

Pennsylvania



Regulatory Oversight

COMMERCIAL GAMING

Governing Body: Section 1201 of title 4 of the Pennsylvania Consolidated Statutes establishes the [Pennsylvania Gaming and Control Board \(PGCB\)](#). The board is tasked with supervising casinos as well as slot machines at racetracks, online casino gaming and sports betting.



Licensing

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Operator: In 2017, the legislature passed House Bill 271, which significantly expanded gaming in the state. Under the new law, the gaming board is eligible to issue: seven Category 1 licenses (racetrack casinos), five Category 2 licenses (standalone casinos), two Category 3 licenses (resort casinos), and may auction up to ten Category 4 licenses (ancillary casinos). Information on the state's current operators, including ownership interests, can be found [here](#).

Category 1 licenses are generally issued to racetrack facilities and are subject to initial licensing fees of \$50m, with licenses subject to renewal after three years. According to Section 1302(b) of title 4 of the Pennsylvania Consolidated Statutes, no category one licensed facility can be located within 20 miles of another category one licensed facility. Individuals are eligible to apply for a category one license if they have previously been issued a license to conduct thoroughbred or harness racing with pari-mutuel wagering by either the Harness Racing Commission or the Horse Racing Commission. A Category 1 casino that submits a petition to operate table games must pay a one-time non-refundable fee of \$16.5m if the entity received their Category 1 slot machine license after June 1, 2010. Pa. Cons. Stat. § 4.13A61.

Category 2 licenses are issued to standalone casinos for the operation of slot machines and are subject to initial licensing fees of \$50m, with licenses subject to renewal after three years. An applicant is eligible to apply for a category two license if:

- The applicant, its affiliate, intermediary, subsidiary or holding company is not otherwise eligible to apply for a category one license.
- The applicant is seeking to locate the licensed facility in a different city, county or municipality from another category two licensed facility.
- An applicant is also eligible for a category two license, if the licensed facility will be in a designated subzone, an expansion subzone or an improvement subzone under Pennsylvania Public Law 705, No. 92. However, the gaming act prohibits a category two facility from being located within 30 miles of a category one facility that has conducted more than 200 racing days per year for two calendar years.

A Category 2 casino that submits a petition to operate table games must pay a one-time non-refundable fee of \$24.75m, whether they held their slot machine license before or after June 1, 2010.. Pa. Cons. Stat. § 4.13A61.



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From January 1, 2017, the board imposes an annual slot machine license operation fee equal to \$10m on Category 1 and 2 casinos that is deposited into the State Gaming Fund to be used for purposes of local share distributions, pursuant to § 1326.1.

Category 3 licenses are issued to resort-style venues for the operation of slot machines. Category 3 casinos are subject to initial licensing fees of \$5m. Pa. Cons. Stat. § 1305(d). According to the gaming act, a person is eligible to apply for a category three license if:

- The applicant, its affiliate, intermediary, subsidiary or holding company has not applied for or been approved or issued a category one or two license.
- The category three facility is located in a well-established resort hotel with at least 275 guest rooms and year-round recreational guest amenities.
- The applicant is the owner or a wholly-owned subsidiary of the owner of the established resort.

The law establishes that the gaming board may auction off up to ten Category 4 licenses, also known as mini or satellite casinos. To date, the PGCB has approved five Category 4 casinos, which cannot be within 25 miles of another Category 1, 2, or 3 casino. The minimum bid is \$7.5m. Category 4 must have a minimum of 300 slot machines and up to 750, along with up to 40 table games.

If an applicant has held a gaming license in other jurisdictions, the applicant is required to also submit a letter of reference from that jurisdiction's licensing body. The letter must specify the gaming experience of the applicant and include their associations and gaming operations. To conduct table games, a slot machine licensee must file a petition, meeting the requirements laid out in Section 1312(b) of title 4 of the Pennsylvania Consolidated Statutes. A gaming entity must be licensed to operate slot machines in Pennsylvania before having its petition to operate table games accepted. A category 1 or a category 2 slot machine licensee that held that license prior to June 1, 2010, but submits a petition to operate table games after June 1, 2010, must pay a non-refundable fee of \$24.75m. A category 3 slot machine licensee that submits a petition to operate table games must pay a non-refundable fee of \$11.25m, while a Category 4 casino that submits a petition to operate table games must pay a one-time non-refundable fee of \$2.5m.

Interactive Gaming Certificates are available to the state's existing casinos and qualified gaming entities to offer online gambling. Fees varied from \$4m to \$12m, depending on the time of the application and which verticals — poker, slot games and tables games — were applied for. The renewal fee is \$250,000, due every five years.

Supplier License: All persons seeking to manufacture slot machines or gaming equipment in Pennsylvania must be licensed by the PGCB. A manufacturer license is not transferable and is valid for one year but must be renewed prior to expiration. A licensed manufacturer can submit a renewal license to the board six months before the expiration of the initial license.

A manufacturer that contracts with a supplier must ensure that the supplier is licensed under Section 1317 of title 4 of the Pennsylvania Consolidated Statutes. Furthermore, a person seeking to provide slot machines or equipment to a slot machine licensee through a contract with a licensed manufacturer must apply to the board for a supplier license. If issued a supplier license by the board, the licensee must maintain its principal place

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of business in Pennsylvania. An applicant must consent to a background investigation of its principal's key employees or other persons.

A supplier license is not transferable and is valid for one year but can be renewed before it expires. A licensed supplier is required by the board to submit a renewal application two months before the initial application expires.

An interactive gaming operator (platform provider) is a company that operates online gaming, or an underlying online gaming system, on behalf of a casino or qualified gaming entity. The license fee is \$1m upfront and is valid for a period of five years, with renewals costing \$100,000.



Taxation & Tribal Revenue Sharing

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Gaming Tax Rate: For Category 1, 2, and 3 casinos, the tax rate is as follows:

- State tax: 34 percent ([Pa. Cons. Stat. § 4.1403](#))
- Local share assessment: two percent for Category 1 and 2; four percent for Category 3 ([Pa. Cons. Stat. § 4.1403](#))
- Economic Development Fund: six percent ([Pa. Cons. Stat. § 4.1407](#))
- Race Horse Development Fund: capped at 12 percent (Pa. Cons. Stat. § 4.1405)

Category 4 casinos have a 50 percent tax on gross revenues from slot machines and an additional 4 percent local share assessment. [Pa. Cons. Stat. § 4.1403](#).

Effective August 2016, operators will pay taxes equal to 16 percent of daily gross table game revenues, up from 14 percent. The additional two percent tax is set to expire in 2021. In addition, operators must pay 34 percent of their daily gross revenues from each table game played on a fully automated electronic table game at its licensed facility. [Section 13A62](#) of title 4 of the Pennsylvania Consolidated Statutes.

Effective tax rates for online gaming are:

- 16 percent on peer-to-peer games (i.e., poker).
- 16 percent on non-peer-to-peer table games.
- 54 percent on slot machine games.

Tax Allocation: The monies derived from casino gaming are distributed to various state programs and projects including property tax relief, education, supporting the race horse industry and other agricultural programs as well as state and local economic development programs.

Taxes from Category 4 casinos are distributed as follows:

- 68 percent to Property Tax Relief.
- 10 percent to the State Treasury.



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- 10 percent to the Commonwealth Financing Authority.
- 12 percent to the Economic Development and Tourism Fund.

Local share assessment monies are generally distributed to the local governments where casinos facilities are located. These revenues often support economic development projects and education.

Promotional Credits: Pennsylvania does not tax promotional credits. In April 2014, the Supreme Court of Pennsylvania held that the cost of promotional awards given away by a gaming facility may be subtracted prior to the calculation of the “gross terminal revenue” for purposes of slot machine taxes if it can be proved the player accrued the promotional awards “as a result of playing a slot machine.”

Withholding on Winnings: Gambling winnings are taxable income and are taxed at 3.07%.



Responsible Gaming

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Self-exclusion: Pennsylvania has a self-exclusion program, created through [Section 1514](#) of title 4 of the Pennsylvania Consolidated Statutes. The person filing the self-exclusion request can request the exclusion for one year, five years or a lifetime. Licensed facilities are required to exclude the person until the term of the exclusion expires and must refuse wagers from and deny gaming privileges to, any self-excluded person. When signing up, persons agree that they may not collect any winnings or recover any losses resulting from a gaming activity at licensed facilities. In addition, facilities must deny check cashing privileges, player club membership, complimentary goods and services, junket participation and other similar privileges and benefits to any self-excluded person. An FAQ on self-exclusion can be found [here](#).

Alcohol Use: Pennsylvania’s gaming regulations require licensees to include procedures to prevent serving alcohol to visibly intoxicated gaming patrons in the employee training program.

Advertising Restrictions: Advertisements used by a slot machine, gaming junket enterprise or manufacturer licensees may not contain false or misleading information. A slot machine, gaming junket enterprise or manufacturer licensees cannot employ an individual to persuade or convince a person to engage in gaming or play a specific slot machine. All advertisements must contain a message about receiving help for a gambling problem, including a toll-free helpline for gambling and a message.

On-Premise Display Requirement: The Pennsylvania Gaming Control Board requires slot machine licensees to submit signs to the director of the Office of Compulsive and Problem Gambling (OCPG) for approval. The signs must provide information related to where patrons with gambling problems may obtain assistance.

Furthermore, the OCPG requires that any advertising by licensees contains information about where problem gamblers may get assistance. The director of the OCPG must approve both signs and advertisements. Also, the gaming regulations require underage gambling signage be placed prominently around each entrance and exit to a facility.

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Restrictions on Minors on the Gambling Premises: Individuals under 21 years of age may not enter or remain in any area of a licensed gaming facility where slot machines are operated, or the play of table games is conducted. There is an exception for gaming employees 18 years of age or older.



Sports Betting

Authorized Operators: Sports betting can be offered at three different types of facilities in Pennsylvania and affiliated online and mobile sportsbooks:

- Thirteen Commercial casinos and racinos, with another casino expected to open in 2021
- Eight off-track betting venues that are owned by companies operating casinos in the state
- Category 4 casino locations, more commonly known as satellite or “mini-casinos”

Mobile/Online: It is legal to bet on sports anywhere in Pennsylvania, as the law permits wagering “by any system or method,” including in person, on the internet and mobile. State law prohibits more than one online skin for each license issued. Category 4 casino licensees may also petition the board to obtain separate sports wagering certificates for online wagering.

Patrons can sign up online for online accounts. There is no need to register in person.

Taxes and Fees: Sports betting revenue is taxed at a rate of 36 percent.

Casino licensees must petition the board to be licensed as a sports wagering certificate holder. They are required to pay a one-time fee of \$10 million for sports betting and a \$250,000 renewal fee is payable every five years.



Internet Gaming

Authorized Operators: The state established a total of 39 interactive gaming licenses (“certificates”), one for each of the three gaming verticals (slot games, table games, and poker) per the 13 licensed casinos in the state. For online sports betting, only the state’s 13 licensed casinos are permitted to obtain a license.

Licensing: The law established a total of 39 interactive gaming licenses (“certificates”), one for each of the three gaming verticals (slot games, table games, and poker) per the 13 licensed casinos in the state. [Pa. Cons. Stat. Title 4, § 13B12\(a\)](#). For online sports betting, only the state’s 13 licensed casinos are permitted to obtain a license. [Pa. Cons. Stat. Title 4, § 13C11\(a\)\(1\)\(i\)](#).

Taxes and Fees: Interactive gaming operators must pay a license fee varying from \$4m to \$10m, with a renewal fee of \$250,000 after five years. Online sports-betting operators must pay a separate license fee of \$10m, with a renewal fee of \$250,000 after five years.

A company contracted with a casino license or an entity qualified to operate interactive gaming on the certificate holder’s behalf, must apply for an interactive gaming operator license and pay a one-time \$1m license fee.

Interactive gaming Operators are subject to the following tax scheme:



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- 14 percent on online peer-to-peer games (i.e., poker).
- 16 percent on online non-peer-to-peer table games.
- 54 percent on online slot machine games.
- 36 percent on online sports betting.

Games Available: Slot games, table games, poker and sports betting are permitted.