

- • **Help Regulated American Sportsbooks Compete with Illegal Offshore Sites**



- • Please co-sponsor H.R. 1440, bipartisan legislation to repeal the federal excise and head taxes imposed on sports wagering operations.

BACKGROUND

A 2018 ruling by the U.S. Supreme Court provided state and tribal governments the ability to decide whether to legalize and regulate sports betting within their borders. Since then, sports betting has been **authorized** in 39 states and D.C. Bringing sports betting activity into the legal market and under regulatory oversight provides increased transparency, enhanced game integrity and consumer protections, while supporting jobs and generating tax revenues. However, the right policy environment is critical to allow legal sports betting operations to compete with the illegal market, which enjoys significantly lower overhead by dodging taxes and other regulatory costs. Congress can help empower the success of a safe, regulated marketplace by swiftly addressing areas of federal tax policy that unnecessarily disadvantage legal sports betting operations.

FEDERAL TAX POLICY IMPEDES LEGAL SPORTS BETTING

- The Internal Revenue Code currently imposes a federal excise tax of 0.25% on the amount of any legal sports wager, a 2% tax on any illegal wager (which does not get paid), and an additional \$500 annual head tax for every person engaged in receiving wagers, which is reduced to \$50 for any employee working on behalf of a legal sports betting operator (See, 26 U.S.C §4401 and 26 U.S.C §4411 respectively).
- The excise tax was originally established in 1951 as a tool to suppress illegal, organized gambling activities. This tax was never intended to be a revenue source, but rather a tool for prosecuting illegal bookmaking operations that did not pay the tax.
- While Congress reduced the rate applicable to legal sports wagers, this tax currently serves no dedicated purpose and represents an added operating costs to legal sportsbooks that illegal operators do not pay.
- Moreover, the \$50 head tax on each sportsbook employee only discourages job creation at a time when employment opportunities are critical.
- Congress must ensure that tax policy established seven decades ago to curb illegal sports betting, does not give illicit operations a leg up today.

Sign on as a co-sponsor of H.R. 1440, the bill to repeal the handle tax and curb illegal sports betting.

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