

Study says table games would cause drop in wagers

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Table games will cut into slot machine wagering at Pennsylvania casinos and racinos, according to a study released by the Pennsylvania Equine Coalition on Wednesday.

And because table games are historically taxed at lower rates, that means less money for state-funded programs.

But the results of the study stood in stark contrast to another presented several weeks ago that said table games would boost state gaming revenues and employment.

The newest study, "An Analysis of Slot Machine and Proposed Table Gaming Legislation," said that, based on analysis of other studies and surrounding states, wagering would drop between 8 percent and 13 percent.

And although some of that would be compensated by table game revenues, the state tax on those games are traditionally lower than on slots.

Legislation is currently being considered in the Pennsylvania General Assembly to legalize live table games. Currently, only slots machines are available in the state's licensed casinos.

The horse-racing industry receives 12 percent of the casinos' revenues on slot machines.

The entire table game tax is likely to be lower than that.

The study presented to legislators Thursday at a House of Representatives' Gaming Oversight Committee hearing was conducted by Thalheimer Research Associates.

"That decline, combined with the tax structure contained in SB 1033, will result in adverse impacts on state revenues and funds designated for the state and the state's equine industry, while substantially increasing the revenues retained by facility operators," said Joe Santanna, president of the National Horsemen's Benevolent and Protective Association.

"Table games legislation which does not maintain the state's share and protect the Race Horse Development Fund is a loser for the state and it is a loser for the equine industry."

The money from slots revenues that goes toward the Race Horse Development Fund supports programs that underwrite various aspects of thoroughbred and harness racing in Pennsylvania, including increased purses and breeding incentives. The current table games legislation does not set aside any money for the racehorse industry, according to a spokesperson for the industry.

According to the study, only one of the 13 states that permit both slot machines and table games — West Virginia — makes a distinction between taxes on table games and slot machines.

Based on the experience of West Virginia racino, the study concluded different revenue shares — tax rates — between slots and table games might be detrimental to the state's revenue share.

The study suggested that the proposed differing tax rates could even provide an incentive for casino operators to eliminate virtual table games and replace them with standard table games, which would be taxed at a lower rate and a greater loss to the state.

"Operators claim that a lower tax rate is needed to offset the higher costs associated with table games but fail to quantify the incremental operating costs for table games above those in place for slots," said Santanna.

A prior study from The Innovation Group said table gaming would allow Pennsylvania to compete effectively with New Jersey, West Virginia and Delaware, incrementally increase slot revenue, provide new and increased tax revenue, and create more than 16,000 new jobs and \$1 billion in economic output.

Members of the Pennsylvania Equine Coalition include the Pennsylvania Thoroughbred Horsemen's Association, the Pennsylvania Horsemen's Benevolent and Protective Association, the Pennsylvania Horse Breeders Association, the Pennsylvania Harness Horsemen's Association, Standardbred Breeders Association of PA, and the Meadows Standardbred Owners Association.