

# TENNESSEE

Tennessee’s online sports betting market generated estimated total revenue of \$458.4 million in 2023, a year that saw lawmakers pass significant amendments to the state’s 2019 Sports Gaming Act.

## Market Overview

Tennessee has no commercial casino venues but offers sports betting through online sportsbook operators subject to regulation by the Tennessee Sports Wagering Council.

A state law passed in 2019 authorizes commercial gaming operators to apply for an unlimited number of licenses to offer online sports betting. Tennessee’s law was notable for being the first in the U.S. to limit sports wagering exclusively to online platforms, with no retail sportsbook operations permitted.

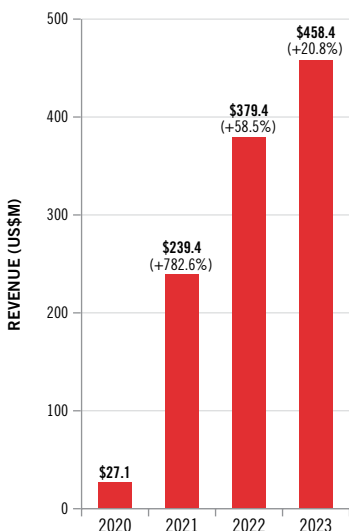
Legal sports betting began in November 2020. At the end of 2023, 12 online sports betting platforms were available, unchanged from the previous year.

## Market Performance

In 2023, total sports betting revenue in Tennessee reached an estimated \$459.3 million, up 20.8 percent from 2022’s reported total of \$379.4 million.

Tennessee does not release revenue data, but a revenue figure for 2023 was estimated by applying the average national hold percentage for online sports betting, adjusted to account for the historical variance between Tennessee’s historical hold percentage and the national average, to the monthly sports wagering handle as reported by the Tennessee Sports Wagering Council. The council ceased reporting monthly revenue statistics in mid-2023 following a change in the state’s sports wagering tax structure.

### TENNESSEE: COMMERCIAL SPORTS BETTING REVENUE (US\$M) 2020 to 2023



SOURCE: Tennessee Sports Wagering Advisory Council

Total handle for mobile sports betting in 2023 was \$4.30 billion, an increase of 11.6 percent relative to 2022.

## Gaming Tax Distribution

Since July 2023, online sports betting in Tennessee is taxed at a rate of 1.85 percent of handle, or the amount of each bet. Sportsbook operations are further subject to a 0.25 percent federal excise tax applied to wagering handle. Federal excise tax payments are deducted prior to the application of the state tax. Notably, Tennessee is the only state in the U.S. that applies taxes based on handle rather than operators’ revenue following payment of winning bets and other deductions.

In 2023, sports betting generated total state tax revenue of approximately \$83.6 million, up 22.8 percent from the previous

### KEY STATE INFORMATION

#### NUMBER OF COMMERCIAL CASINOS

0

#### CASINO FORMAT

N/A

#### REGULATORY AUTHORITY

Tennessee Sports Wagering Council

#### GROSS SPORTS BETTING REVENUE 2023

\$458.4M (est.)

#### SPORT BETTING TAX REVENUE 2023

\$83.6M



# Tennessee

year, according to statistics collected by the Tennessee Sports Wagering Council.

Of that amount, approximately \$66.8 million was distributed to the Tennessee Lottery's education fund used to support education programs across the state. Some \$12.5 million was allocated to local governments for infrastructure projects, with the remainder set aside for mental health and problem gambling services.

## Competitive Landscape

Tennessee faces expanding regional competition from sports betting operations in bordering states. Mobile sports betting is available in neighboring Virginia, Arkansas and—as of September 2023—Kentucky. North Carolina also approved legislation for mobile sports wagering in 2023, with operations expected to launch in 2024.

Retail sports betting is offered at one Arkansas commercial casino and at several Mississippi casinos in the Tunica/Lula market that attract patrons from the Greater Memphis area. A sportsbook is also set to open in 2024 at Virginia's Hard Rock Bristol casino, located just across the Tennessee border. The Bristol casino opened in 2022 as a temporary facility limited to electronic gaming devices and table games.

## Policy & Regulatory Review

### *Sports Betting*

In May, Gov. Bill Lee (R) signed a bill to make a series of amendments to Tennessee's 2019 sports wagering law.

One provision of the new legislation replaced Tennessee's 20 percent tax on sports betting revenue with a 1.85 percent tax applied on wagering handle. The legislation also eliminated a statutory requirement for the state's

mobile sportsbook operators to use official sports league data to settle any in-play bets. Tennessee was the first state in the nation to include an official league data mandate in its sports betting law—a policy that has since been followed by Arizona, Michigan, Virginia and several other states.

Other statutory changes made by the 2023 legislation included setting a tiered licensing fee structure for sports betting operators based on their reported annual handle, instead of a flat \$750,000 annual fee for all operators. The bill further introduced a new licensing structure for sports wagering suppliers.

The Tennessee Sports Wagering Council—which was also renamed from the Tennessee Sports Wagering Advisory Council under the new law—approved revised administrative regulations in September to conform with the statutory changes. Those updated regulations took effect in December.

### *Fantasy Sports*

In April, Gov. Lee signed a separate bill to grant the Tennessee Sports Wagering Council regulatory authority over fantasy sports contests being offered in the state.

In 2016, Tennessee became one of the first states to pass a specific law to license and regulate fantasy sports contests—two years before the landmark U.S. Supreme Court ruling that allowed states to do the same with sports wagering.

Fantasy sports operators had previously been subject to licensing by Tennessee's Secretary of State before the new legislation transferred authority to the specialist sports betting agency. The Tennessee Sports Wagering Council approved new regulations for fantasy contests in September 2023, with those rules taking formal effect in December.