTAL	**210.6m**	**$47.86bn**	**$8.96bn**	**$11.88bn**	**$14.98bn**

*NJ tax rate of 17.5% of reported GGR from iGaming. MI tax rate of 25% of GGR based on 2023 tax revenue derived from reported GGR. PA tax rate of 33% based on reported tax revenue derived from Vixio's estimated gross iGaming revenue of $2.26bn for 2023.

**Existing iGaming states reflect Vixio forecasts for 2024 instead of projected revenues based on average revenue per adult. Tax revenue forecasts for established iGaming markets also apply the actual or estimated effective tax rates in each state. For RI, Vixio's forecasted revenue for 2027 is used due to the immaturity of the market.

***Nevada tax revenue total assumes application of 6.75% tax rate as applied to all forms of gaming in the state, including interactive gaming (currently limited under state regulations to poker games).

Methodology

Internet gaming tax revenue forecasts for all 37 states, beyond the seven established iGaming states of Connecticut, Delaware, Michigan, New Jersey, Rhode Island, Pennsylvania and West Virginia, that have either existing land-based commercial or tribal (Class III) casino industries, or legal mobile sports betting operations, were arrived at first by estimating the iGaming revenue potential for each state.

This was achieved by applying the average trailing 12-month (TTM) iGaming gross revenue per adult from Connecticut, Michigan, New Jersey, Pennsylvania and West Virginia to the equivalent adult population of each potential iGaming state. Official revenue statistics reported by state regulatory agencies in the five iGaming states were used to calculate TTM gross revenue for the 12-month period ending June 30, 2024, while U.S. Census Bureau data for 2020 was used to total the number of adults in each state. The TTM average revenue per adult from the five establishing iGaming states was $214.2 reflecting significant variances between New Jersey ($306 per adult) and West Virginia ($134), with Connecticut ($167) Michigan ($272) and Pennsylvania ($192) in the middle. Notably, it is likely that Pennsylvania's gross revenue per adult figure was materially higher than the $192 derived from official revenue figures reported by the Pennsylvania Gaming Control Board, which reflect net internet gaming revenues following the deduction of bonuses and other promotions. For the purposes of arriving at an average revenue per adult figure across existing iGaming states, Delaware was discounted as it materially underperforms other iGaming states from a revenue perspective (at just $41 per adult), whereas Rhode Island was not included as its iGaming market is less than 12 months old, having launched in March 2024..

To calculate iGaming revenue forecasts for each of the 37 potential states, the $214.2 average revenue per adult was applied to the total number of adults aged over 18 in each state, as reported by the U.S. Census Bureau based on the 2020 United States Census.

For established iGaming states, Vixio's forecasted revenue totals for 2024, based on current market performance, were used. In the case of Rhode Island, revenue and projected tax revenue was calculated based on Vixio's forecasts for the third full-year of the state's iGaming market.

In order to forecast potential iGaming tax revenue for each state based on its projected revenue, three separate tax rates were applied based on the estimated effective rates applied to iGaming gross revenue in New Jersey, Michigan and Pennsylvania in 2023. As noted elsewhere in this report, states would ultimately have to make their own policy determinations as to the specific tax rate or rates they would seek to apply to iGaming revenue, including whether to apply taxation on gross basis or a net basis that allows for deduction of certain promotional expenses. For existing iGaming states, the applicable current iGaming tax rates were used to forecast for tax revenue for the calendar year of 2024. In Nevada, the state's 6.75 percent headline gaming tax rate was used, since that rate has historically been applied to all forms of gaming, including interactive gaming as defined under Nevada's gaming statutes.

Applying the tax rates of 17.5 percent (equivalent to New Jersey), 25 percent (Michigan) and 33 percent (Pennsylvania) to the forecasted potential iGaming revenue for each of the 37 potential iGaming states results in potential total tax revenue of $8.96bn, $11.88bn and $14.98bn under each of those three tax policy scenarios.

About Vixio GamblingCompliance

Vixio is a Regulatory Technology (RegTech) platform created to remove the risk of non-compliance in the gambling and payments industries and is the leading provider of independent legal, regulatory and business intelligence to the global gaming industry. The Vixio GamblingCompliance product offers a suite of dynamic interactive tools to allow industry stakeholders to instantly analyse and compare regulatory compliance requirements and market data across more than 180 global jurisdictions.

Find out more at vixio.com/gamblingcompliance.

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