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REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: Yes

"Casinos get break in return for a subsidy," The Star-Ledger, 4-12-08, p.12.

LAW

§1 - C.5:12-38a
§2 - C.5:12-144.2
§3 - T&E &
Note to §2

P.L. 2008, CHAPTER 12, *approved April 11, 2008*
Assembly, No. 2471 (*First Reprint*)

1 **AN ACT** concerning promotional gaming credits issued by casinos
2 and supplementing P.L.1977, c. 110 (C.5:12-1 et seq.).
3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:
6

7 1. (New section) “Promotional gaming credit” – A slot
8 machine credit or other item approved by the commission that is
9 issued by a licensee to a patron for the purpose of enabling the
10 placement of a wager at a slot machine in the licensee’s casino. No
11 such credit shall be reported as a promotional gaming credit unless
12 the casino licensee can establish that the credit was issued by the
13 casino licensee and received from a patron as a wager at a slot
14 machine in the licensee’s casino.
15

16 2. (New section) a. A casino licensee shall receive an annual
17 deduction from the gross revenue taxed pursuant to subsection a. of
18 section 144 of P.L.1977, c.110 (C.5:12-144) in an amount equal to
19 either (1) the promotional gaming credits reported by that licensee
20 in its annual tax return or (2) such other portion of the promotional
21 gaming credits reported by all casino licensees as the commission
22 may allocate to a particular licensee to reflect that licensee’s pro
23 rata share of the costs of the 2008 agreement executed between the
24 New Jersey Sports and Exposition Authority and the Casino
25 Association of New Jersey for the benefit of the horse racing
26 industry.

27 b. Casino licensees shall be allowed a deduction from gross
28 revenues for a tax year pursuant to subsection a. of this section for
29 the total value of promotional gaming credits redeemed by patrons
30 at all licensed casinos for that tax year in excess of \$90,000,000.
31 For the first tax year in which this act becomes operative pursuant
32 to section 3 of this act, P.L. , c. (pending before the Legislature
33 as this bill), the commission shall reduce the \$90,000,000 deduction
34 threshold for that tax year in proportion to the part of the tax year
35 that has elapsed prior to that operative date.

36 c. The commission shall establish, by regulation, procedures
37 and standards for allocating the deduction established pursuant to

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Assembly AAP committee amendments adopted March 10, 2008.

1 this section to reflect each licensee's pro rata share of the costs of
2 the 2008 agreement executed between the New Jersey Sports and
3 Exposition Authority and the Casino Association of New Jersey for
4 the benefit of the horse racing industry and procedures and
5 standards for each licensee to take the deduction established
6 pursuant to this section to reflect those deductions that exceed the
7 costs of the 2008 agreement. Such regulations shall include
8 standards for the allocation of the \$90,000,000 deduction threshold
9 established in subsection b. of this section, the timing of the
10 application of deductions, and all other matters related to the
11 provisions of this section.

12 d. (1) The commission shall establish, by regulation, procedures
13 to ensure that the promotional gaming credit deduction established
14 pursuant to this section does not result in a negative fiscal impact to
15 the Casino Revenue Fund. If necessary, the commission may
16 reduce the value of the available deduction to eliminate any
17 negative fiscal impact to the Casino Revenue Fund attributable
18 solely to the deduction and not to other economic or other factors
19 that cause a negative fiscal impact to the Casino Revenue Fund.

20 (2) For the purposes of this subsection, "negative fiscal impact to
21 the Casino Revenue Fund" shall mean that the amount generated
22 from taxation of promotional gaming credits ¹~~shall not fall~~ falls¹
23 below the level generated in calendar year 2007.

24
25 3. This act, P.L. , c. (pending before the Legislature as this
26 bill), shall become operative upon the certification by the chair of
27 the Casino Control Commission to the State Treasurer that an
28 agreement has been executed between the New Jersey Sports and
29 Exposition Authority and the Casino Association of New Jersey for
30 the benefit of the horse racing industry, for \$30,000,000 annually
31 for a three-year period.

32
33 4. This act shall take effect immediately.

34

35

36

37

38 Provides tax deduction from casino gross revenues for certain
39 promotional gaming credits.

ASSEMBLY, No. 2471

STATE OF NEW JERSEY 213th LEGISLATURE

INTRODUCED MARCH 10, 2008

Sponsored by:

Assemblyman JOHN J. BURZICHELLI

District 3 (Salem, Cumberland and Gloucester)

Assemblywoman LINDA STENDER

District 22 (Middlesex, Somerset and Union)

Assemblyman RONALD S. DANCER

District 30 (Burlington, Mercer, Monmouth and Ocean)

Assemblyman GARY S. SCHAER

District 36 (Bergen, Essex and Passaic)

Assemblyman DOUGLAS H. FISHER

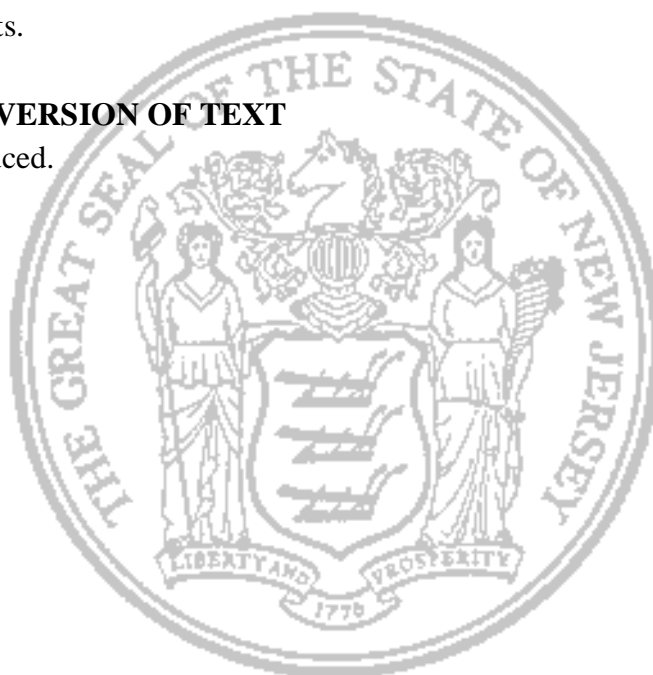
District 3 (Salem, Cumberland and Gloucester)

SYNOPSIS

Provides tax deduction from casino gross revenues for certain promotional gaming credits.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning promotional gaming credits issued by casinos
2 and supplementing P.L.1977, c. 110 (C.5:12-1 et seq.).
3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:
6

7 1. (New section) "Promotional gaming credit" – A slot
8 machine credit or other item approved by the commission that is
9 issued by a licensee to a patron for the purpose of enabling the
10 placement of a wager at a slot machine in the licensee's casino. No
11 such credit shall be reported as a promotional gaming credit unless
12 the casino licensee can establish that the credit was issued by the
13 casino licensee and received from a patron as a wager at a slot
14 machine in the licensee's casino.
15

16 2. (New section) a. A casino licensee shall receive an annual
17 deduction from the gross revenue taxed pursuant to subsection a. of
18 section 144 of P.L.1977, c.110 (C.5:12-144) in an amount equal to
19 either (1) the promotional gaming credits reported by that licensee
20 in its annual tax return or (2) such other portion of the promotional
21 gaming credits reported by all casino licensees as the commission
22 may allocate to a particular licensee to reflect that licensee's pro
23 rata share of the costs of the 2008 agreement executed between the
24 New Jersey Sports and Exposition Authority and the Casino
25 Association of New Jersey for the benefit of the horse racing
26 industry.

27 b. Casino licensees shall be allowed a deduction from gross
28 revenues for a tax year pursuant to subsection a. of this section for
29 the total value of promotional gaming credits redeemed by patrons
30 at all licensed casinos for that tax year in excess of \$90,000,000.
31 For the first tax year in which this act becomes operative pursuant
32 to section 3 of this act, P.L. , c. (pending before the Legislature
33 as this bill), the commission shall reduce the \$90,000,000 deduction
34 threshold for that tax year in proportion to the part of the tax year
35 that has elapsed prior to that operative date.

36 c. The commission shall establish, by regulation, procedures
37 and standards for allocating the deduction established pursuant to
38 this section to reflect each licensee's pro rata share of the costs of
39 the 2008 agreement executed between the New Jersey Sports and
40 Exposition Authority and the Casino Association of New Jersey for
41 the benefit of the horse racing industry and procedures and
42 standards for each licensee to take the deduction established
43 pursuant to this section to reflect those deductions that exceed the
44 costs of the 2008 agreement. Such regulations shall include
45 standards for the allocation of the \$90,000,000 deduction threshold
46 established in subsection b. of this section, the timing of the
47 application of deductions, and all other matters related to the
48 provisions of this section.

1 d. (1) The commission shall establish, by regulation, procedures
2 to ensure that the promotional gaming credit deduction established
3 pursuant to this section does not result in a negative fiscal impact to
4 the Casino Revenue Fund. If necessary, the commission may
5 reduce the value of the available deduction to eliminate any
6 negative fiscal impact to the Casino Revenue Fund attributable
7 solely to the deduction and not to other economic or other factors
8 that cause a negative fiscal impact to the Casino Revenue Fund.

9 (2) For the purposes of this subsection, “negative fiscal impact
10 to the Casino Revenue Fund” shall mean that the amount generated
11 from taxation of promotional gaming credits shall not fall below the
12 level generated in calendar year 2007.

13
14 3. This act, P.L. , c. (pending before the Legislature as this
15 bill), shall become operative upon the certification by the chair of
16 the Casino Control Commission to the State Treasurer that an
17 agreement has been executed between the New Jersey Sports and
18 Exposition Authority and the Casino Association of New Jersey for
19 the benefit of the horse racing industry, for \$30,000,000 annually
20 for a three-year period.

21
22 4. This act shall take effect immediately.

23
24
25 STATEMENT

26
27 This bill provides a deduction from casino gross revenues to
28 reduce the taxes casino licensees in Atlantic City pay on
29 promotional gaming credits.

30 The bill would establish, in law, a new type of credit called a
31 “promotional gaming credit.” These credits are issued to casino
32 patrons for the purpose of placing a wager at a slot machine in a
33 casino. Currently, when promotional gaming credits are wagered in
34 slot machines, the amount wagered and not won by the patron is
35 considered casino gross revenue and taxed pursuant to the 8 percent
36 casino gross revenue tax. Under the bill, the first \$90,000,000 of
37 promotional gaming credits issued by all casinos would still be
38 considered casino gross revenue and taxed accordingly. Any
39 amount above that would be deducted from casino gross revenues
40 and not taxed.

41 The deduction would be allocated to casino licensees in one of
42 two ways, either based on the promotional gaming credits reported
43 by that licensee in its annual tax return or another portion of the
44 promotional gaming credits reported by all casino licensees as the
45 Casino Control Commission may allocate to a particular casino to
46 reflect that casino’s pro rata share of the costs of the 2008
47 agreement executed between the New Jersey Sports and Exposition
48 Authority and the Casino Association of New Jersey for the benefit

A2471 BURZICHELLI, STENDER

1 of the horse racing industry. The bill requires the Casino Control
2 Commission to establish, by regulation, procedures and standards
3 for allocating the deduction among casino licensees.

4 The bill requires the Casino Control Commission to establish, by
5 regulation, procedures to ensure that the amount generated from
6 taxation of promotional gaming credits will not fall below the
7 amount generated in calendar year 2007. If necessary, the bill
8 permits the commission to reduce the value of the available
9 deduction to eliminate any negative fiscal impact to the Casino
10 Revenue Fund attributable solely to the deduction.

11 The bill would only become operative upon the certification by
12 the chair of the Casino Control Commission to the State Treasurer
13 that an agreement has been executed between the New Jersey Sports
14 and Exposition Authority and the Casino Association of New Jersey
15 for the benefit of the horse racing industry, for \$30,000,000
16 annually for a three-year period.

ASSEMBLY TOURISM AND GAMING COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2471

STATE OF NEW JERSEY

DATED: MARCH 10, 2008

The Assembly Tourism and Gaming Committee reports favorably on Assembly, No. 2471.

This bill provides a deduction from casino gross revenues to reduce the taxes casino licensees in Atlantic City pay on promotional gaming credits.

The bill would establish, in law, a new type of credit called a "promotional gaming credit." These credits are issued to casino patrons for the purpose of placing a wager at a slot machine in a casino. Currently, when promotional gaming credits are wagered in slot machines, the amount wagered and not won by the patron is considered casino gross revenue and taxed pursuant to the 8 percent casino gross revenue tax. Under the bill, the first \$90,000,000 of promotional gaming credits issued by all casinos would still be considered casino gross revenue and taxed accordingly. Any amount above that would be deducted from casino gross revenues and not taxed.

The deduction would be allocated to casino licensees in one of two ways, either based on the promotional gaming credits reported by that licensee in its annual tax return or another portion of the promotional gaming credits reported by all casino licensees as the Casino Control Commission may allocate to a particular casino to reflect that casino's pro rata share of the costs of the 2008 agreement executed between the New Jersey Sports and Exposition Authority and the Casino Association of New Jersey for the benefit of the horse racing industry. The bill requires the Casino Control Commission to establish, by regulation, procedures and standards for allocating the deduction among casino licensees.

The bill requires the Casino Control Commission to establish, by regulation, procedures to ensure that the amount generated from taxation of promotional gaming credits will not fall below the amount generated in calendar year 2007. If necessary, the bill permits the commission to reduce the value of the available deduction to eliminate any negative fiscal impact to the Casino Revenue Fund attributable solely to the deduction.

The bill would only become operative upon the certification by the chair of the Casino Control Commission to the State Treasurer that an agreement has been executed between the New Jersey Sports and

Exposition Authority and the Casino Association of New Jersey for the benefit of the horse racing industry, for \$30,000,000 annually for a three-year period.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2471

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: MARCH 10, 2008

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2471, with committee amendments

Assembly Bill No. 2471, as amended, provides a deduction from casino gross revenues to reduce the casino gross revenue taxes that casino licensees pay on promotional gaming credits that exceed a base amount of \$90,000,000.

The bill defines a new type of credit issued to casino patrons called a "promotional gaming credit." These credits are issued to casino patrons for the purpose of placing a wager at a slot machine in a casino. Currently, when promotional gaming credits are wagered in slot machines, the amount wagered and not won by the patron is considered casino gross revenue and taxed pursuant to the 8 percent casino gross revenue tax. Under the bill, the first \$90,000,000 of promotional gaming credits issued by all casinos would still be considered casino gross revenue and taxed accordingly. Any amount above that would be deducted from casino gross revenues and not taxed.

The deduction will be allocated to casino licensees in one of two ways, either: (1) based on the promotional gaming credits reported by that licensee in its annual tax return or (2) another portion of the promotional gaming credits reported by all casino licensees as the Casino Control Commission may allocate to a particular casino to reflect that casino's pro rata share of the costs of the 2008 agreement executed between the New Jersey Sports and Exposition Authority and the Casino Association of New Jersey for the benefit of the horse racing industry. The bill requires the Casino Control Commission to establish, by regulation, procedures and standards for allocating the deduction among casino licensees. For the first tax year in which this bill becomes operative, the commission will reduce the deduction threshold for that tax year in proportion to the part of the tax year that has elapsed, and reduce the promotional gaming credits permitted in that tax year proportionally.

The bill requires the Casino Control Commission to establish, by regulation, procedures to ensure that the amount generated from taxation of promotional gaming credits will not fall below the amount

generated in calendar year 2007. If necessary, the bill permits the commission to reduce the value of the available deduction to eliminate any negative fiscal impact to the Casino Revenue Fund attributable solely to the deduction.

The bill will only become operative upon the certification by the chair of the Casino Control Commission to the State Treasurer that an agreement has been executed between the New Jersey Sports and Exposition Authority and the Casino Association of New Jersey for the benefit of the horse racing industry, for \$30,000,000 annually for a three-year period.

FISCAL IMPACT:

The Office of Legislative Services has been unable to estimate any revenue loss to the Casino Revenue Fund as a result of this legislation because is unknown how many promotional gaming credits casino licensees will issue to patrons in future years.

COMMITTEE AMENDMENTS:

The amendments make a technical correction to conform the bill to the Senate Committee Substitute for Senate 1464.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 2471

**STATE OF NEW JERSEY
213th LEGISLATURE**

DATED: MARCH 14, 2008

SUMMARY

Synopsis: Provides tax deduction from casino gross revenues for certain promotional gaming credits.

Type of Impact: Indeterminate revenue loss, Casino Revenue Fund.

Agencies Affected: Casino Control Commission

Office of Legislative Services Estimate

| Fiscal Impact | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> |
|----------------------|------------------------------------|----------------------|----------------------|
| State Cost | Indeterminate - See comments below | | |

- The Office of Legislative Services estimates an indeterminate revenue loss to the Casino Revenue Fund as a result of this legislation.
- This bill provides a deduction from casino gross revenues to reduce the taxes casino licensees in Atlantic City pay on promotional gaming credits.
- The impact on the Casino Revenue Fund cannot be calculated because it is unknown how many promotional gaming credits casino licensees will issue to patrons in future years.

BILL DESCRIPTION

Assembly Bill No. 2471 (1R) of 2008 provides a deduction from casino gross revenues to reduce the taxes casino licensees in Atlantic City pay on promotional gaming credits.

The bill would establish, in law, a new type of complimentary item called a “promotional gaming credit.” These promotional gaming credits are issued to casino patrons for the purpose of placing a wager at a slot machine in a casino. Currently, when promotional gaming credits are wagered in slot machines, the amount wagered and not won by the patron is considered

casino gross revenue and taxed pursuant to the 8 percent casino gross revenue tax. Under the bill, the first \$90,000,000 of promotional gaming credits issued by all casinos would still be considered casino gross revenue and taxed accordingly. Any amount above that would be deducted from casino gross revenues and not taxed.

The bill contains a mechanism to ensure that the deduction will not produce a reduction in the amount generated from taxation of promotional gaming credits below the amount generated in calendar year 2007.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services estimates an indeterminate revenue loss to the Casino Revenue Fund as a result of this legislation. The impact on the Casino Revenue Fund cannot be calculated because it is unknown how many promotional gaming credits casino licensees will issue to patrons in future years.

Information received informally by the Casino Control Commission indicates that in calendar year 2007, only three casinos issued promotional gaming credits: the Hilton, Resorts, and Borgata. The total amount of these promotional gaming credits issued in 2007 was \$88,447,486. This generated \$7,075,799 in casino gross revenue tax. The bill contains a mechanism to ensure that the deduction will not produce a reduction in the amount generated from taxation of promotional gaming credits below the amount generated in calendar year 2007. Under the bill, the first \$90,000,000 in casino gross revenues from promotional gaming credits will be taxed, thereby generating \$7,200,000 in tax annually. Any additional promotional gaming credits will not be subject to tax.

It is unknown how many promotional gaming credits above the \$90,000,000 threshold casinos will issue. The Casino Association of New Jersey has indicated that the casino industry is interested in increasing the use of this type of gaming credit, and that it will be used to attract new customers in the future.

If this bill is enacted, for every \$10,000,000 in promotional gaming credits issued above the \$90,000,000 threshold established in the bill, there will be a loss of \$800,000 in tax that would have been paid to the Casino Revenue Fund. This loss may be partially offset by increased gross revenue generated through the attraction of new customers to Atlantic City as a result of increased promotional gaming credits and other promotions.

Section: State Government

Analyst: Gina Marie Winters
Senior Research Analyst

Approved: David J. Rosen
Legislative Budget and Finance Officer

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-1 et seq.).

SENATE, No. 1464

STATE OF NEW JERSEY 213th LEGISLATURE

INTRODUCED MARCH 3, 2008

Sponsored by:

Senator JIM WHELAN

District 2 (Atlantic)

Senator JENNIFER BECK

District 12 (Mercer and Monmouth)

SYNOPSIS

Provides tax credit against casino gross revenue tax for certain dedicated gaming complimentaries.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 3/11/2008)

1 AN ACT concerning dedicated gaming complimentarys issued by
2 casinos and amending and supplementing P.L.1977, c. 110
3 (C.5:12-1 et seq.).

4
5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7
8 1. (New section) “Dedicated gaming complimentary” - A
9 complimentary item issued by a casino licensee to a person for the
10 purpose of enabling the placement of a wager at a slot machine in
11 the licensee’s casino. A dedicated gaming complimentary shall be
12 in the form of slot machine credit or any other representative of
13 value approved by the commission as a dedicated gaming
14 complimentary, provided that no complimentary shall be reported
15 as a dedicated gaming complimentary unless the casino licensee can
16 establish that the complimentary was issued by the casino licensee
17 and received from a patron as a wager at a slot machine in the
18 licensee’s casino.

19
20 2. Section 144 of P.L.1977, c.110 (C.5:12-144) is amended to
21 read as follows:

22 144. a. There is hereby imposed an annual tax on gross
23 revenues as defined in section 24 of this act in the amount of 8% of
24 such gross revenues. Except as otherwise provided herein, a casino
25 licensee shall be entitled to an annual credit against the tax liability
26 incurred pursuant to this subsection in an amount equal to the tax
27 liability on the dedicated gaming complimentarys reported by that
28 casino licensee in its annual tax return. This annual tax credit shall
29 be limited as follows:

30 (1) No casino licensee shall be entitled to a tax credit for
31 dedicated gaming complimentarys in any tax year unless the total
32 amount of dedicated gaming complimentarys issued by all licensed
33 casinos for that year exceeds the sum of \$90,000,000. Only
34 dedicated gaming complimentarys in excess of the sum of
35 \$90,000,000 shall be eligible for credits pursuant to this subsection.
36 The commission shall establish, by regulation, procedures for
37 allocating credits pursuant to this subsection.

38 (2) The commission shall establish, by regulation, procedures to
39 ensure that the dedicated gaming complimentary tax credit
40 established pursuant to this subsection does not result in a negative
41 fiscal impact to the Casino Revenue Fund. Such regulations may
42 include, but shall not be limited to, procedures for allocating credits
43 among casino licensees and, if necessary, for reducing the value of
44 the available credits from 100 percent of dedicated gaming
45 complimentarys in excess of the sum of \$90,000,000 annually to a

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 lesser percentage of dedicated gaming complimentaries as required
2 to eliminate any negative fiscal impact to the Casino Revenue Fund.

3 b. Commencing with the first annual tax return of a licensee for
4 any calendar year beginning after December 31, 1978, and ending
5 before January 1, 1984 and based upon a determination that in said
6 return or any annual return for a calendar year during that period the
7 gross revenue of a licensee in the calendar year upon which the tax
8 is based exceeds the cumulative investments in this State of said
9 licensee as of that year, such licensee shall make investments in an
10 amount not less than 2% of the gross revenue for said calendar year
11 within a period of five years from the end of said calendar year.
12 Fifty percent of the investments required by this subsection as a
13 result of any of the three annual tax returns commencing with the
14 first annual tax return for any calendar year beginning after
15 December 31, 1978 shall be made in the municipality in which the
16 licensed premises are located, and 50% of such investments shall
17 be made in any other municipality of this State. Twenty-five
18 percent of the investments required by this subsection as a result of
19 any annual tax return subsequent to the third such return in a series
20 of returns the first of which is for a calendar year beginning after
21 December 31, 1978 shall be made in the municipality in which the
22 licensed premises are located, and 75% shall be made in any other
23 municipality of this State.

24 All investments and cumulative investments made pursuant to
25 this subsection shall be subject to a determination by the
26 commission as to the eligibility of such investments. In
27 determining eligibility, the commission shall consider the public
28 interest, including the social and economic benefits to be derived
29 from such investments for the people of this State.

30 c. For the purposes of this section, "investments" means equity
31 investments in land and real property on which improvements are
32 made and in real property improvements. For the purposes of this
33 section, "cumulative investments" means investments in and debt
34 financing of the licensed premises, plus other investments in and
35 debt financing of land and real property on which improvements
36 are made and real property improvements; provided, however, that
37 the investments and debt financing not associated with the licensed
38 premises have been subsequent to July 6, 1976. Real property and
39 real property improvements sold or otherwise disposed of by the
40 licensee shall not be included for the purposes of determining
41 cumulative investments.

42 d. For the purposes of satisfying the amount of investments in
43 any given year and of determining cumulative investments as of any
44 given year, pursuant to subsection b., contributions of money or
45 realty shall be included if the commission determines that such
46 contributions best serve the public interest and either (1) directly
47 relate to the improvement, furtherance, and promotion of the tourist
48 industry in this State through the planning, acquisition,

1 construction, improvement, maintenance and operation of
2 recreational, entertainment, and other facilities for the public,
3 including, without limitation, a performing arts center, the beaches
4 and shorefront of this State, and transportation facilities providing
5 or enhancing service in resort areas of this State, or (2) directly
6 relate to the improvement, furtherance, and promotion of the health
7 and wellbeing of the people of this State through the planning,
8 acquisition, construction, improvement, maintenance, and operation
9 of a facility, project or program approved by the commission.

10 e. In the event that the investments required in subsection b. of
11 this section are not made within the time set forth herein, there shall
12 be imposed an investment alternative tax in an amount equivalent to
13 2% of gross revenue, which tax shall be added to the tax determined
14 under subsection a. of this section and shall be due and payable in
15 accordance with section 148 of P.L.1977, c. 110 (C. 5:12-148). For
16 the purposes of determining whether the investment alternative tax
17 shall be paid, the State Treasurer shall certify, under such rules and
18 regulations as he shall promulgate consistent with the provisions of
19 this article, the amount of cumulative investments made by each
20 licensee. In the event of the sale or other disposition of the licensed
21 premises, any investment obligation imposed by subsection b.
22 which is not satisfied shall be immediately deemed due and payable
23 as investment alternative tax, and said amount shall constitute a
24 lien upon the licensed premises until paid, together with interest at
25 the rate specified in the "State Tax Uniform Procedure Law,"
26 Subtitle 9 of Title 54 of the Revised Statutes; provided, however,
27 that the appointment of a conservator under section 31 of P.L.1978,
28 c. 7, shall not constitute a sale or other disposition of the licensed
29 premises within the meaning of this subsection, and provided
30 further, that if, in the judgment of the commission, a sale or other
31 disposition does not significantly affect the operations of a casino
32 licensee with respect to such premises, the commission may permit
33 the investment obligation imposed on such licensee to continue
34 under such conditions as the commission may deem appropriate.

35 f. The commission shall promulgate rules and regulations
36 consistent with the provisions of this article as to the eligibility of
37 the investments and cumulative investments required by this
38 section.

39 g. The Casino Reinvestment Development Authority shall,
40 simultaneous with the initial exercise of its general powers and
41 responsibilities pursuant to section 39 of P.L.1984, c. 218, assume
42 and exercise all powers and responsibilities and make all
43 determinations necessary to the administration of subsections b.
44 through f. of section 144 of P.L.1977, c. 110 (C. 5:12-144)
45 theretofore exercised or made by the commission, including the
46 resolution of all matters then pending before the commission.
47 Subsequent to the initial exercise of its general powers and
48 responsibilities by the Casino Reinvestment Development

1 Authority, the commission shall make no further determinations of
2 eligibility under this section except as may be necessary to enable a
3 licensee to satisfy an investment obligation which is due in calendar
4 year 1984, and shall have no further responsibility for planning or
5 redevelopment activity with regard to the use of reinvestment funds
6 generated by either subsections b. through f. of section 144 of
7 P.L.1977, c. 110 (C. 5:12-144) or subsection b. of section 3 of
8 P.L.1984, c. 218 (C. 5:12-144.1). All determinations of the
9 commission made in accordance with this section shall be final and
10 subject only to alteration by a decision of a court.

11 h. Notwithstanding any other provision of this section to the
12 contrary, any investment required by this section which has not
13 been commenced by a licensee as of the effective date of this 1984
14 amendatory and supplementary act, other than an investment which
15 is necessary to enable a licensee to satisfy an investment obligation
16 which is due in calendar year 1984, may only be satisfied through
17 the purchase of bonds of the Casino Reinvestment Development
18 Authority issued pursuant to sections 14 and 15 of P.L.1984, c. 218
19 (C. 5:12-162, 5:12-163), except that the date by which the
20 investment shall be made, and the amount of the investment or
21 investment alternative tax obligation, shall be that set forth in
22 subsections b. and e. of this section.

23 Notwithstanding the provisions of subsections b. and c. of this
24 section, any investment obligation which is due in calendar year
25 1984 which has not been commenced or satisfied by December 31,
26 1984 may, at the option of the licensee and with the approval of the
27 Casino Control Commission, and in lieu of or in addition to making
28 any other investment or contribution authorized by this section, be
29 satisfied subsequent thereto by the purchase, or the agreement to
30 make a purchase, of bonds of the Casino Reinvestment
31 Development Authority. Any licensee desiring to exercise this
32 option, with the approval of the Casino Control Commission, shall
33 transfer and entrust the necessary amount to the State Treasurer,
34 who shall maintain the funds until the initial exercise by the Casino
35 Reinvestment Development Authority of its general powers and
36 responsibilities pursuant to section 39 of P.L.1984, c. 218.
37 Immediately subsequent to the initial exercise of its general powers
38 and responsibilities by the Casino Reinvestment Development
39 Authority, the State Treasurer shall transfer any such entrusted
40 funds to the Casino Reinvestment Development Authority for the
41 purchase of bonds by the licensee in amounts equivalent to the
42 amount of the funds deposited by the licensee with the State
43 Treasurer. Until he transfers the funds to the Casino Reinvestment
44 Development Authority, the State Treasurer shall be authorized to
45 invest and reinvest such funds through the Director of the Division
46 of Investment, who shall make such investments in accordance with
47 written directions of the State Treasurer, without regard to any other
48 law relating to investments by the Director of the Division of

1 Investment. Any interest earned on the funds while they are
2 entrusted to the State Treasurer shall accrue to the licensee and the
3 Casino Reinvestment Development Authority in the same
4 proportion as if the funds were held and invested by the Casino
5 Reinvestment Development Authority pursuant to subsection m. of
6 section 13 of P.L.1984, c. 218 (C. 5:12-161).

7 The proceeds of all bond purchases made pursuant to this
8 subsection shall be used exclusively to finance the rehabilitation,
9 development, or construction of housing facilities in the city of
10 Atlantic City for persons or families of low through middle income
11 in accordance with the provisions of subsection f. of section 3 of
12 P.L.1984, c. 218 (C. 5:12-144.1).

13 i. If a licensee has incurred an investment obligation which
14 requires bonds to be purchased pursuant to the provisions of
15 subsection h. of this section and the licensee purchases bonds of
16 the Casino Reinvestment Development Authority issued pursuant
17 to sections 14 and 15 of P.L.1984, c. 218 (C. 5:12-162, 5:12-163)
18 in satisfaction of that obligation no later than six months after the
19 adoption by the Casino Reinvestment Development Authority of
20 rules and regulations pursuant to subsection j. of section 3 of
21 P.L.1984, c. 218 (C. 5:12-144.1), the licensee shall be entitled to a
22 reduction of its investment obligation in an amount determined by
23 the Casino Reinvestment Development Authority, taking into
24 account a current market discount rate from the date of the
25 purchase to the date the purchase would have been required to be
26 made. Any purchase of bonds made pursuant to this subsection
27 shall first be used to satisfy the licensee's most recently incurred
28 investment obligation. That purchase of bonds shall not constitute
29 a credit against the tax provided for in subsection a. of section 3 of
30 this 1984 amendatory and supplementary act.

31 (cf: P.L.1984, c.218, s.2)

32

33 3. This act, P.L. , c. (pending before the Legislature as this
34 bill), shall become operative upon the certification by the chair of
35 the Casino Control Commission to the State Treasurer that an
36 agreement has been executed among casino licensees and relevant
37 parties implementing a purse supplement for horse racing, the value
38 of which is \$30,000,000 annually for a three-year period.

39

40 4. This act shall take effect immediately.

41

42

STATEMENT

43

44 This bill provides a credit against the annual tax liability that
45 casino licensees in Atlantic City pay on dedicated gaming
46 complimentaries above a base amount

47 The bill would establish, in law, a new type of complementary
48 item called a "dedicated gaming complimentary." These

S1464 WHELAN, BECK

7

1 complimentary items are issued to casino patrons for the purpose of
2 placing a wager at a slot machine in a casino. Under the bill,
3 casinos would receive a tax credit equal to the tax liability on the
4 dedicated gaming complimentaries reported by the casinos in their
5 annual tax returns.

6 The tax credit only applies if the total amount of dedicated
7 gaming complimentaries issued by all licensed casinos for one year
8 exceeds \$90 million. Additionally, the Casino Control Commission
9 is required to establish procedures to ensure that the tax credit does
10 not result in a negative fiscal impact to the Casino Revenue Fund.
11 The procedures may include reducing the available tax credits as
12 necessary to eliminate a negative fiscal impact.

13 The provisions in this bill would only become operative if the
14 chair of the Casino Control Commission certifies to the State
15 Treasurer that an agreement has been executed among casino
16 licensees and relevant parties implementing a purse supplement for
17 horse racing, the value of which is \$30 million annually for a three-
18 year period.

SENATE WAGERING, TOURISM AND HISTORIC
PRESERVATION COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 1464

STATE OF NEW JERSEY

DATED: MARCH 10, 2008

The Senate Wagering, Tourism & Historic Preservation Committee reports favorably a Senate Committee Substitute for Senate Bill No. 1464.

This committee substitute provides a deduction from casino gross revenues to reduce the taxes casino licensees in Atlantic City pay on promotional gaming credits.

The substitute would establish, in law, a new type of credit called a "promotional gaming credit." These credits are issued to casino patrons for the purpose of placing a wager at a slot machine in a casino. Currently, when promotional gaming credits are wagered in slot machines, the amount wagered and not won by the patron is considered casino gross revenue and taxed pursuant to the 8 percent casino gross revenue tax. Under the substitute, the first \$90,000,000 of promotional gaming credits issued by all casinos would still be considered casino gross revenue and taxed accordingly. Any amount above that would be deducted from casino gross revenues and not taxed.

The deduction would be allocated to casino licensees in one of two ways, either based on the promotional gaming credits reported by that licensee in its annual tax return or another portion of the promotional gaming credits reported by all casino licensees as the Casino Control Commission may allocate to a particular casino to reflect that casino's pro rata share of the costs of the 2008 agreement executed between the New Jersey Sports and Exposition Authority and the Casino Association of New Jersey for the benefit of the horse racing industry. The substitute requires the Casino Control Commission to establish, by regulation, procedures and standards for allocating the deduction among casino licensees. For the first tax year in which this substitute becomes operative, the commission will reduce the deduction threshold for that tax year in proportion to the part of the tax year that has elapsed, and reduce the promotional gaming credits permitted in that tax year proportionally.

The substitute requires the Casino Control Commission to establish, by regulation, procedures to ensure that the amount

generated from taxation of promotional gaming credits will not fall below the amount generated in calendar year 2007. If necessary, the substitute permits the commission to reduce the value of the available deduction to eliminate any negative fiscal impact to the Casino Revenue Fund attributable solely to the deduction.

The substitute would only become operative upon the certification by the chair of the Casino Control Commission to the State Treasurer that an agreement has been executed between the New Jersey Sports and Exposition Authority and the Casino Association of New Jersey for the benefit of the horse racing industry, for \$30,000,000 annually for a three-year period.

LEGISLATIVE FISCAL ESTIMATE
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 1464
STATE OF NEW JERSEY
213th LEGISLATURE

DATED: MARCH 14, 2008

SUMMARY

Synopsis: Provides tax deduction from casino gross revenues for certain promotional gaming credits.

Type of Impact: Indeterminate revenue loss, Casino Revenue Fund.

Agencies Affected: Casino Control Commission

Office of Legislative Services Estimate

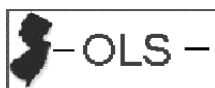
| Fiscal Impact | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> |
|----------------------|------------------------------------|----------------------|----------------------|
| State Cost | Indeterminate - See comments below | | |

- The Office of Legislative Services estimates an indeterminate revenue loss to the Casino Revenue Fund as a result of this legislation.
- This bill provides a deduction from casino gross revenues to reduce the taxes casino licensees in Atlantic City pay on promotional gaming credits.
- The impact on the Casino Revenue Fund cannot be calculated because it is unknown how many promotional gaming credits casino licensees will issue to patrons in future years.

BILL DESCRIPTION

Senate Committee Substitute for Senate Bill No.1464 of 2008 provides a deduction from casino gross revenues to reduce the taxes casino licensees in Atlantic City pay on promotional gaming credits.

The bill would establish, in law, a new type of complimentary item called a “promotional gaming credit.” These promotional gaming credits are issued to casino patrons for the purpose of placing a wager at a slot machine in a casino. Currently, when promotional gaming credits are wagered in slot machines, the amount wagered and not won by the patron is considered



casino gross revenue and taxed pursuant to the 8 percent casino gross revenue tax. Under the bill, the first \$90,000,000 of promotional gaming credits issued by all casinos would still be considered casino gross revenue and taxed accordingly. Any amount above that would be deducted from casino gross revenues and not taxed.

The bill contains a mechanism to ensure that the deduction will not produce a reduction in the amount generated from taxation of promotional gaming credits below the amount generated in calendar year 2007.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services estimates an indeterminate revenue loss to the Casino Revenue Fund as a result of this legislation. The impact on the Casino Revenue Fund cannot be calculated because it is unknown how many promotional gaming credits casino licensees will issue to patrons in future years.

Information received informally by the Casino Control Commission indicates that in calendar year 2007, only three casinos issued promotional gaming credits; the Hilton, Resorts, and Borgata. The total amount of these promotional gaming credits issued in 2007 was \$88,447,486. This generated \$7,075,799 in casino gross revenue tax. The bill contains a mechanism to ensure that the deduction will not produce a reduction in the amount generated from taxation of promotional gaming credits below the amount generated in calendar year 2007. Under the bill, the first \$90,000,000 in casino gross revenues from promotional gaming credits will be taxed, thereby generating \$7,200,000 in tax annually. Any additional promotional gaming credits will not be subject to tax.

It is unknown how many promotional gaming credits above the \$90,000,000 threshold casinos will issue. The Casino Association of New Jersey has indicated that the casino industry is interested in increasing the use of this type of gaming credit, and that it will be used to attract new customers in the future.

If this bill is enacted, for every \$10,000,000 in promotional gaming credits issued above the \$90,000,000 threshold established in the bill, there will be a loss of \$800,000 in tax that would have been paid to the Casino Revenue Fund. This loss may be partially offset by increased gross revenue generated through the attraction of new customers to Atlantic City as a result of increased promotional gaming credits and other promotions.

Section: State Government

Analyst: Gina Marie Winters
Senior Research Analyst

Approved: David J. Rosen
Legislative Budget and Finance Officer

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-1 et seq.).