

Commercial Casino Gaming in the United States: A Jurisdictional Analysis of Gaming Taxes, Licenses, and Fees

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Introduction

Since World War II, gaming in the United States has undergone a remarkable metamorphosis. In many parts of the country, the public's opinion on the subject has come full circle, from a morally suspect activity into the mainstream of American life. While most other societies around the world have had some form of continuous organized gaming for centuries, these activities in the United States are currently either illegal or highly regulated at the state level. Authors such as Professor I. Nelson Rose (1991) and John Rosecrance (1988) have suggested that the United States has already undergone two complete cycles of long-term growth in the gaming industry. They further assert that gaming is now in the midst of the expansion phase of the third period of long-term growth.

With the development of a myriad of new markets, products, and technologies many of the characteristics of an expansion are present. One reason for this phenomenon can be found in Nevada's decision in the late 1960s to allow public companies to become casino owners without each shareholder having to be licensed (Cabot & Schuetz, 1991). From this decision, a new era of professional management has ensued and greater respect from the business community has been garnered by the gaming industry. This success in Nevada has led many other states to reexamine their positions towards legal forms of commercial gaming and has opened many new opportunities for the companies involved in this industry.

Recently, as Rose (1991) has noted, many states have found it beneficial to grant the privilege of operating a gaming establishment in exchange for financial support of the state's social goals.

While each state's legal gaming structure is unique, all are based on a concept shared by elected officials and the voting public alike. This universal view is that casino gaming is a business activity to be legalized only to achieve economic goals, such as job generation, and

produce taxes to fund government activities that would otherwise have to be funded by the taxpayers. Any business that seeks to take advantage of these newly created markets should strive to understand the regulatory environment and governmental requirements for operating in new jurisdictions. Therefore, this analysis will attempt to capture the gaming climate from the tax perspective of each existing market.

When looking at the commercial aspect of gaming from a tax standpoint, it was evident from the onset that states have not been uniform in their imposition of government levies upon the industry; however, each state does require, at the minimum, one type of license to operate a gaming enterprise. Virtually all states and some municipalities have elected to impose, in addition to any fees associated with licensing requirements, some additional form of gaming taxes, excise taxes, parking fees, or admission fees. Thus, while one state may have a high gaming tax and a single license requirement, another state may have low or no gaming taxes but impose numerous licenses and fees upon each commercial gaming enterprise. With this in mind, this analysis will explore the various state imposed financial obligations on a gaming enterprise. Specifically, the various licensing fees, taxes, and admission fees will be examined for each state that allows commercial operation of casino style gaming.

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Colorado

Prior to its admission into the union in 1876, gambling was a popular activity in the state of Colorado. In Denver and mining towns across the state, gambling became a big industry. However, the reform movement that ended the second wave of legal gambling in this country (Rosecrance, 1988) swept through Colorado as it did Nevada and other western states. Colorado lawmakers embraced this Victorian morality in 1915 and all forms of gambling were outlawed. Even though gambling was banned, the activity continued illegally throughout the state (Whittemore & Baumgartner, 1995). Then, in 1990, following South Dakota's implementation of limited stakes gambling in the town of Deadwood, voters in Colorado approved similar legislation for the economically depressed mountain mining towns of Black Hawk, Central City, and Cripple Creek. The legislation was patterned after South Dakota's strategy of increasing economic activity while preserving a town's unique 1800s western heritage through the addition of low stakes gaming.

The commercial gaming enterprises in Colorado are regulated through a dual agency structure. Both the Division of Gaming and the Limited Gaming Commission are located within the Department of Revenue. The Colorado Limited Gaming Commission has final authority over all licenses and promulgates all rules and regulations governing gaming operations. Implementation of the regulations, conduct of investigations and enforcement of the regulations are functions of the Division of Gaming. Through this approach, gaming in the remote mountain towns has been highly successful.

Differing from every other state with casino style gambling, Colorado's statutes do not set forth any fees or taxes associated with operating a gaming establishment. Fees for obtaining or renewing the required retail gaming licenses are left to the Colorado Limited Gaming Commission to impose. Initially, operators were required to hold a slot operator license and a retail gaming license. On July 1, 1996, the requirements were changed and now casinos need only the retail license.

An annual application fee is assessed depending on the type of applicant. If up to six Colorado residents have a 5% or more interest in the license, the application is considered "Type I", and all other situations are classified as "Type II". An annual "Type I" application fee is \$500 for an operator's license and \$1,000 for the retail; whereas, a "Type II" applicant pays a \$1,000 fee to apply for the operator's permit and \$2,000 for the retail. Moreover, the annual license itself costs \$1,000 for the operator's and \$1,250 for the retail.

In addition, an annual state device fee of \$75 per device is levied upon all retail license holders. The fee is charged for each slot machine, blackjack table, and poker table placed in operation without regard to how long the device is used during the

year. The local municipalities have elected to impose their own fees as well. These fees range between \$750 to \$1,200 per year and are assessed on each

Colorado has elected to follow a highly flexible model of taxing the gaming industry and collecting license fees within the state.

gaming device placed in use and determined by the length of service during the year.

Similar to the licensing requirements and unique among gaming jurisdictions, Colorado's law also leaves any gaming tax to be levied at the discretion of the Commission; but the rate may not exceed 40%. Each year, the gaming tax structure is determined in September for implementation on October 1. The Commission conducts a hearing to determine the tax rate and is required to consider the need of each city with gaming in regards to historic restoration and preservation, the impact of gaming on the community, and the profitability of the commercial gaming enterprises. With the exception of the 1995-96 year, the Commission has changed the structure each time the opportunity was available (see Table 1). However, in January 1997, the Colorado Legislative Legal Service Committee overturned the 1996-97 rates after many of the larger casinos protested the Commission's new structure. Thus, Colorado has elected to follow a highly flexible model of taxing the gaming industry and collecting license fees within the state.

Table 1. State of Colorado's Gaming Tax: From Inception to Current Application

Year		Rate Structure on Adjusted Gross Proceeds (AGP)				
1991-92	AGP	\$0 to \$440,000	\$440,000 to \$1.2 million	\$1.2 million and above		
	Rate	4%	8%	15%		
1992-93	AGP	\$0 to \$1.0 million		\$1.0 million and above		
	Rate	2%		20%		
1993-94	AGP	\$0 to \$1.0 million	\$1.0 million to \$2.0 million	\$2.0 million to \$3.0 million	\$3.0 million and above	
	Rate	2%	8%	15%	18%	
1994-95	AGP	\$0 to \$2.0 million	\$2.0 million to \$4.0 million	\$4.0 million to \$5.0 million	\$5.0 million and above	
	Rate	2%	8%	15%	18%	
1995-96	AGP	\$0 to \$2.0 million	\$2.0 million to \$4.0 million	\$4.0 million to \$5.0 million	\$5.0 million and above	
	Rate	2%	8%	15%	18%	
1996-97 ^a	AGP	\$0 to \$2.0 million	\$2.0 million to \$4.0 million	\$4.0 million to \$5.0 million	\$5.0 million to \$10.0 million	\$10.0 million and above
	Rate	2%	8%	14%	18%	20%

Source: Gaming in Colorado: Fact Book & 1996 Abstract. Colorado: Colorado Limited Gaming Commission, 1996

^a In January 1997, the Colorado Legislative Legal Service Committee repealed this tax rate structure and reinstated the 1995-96 schedule for the 1996-97 tax year.

Illinois

In response to the state of Iowa's entry into commercial gaming in 1989, the state of Illinois passed legislation in the first quarter of 1990 to legalize riverboat gaming operations (Creighton & McGuinness, 1991). The legislation created the Illinois Gaming Board and empowered it to regulate riverboat gambling.

While gambling on a riverboat is not new, through this act, the state of Illinois has attempted to rekindle a portion of bygone days in allowing 10 gaming enterprises to conduct four-hour excursion cruises. The vessels where the casinos are located must be reminiscent of 19th century riverboats similar to those described by Mark Twain in his period writings. Illinois riverboat gaming operations have generally been able to compete effectively with riverboat gaming operations in the adjoining states of Iowa and Indiana. However, the cruising requirement has hurt gaming operations that must compete with less restrictive cruising requirements imposed on riverboat casinos in Iowa and Indiana.

An owner's license is necessary at the cost of \$25,000 for the first year and may be renewed each subsequent year when a \$5,000 fee is paid. In addition to the licensing requirements, the state of Illinois has also elected to impose wagering and

admission taxes. The wagering tax is paid by the licensed owner and was initially at a flat rate of 20% on the adjusted gross receipts received from the gambling operations. Effective January 1, 1998, however, the Illinois legislature imposed a progressive gaming tax. Taxes on the first \$25 million were reduced to 15% of adjusted gross receipts, taxes on the second \$25 million remain at the 20% level, taxes on the third \$25 million were increased to 25%, and taxes on the fourth \$25 million were increased to 30%. All adjusted gross receipts over \$100 million are taxed at 35%. The licensed owner continues to be responsible for a \$2 per person admission tax. This tax is imposed on each admitted person for each excursion and is required even though the admission may be complimentary or part of a multiple ride ticket.

The effect of this substantial increase in gaming taxes on operators is yet to be determined. But since all gaming licenses have been issued, it will not deter applicants for new licenses, though it may make existing licenses less marketable.

Indiana

After several failed efforts beginning in the late 1980s, Indiana, in 1993, joined the increasing number of states to use legalized gaming as a tax source and to spur economic development. An unexpected compromise within the General Assembly in the closing hours of the 1993 legislative session resulted in passage of the Riverboat Gambling Act over the Governor's veto. This legislation authorized 11 licenses and required a minimum two-hour cruise with some provisions for simulated dockside operations. Anti-gaming activists challenged the constitutionality of the gaming legislation. After a prolonged legal battle in the courts, the Riverboat Gambling Act was ruled constitutional by the Indiana Supreme Court in November 1994 and the first license was issued in December 1994. In 1996, the state legislature, as authorized by the federal Johnson Act, enacted a law exempting Indiana riverboats from the Johnson Act that bans gaming on the Great Lakes. Counties and cities must hold local referenda approving gaming before licenses can be granted in their jurisdictions.

The Indiana Gaming Commission was established to handle the administrative and enforcement functions of the Riverboat Gambling Act. According to the legislation, an owner's license is required and the Gaming Commission has set the application fee at \$50,000. In granting licenses, the Gaming Commission must consider the economic impact when choosing between competing applicants and locations. Initially, a license is good for 5 years at the cost of \$25,000 and can be renewed each year thereafter with payment of a \$5,000 renewal fee. The gambling tax is a flat rate of 20% on the adjusted gross receipts received from the gaming operations; while the admission tax of \$3 per person per cruise is imposed on each excursion including complimentary and multiple consecutive cruises. Gambling and admission taxes are paid daily and reconciled monthly. Through the licensing process and these taxes and fees, the State of Indiana has developed an additional source of funding for its many needs and fostered economic development while keeping a tight control over the number and locations of commercial gaming establishments.

Iowa

Long considered a bastion of traditional Midwest conservatism, Iowa, according

to some commentators, has more forms of gambling than any other state (Creighton & McGuinness, 1991). With this in mind, it is not surprising that Iowa was the first state since the Great Depression to legalize excursion gambling boats in 1989 and commence operations in 1991. The Iowa Excursion Boat Gambling Act was proclaimed as an economic development bill that allowed low stakes

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gambling on Iowa's rivers, inland waterways, and lakes. The \$5 maximum wager and \$200 loss limits resulted in reduced business for Iowa excursion gambling boats when Illinois riverboat casinos commenced operations in 1992 without wager and loss limits. Later that year, one Iowa operator moved its two boats to Mississippi where there were no wager and loss limits. In 1994, the original bet and loss limits were removed and a requirement of one cruise a day for 100 days between the months of April through October was implemented.

Iowa requires operators to use vessels that recreate the state's riverboat history. However, one Iowa historian has pointed out that riverboats with gambling casinos did not historically operate in the State; and whatever gambling did occur was mainly by wealthy plantation owners in the southern portion of the Mississippi River. These activities were mainly between the passengers in private card games, not against the boat's operator (Creighton & McGuinness, 1991). Thus, the new gaming operations in Iowa are more of an attempt by the State to cultivate tourism and economic activity rather than to recreate its past.

While no limits are placed on the number of licenses that may be issued, the Iowa Racing and Gaming Commission considers the potential economic benefits to the State of each application. Licenses may only be granted in counties that have approved gaming through county-wide referenda.

Applicants for a license must apply through a qualifying tax-exempt organization. Currently, a nonrefundable \$25,000 fee is assessed when applying for an excursion gambling boat license. The nine-year license for conducting gambling games on an excursion boat is \$5 per passenger carrying capacity per year and requires renewals each year during the term of the license at a fee of \$1,000. Moreover, the capacity charge includes crew members, and the vessel is required to accommodate at least 250 persons.

In addition to the licensing fees, the State also imposes an admission fee and a gambling tax. The gambling tax is a progressive tax based on adjusted gross gaming receipts. The first million dollars is taxed at a rate of 5%, the next two million dollars is taxed at 10%, and any amount over three million is taxed at 20%. Finally, the Gaming Commission is required to set and collect a fee for all persons admitted to a gambling boat each week. The fee is divided equally between all riverboats based on a formula that covers 65% of the enforcement costs and all of the Commission's expenses. As of July 25, 1997, the current rate was \$5,666 per week per boat. On a local level, the government can also elect to charge an additional fee of \$0.50 per person per cruise. From these various fees and taxes, Iowa has added a substantial source of revenue for government and has learned that some governmental policies, such as the now discarded wager and loss limits can be counterproductive to the financial expectations of both the gaming operator and the government.

Louisiana

Louisiana has a history of scandals involving gambling, politics, and corruption. In the latter half of the 1800s, the infamous Louisiana Lottery sold tickets to millions of people in almost every city across the nation through the U. S. Postal Service. However, around the turn of the century, scandals and Victorian morality caused the State to prohibit gambling "as a business," even though the term has never been defined (Ciaffone, 1991). With the resurgence of a "clean" gaming industry in other jurisdictions, the Louisiana Legislature decided it was an appropriate time to authorize riverboat gaming operations in 1991.

Unfortunately, the scandals related to gambling, politics, and corruption have continued, resulting in a number of convictions. Interestingly, the State's constitution still forbids any activities defined as "gambling," but labels the new enterprises as "gaming," which is permitted within the state (Ader & Lumpkins, 1997). The gaming act allows up to 15 licenses, but no more than six can be exercised in any single parish. The riverboats are also required to complete three-hour cruises, but in certain locations or when there is a genuine safety concern, dockside operations may occur.

This survey does not include the single, land-based gaming operation authorized for New Orleans, pursuant to the Louisiana Economic Development and Gaming Corporation Act. This Act contemplates a single casino owned by a public corporation managed by private enterprise through a negotiated contract. Thus it does not fit the criteria for this survey, i.e. state regulated and taxed, private sector owned commercial casino operations. Moreover, it has been tied up in economic, legal, and political knots for several years and there is no assurance it will ever open, or if it does under what terms and conditions it will be allowed to operate.

Currently, Louisiana imposes both licensing and admission charges on all riverboat gaming enterprises within its jurisdiction. Initially, a 5-year license is granted at the cost of \$50,000 per vessel for the first year of operation. Thereafter, a \$100,000 fee is assessed each year. Moreover, a license fee of 3.5% and a franchise fee of 15% are imposed each year on the net gaming proceeds.

In contrast to the straightforward licensing cost, the admission charges are more complex. Each local government may impose an admission fee of up to \$2.50 for each person boarding a riverboat. The Parishes of Bossier and Caddo are permitted to charge up to \$3.00 per person. On the western side of the Mississippi River in the unincorporated areas of Jefferson Parish, the admission fee is determined by the Parish Council at a rate of 6% of the weekly net gaming proceeds. Also, legislation gives Calcasieu Parish extra authority to levy an additional \$0.50 per person at its discretion.

At this time, the State's strategy in receiving revenues from gaming operations has been through licensing and admission fees, and it has not chosen to impose a gaming tax. Through this system, the Louisiana Gaming Control Board is the main regulatory agency charged with overseeing the gaming industry in the state.

Michigan

In November 1996, Proposal E was approved by Michigan voters, making the city of Detroit and the State of Michigan the latest jurisdictions to legalize commercial gaming operations. This was made possible partly because the State's constitution does not have a provision that prohibits gaming and partly because of the success of the casino in Windsor, Ontario, Canada. Through the ballot referendum and an agreement with the State, Detroit will grant up to three licenses. Proposal E contains a special preference for two of the three licenses to be given to the two groups who were responsible for drafting and spearheading the passage of the proposition.

Asserting its authority to add to the provisions of the successful initiative, the Michigan Legislature passed a group of laws that included Senate Bill 569 on July 17, 1997 (1997 Mich. Pub. Acts 69). The new legislation is designed as a regulatory package that creates a framework for implementing the proposition. Michigan Governor John Engler stated, "These bills provide the protection needed to ensure that casinos operating under Proposal E in Detroit function in an ethical, upright manner." (Michigan Press Release, 1997). He also noted that the new combination of laws was on par with other states that allowed commercial gaming. Through these laws, Detroit will invite three finalists to enter negotiations on development of the proposed casinos before the end of 1997.

Due to the new emergence and regulations of the Michigan gaming market, many of the non-statutory details are still being determined. The legislation provides that the casino license application fee is \$50,000 and that an annual license renewal charge will be set by the Michigan Gaming Control Board. One report states that this fee will be \$250,000 each year (Michigan Senate, 1997). Further, all three casino licensees will be required to pay an equal share of a \$25 million annual assessment (\$8.33 million per casino). Of the total sum, \$2 million must be allocated to compulsive gambling programs. In addition, the city of Detroit will receive a municipal services fee. This assessment will be either 1.25% of the enterprise's gross revenue or \$4 million, whichever amount is greater.

The State has also elected to levy an 18% gaming tax on the gross revenues of each operation; but no provisions have been made for an admissions fee. Thus, as one of the Proposal E organizers stated, "It's unfortunate that the Michigan Legislature has decided to impose the highest casino tax in the country. These circumstances will make it more difficult for Detroit to compete with the new permanent casino in Windsor." (Hornbeck, 1997).

Mississippi

In 1990, the state of Mississippi enacted legislation to legalize riverboat gambling in certain locations along the Mississippi River, in navigable waters within counties bordering the Mississippi River, and in specific waters along the Gulf Coast. Each county must approve gaming in its jurisdiction through a reverse referendum that requires the majority to vote for disapproval. Licensed vessels must be at least 150 feet in length and capable of accommodating at least 200 passengers and are allowed to offer dockside casino services without a cruising requirement. In fact, they do not

have to look like a boat or have an engine or be capable of cruising under their own power. Some are in water-filled enclosures, not physically connected to the navigable waterway. For the most part, they are buildings constructed on several barges fastened together.

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The legislation does not limit the number of licenses issued by the Mississippi Gaming Commission; and as a result, numerous development opportunities have been

created within the state. Because of the free market situation, the gaming industry in Mississippi has been allowed to continually grow. Initially, there were no minimum investment requirements, but in 1994 the Gaming Commission required all casinos to have a hotel with at least 250 rooms and a 500-space parking garage. Casinos were also required to make an investment in the local entertainment or leisure infrastructure of not less than 25% of the casino's cost.

A graduated monthly gross revenue fee is charged starting with 4% on the first \$50,000. The next \$84,000 is levied at the 6% level, and on all revenue above \$134,000 an 8% fee is assessed. Moreover, an annual per game fee is imposed based on one of two methodologies. If the establishment has less than 10 games, the following structure is imposed: \$50 for one game, \$100 for two games, \$200 for three games, \$375 for four games, \$875 for five games, \$1,500 for six or seven games, and \$3,000 for eight to ten games.

In contrast, if an enterprise has more than 10 games it pays \$500 per game for 1 to 16, \$4800 per game for 17 to 26, \$2800 per game for 27 to 35, and \$100 for each game above 35. Finally, local governments have the option of imposing a monthly license fee of 1/10th of the graduated state fees, or a flat 2.3% of gross revenues. Mississippi's approach to gaming regulation may be likened to Nevada's: keep the taxes and fees low to attract a plethora of operators and allow the gaming industry to develop into an economic powerhouse with substantial capital investment and numerous jobs for its residents.

Missouri

With Illinois to the East and Iowa to the North legalizing riverboat gambling, the state of Missouri decided to legalize excursion gambling boats on the Missouri and Mississippi rivers in 1992. These laws were further refined in 1993; and in 1994, games of chance (slot machines) were permitted. Because of strict loss limits of \$500, wagers in Missouri must be placed with chips or tokens; and slot machines cannot accept bills. The legislation does not limit the number of licenses or the locations of vessels, but the Gaming Commission has autonomy in determining the total number of licenses it issues within the state.

The Missouri Gaming Commission, with responsibility for administration and enforcement of the laws governing Missouri's excursion gambling boats, is currently assessing the capacity of the State's gaming markets. Missouri requires all excursion

gambling boats to conduct two hour cruises; however, the Gaming Commission can grant waivers authorizing dockside cruise simulation if a licensee files a petition seeking a waiver based on safety concerns. Cruise simulation allows the vessel to remain dockside, but requires passengers to remain on board for the period of the simulated cruise and does not allow additional passengers to board after the simulated cruise begins.

In addition to all of the other strict regulations in Missouri, a first-of-its-kind program has been established to combat problem gambling. This unique program was developed through consultation with treatment professionals and much study of the subject. The List of Disassociated Persons is a system whereby individuals with this addiction may exclude themselves from the Missouri riverboat gaming industry for their entire life. To be placed on this list, an individual is required to petition the Gaming Commission. The application is heard in a closed session meeting where the applicant must admit to being a problem gambler, and agree to seek treatment. If the petition is granted, all Missouri riverboat casinos must discontinue any direct marketing to the person, deny check cashing privileges, revoke their "player's club" membership, and possibly arrest the individual for trespassing upon entering the property. From these approaches of firmly discouraging the habitual gambler and by utilizing rigid loss limits, Missouri has taken a strategy that strongly tries to focus gaming operations within its jurisdiction on the leisure aspect of the activity. The Gaming Commission has pointed out to the legislature that removing the loss limits would result in increased taxes and economic benefits from gaming, but did not make a recommendation to change the law.

Currently, Missouri has chosen to impose licensing fees, gaming taxes, and admission fees on all excursion gambling boats. The license as required by the state law has an application fee of \$50,000 or \$15,000 for each person to be investigated, whichever amount is greater. For the first two years, the license is renewed annually; and beginning with the third year of operation, the renewals are only necessary every other year. The annual fee for the renewal of the license is set by the Gaming Commission, but it cannot be less than \$25,000. Missouri has also elected to impose a flat rate tax of 20% on the adjusted gross receipts from the gaming operations. An admission fee of \$2 per person per cruise is also imposed and is required for multiple rides as well as complimentary passes.

Many of the operators in Missouri have failed to achieve their revenue expectations after making substantial investments. The impact of the loss limit is certainly a factor, but the lower revenues may also reflect a gaming market that just does not meet expectations based on other Midwest markets.

Nevada

To people worldwide, Nevada and gambling are synonymous. Some form of gambling has been prevalent in Nevada since its territorial period. Gaming was unlawfully widespread in the mining towns during those early days; but five years after achieving statehood in 1864, the 1869 legislature legalized casino gaming over the governor's veto. Then, in 1909, all forms of gaming were outlawed when Victorian morality spread across the nation (Rose, 1991).

Today's unrestrictive gaming laws were passed in 1931 as a means to raise state funds and to provide jobs during the Great Depression. The legislative and

public sentiment at the time was that the prohibition of gambling could not be effectively enforced and that some law enforcement officials were being compromised by the unlawful gambling that was widespread (Cabot & Schuetz, 1991). Authority for issuing licenses was given to local governments, not the state, which only shared in the taxes collected by local governments.

In 1945, the state began issuing gaming licenses through the Nevada State Tax Commission and imposed a 1% license fee on the gaming win. However, when notorious mobster Benjamin "Bugsy" Siegel opened the Flamingo in 1946 and was

killed by his associates in 1947, Nevada received much negative publicity. Then, in the early 1950s, Senator Estes Kefauver's Rackets Committee conducted a nationwide investigation of organized crime and gambling. Televised hearings from Las Vegas, and a book by the Senator on the Racket Committee's work, revealed that organized

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crime had begun to infiltrate Nevada casinos. Pressure from the public and federal officials following this wave of publicity led to the creation of the Nevada State Gaming Control Board in 1955. The Board was charged with conducting license investigations, determining suitability for licensing, and enforcing the gaming laws and regulations. In 1959, the Nevada Gaming Commission was created with final authority for granting and revoking gaming licenses and the Tax Commission was relieved of all responsibilities for overseeing gaming.

The Nevada approach to regulation has been based on the concerns for the public interest and keeping the criminal element away from the industry (Cabot & Schuetz, 1991). Many have lauded the State for its successful regulation in these areas, while allowing the industry to prosper. In fact, because Nevada has the most modern experience with this industry, many other jurisdictions have studied and emulated Nevada's model of regulation and methods of receiving revenue (Creighton & McGuinness, 1991). Thus, with its depth of experience in regulating gaming, Nevada has been thrust into a leadership role among jurisdictions with legal commercial casino operations.

In Nevada, licensing of a gaming enterprise is a process both extensive and complex. The fee structure may be viewed as equally extensive and complex and even perplexing, until one realizes that Nevada followed the well worn rule of tax law: keep all existing taxes when adding new categories. When the State began imposing the percentage fee in 1945, the flat fees that had existed since 1931 were left in place. For the most part, they remain in place today; though they have been modified from time to time.

The State begins by imposing a graduated monthly fee for a gaming license based upon the establishment's gross revenue for the prior month. For the first \$50,000 a 3% fee is imposed. The next \$84,000 is subject to a 4% fee and all revenue above \$134,000 pays a fee of 6.25%.

Then flat fees are imposed. Each slot machine is subject to a quarterly license fee based on the operator's classification. A restricted licensee, who cannot have more than 15 machines and pays no fees based on a percentage of gaming revenue, pays \$61 per machine per quarter, if one to five machines are in use, and \$305 plus \$106 per machine per quarter above five, if more than five machines are in operation. In comparison, the nonrestricted licensee pays \$20 per slot machine per quarter, in addition to the percentage fees described above.

Nevada also imposes annual and quarterly fees on the number of games either in use or available to be operated. The annual fees are \$100 for one game, \$200 for two games, \$400 for three games, \$750 for four games, \$1,750 for five games, \$3,000 for six or seven games, \$6,000 for eight to ten games, \$650 per game for 11 to 13, and \$1,000 per game for 14 to 16; but for more than 16 games, it is the same as 14 to 16 plus \$200 per game above 16.

In contrast, the annualized quarterly per game fee is split into two categories. If 10 games or less are in operation or available for use, the fees are \$50 for one game, \$100 for two games, \$200 for three games, \$375 for four games, \$875 for five games, \$1,500 for six or seven games, and \$3,000 for eight to ten games. However, for more than 10 games the fees are \$500 per game for 1 to 16, \$4,800 per game from 17 to 26, \$2,800 per game from 27 to 35, and \$100 per game for any above 35. Finally, a license fee is required by each county on a quarterly basis. This amount is stated as \$25 per month per card game, \$10 per month per slot machine, and \$50 per month per game or device not covered by the other local fee provisions.

In addition to all license fees, Nevada also imposes a single excise tax but does not have any admission charges. The annual slot excise tax is \$250 per machine. This tax is the same amount as a federal excise tax that gives a credit for any similar state tax paid. Hence, it can be seen through this structure that Nevada has chosen a strategy that utilizes heavy licensing fees and a minor tax; however, the impact on the business is the same whether the imposition is denominated a "fee" or a "tax."

New Jersey

In 1976, voters in New Jersey approved a referendum that allowed Atlantic City to become the second jurisdiction in the United States since the Great Depression to allow casino gambling. On April 18, 1977, Assembly Bill No. 2366 was adopted creating the New Jersey Casino Control Commission and the Division of Gaming Enforcement to regulate the new industry. Gaming was approved to revitalize and restore Atlantic City as a tourist and convention destination, and to produce taxes for the benefit of the elderly and handicapped.

Thus, New Jersey's approach to gaming has been one of comprehensive regulation and strict adherence to the rules promulgated (Lowenhar, Lonoff, & Smith, 1991). In fact, when the state of Iowa was determining how to shape its administrative rules for regulating casino gambling, the New Jersey approach was referred to as the "full employment regulations for regulators" (Creighton & McGuinness, 1991). Despite the tough governmental environment, the gaming industry has had a significant economic impact on Atlantic City, with a fixed asset investment of \$5.3 billion and 45,000 employees in 12 casinos through 1994 (New Jersey Casino Control Commission, 1994).

Nevertheless, after ten casinos opened between 1978 and 1985, only two opened between 1985 and 1997 when the Wild Wild West opened. The Showboat opened in 1987 and the Taj Mahal opened in 1990. An effort has been made by New Jersey gaming regulators the last few years to make regulation less adversarial

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and less involved in business decisions, while maintaining strict licensing and regulatory compliance. Today, at least four major gaming companies have expressed interest in making a substantial investment in new Atlantic City casino hotels.

Markedly different from other states, the operations of the New Jersey Casino Control Commission are entirely

funded through fees received from each gaming enterprise and each individual or vendor who is required to file with or be licensed by the gaming authorities. If there is a shortfall in the Casino Control Fund for the year, the casino licensees are assessed their pro rata share of the shortfall. Thus, the licensing fees and taxes are not routed to the Commission budget via the State's general fund, as they are in other states.

A casino license is required at the initial cost of no less than \$200,000 and renewals are possible based on one of two methods. A one-year casino license renewal is available at \$100,000 or a four-year renewal is available at a cost of \$200,000. There is also an annual license fee of \$500 for every slot machine. Casinos are billed for investigative matters that consume substantial time.

In addition to the required licenses, New Jersey imposes an annual gaming tax of 8% on the gross revenues of each casino. This tax is deposited into the Casino Revenue Fund which is solely available to reduce the property taxes, rentals, telephone, gas, electric, and municipal utilities of the elderly and disabled residents of the State. Moreover, the fund can also be used for additional health services, benefits, or transportation services of the same groups of people.

One aspect of gaming regulation unique to New Jersey is the Casino Reinvestment Development Authority (CRDA), the state agency assigned the task of investing in the urban redevelopment of Atlantic City and the State of New Jersey. Because all "taxes" on gaming in New Jersey must benefit senior citizens and the handicapped, these funds cannot be used for housing and other urban redevelopment expenditures within the charter of the CRDA. On the other hand, the State cannot force casinos to make CRDA investments. The legislature, therefore, created a 1.25% investment "carrot" and a 2.5% tax stick if the carrot is not chosen "voluntarily." Both alternatives are based on the casino win. The 1.25% is legally an investment by the casino, not payment of a "tax." Investments must be approved by the CRDA. They have approved housing developments by the casinos in some instances. Casinos that do not want to take on such tasks usually resort to buying the 50 year bonds issued by the CRDA with interest at 75% of the market for municipal bonds. Most accountants require these investments to be written off quickly because of their

questionable investment value to the casino. If a casino decided it would rather pay the 2.5% tax, the money would go into the Casino Revenue Fund for seniors and the handicapped, not to the CRDA.

It should be noted that casinos generally built the minimum number of rooms required for a license and few expanded until a portion of the 1.25% reinvestment obligation was made available to the casinos to help finance new rooms, if they agreed to make them available for convention guests. A number of casino operators have taken advantage of this enticement to add additional rooms.

The State also requires each casino to impose a standard minimum parking charge on customers parking in casino lots and garages. Currently, the fee is \$2 per vehicle. It is collected by the CRDA for improving streets and highways in Atlantic City.

From this unique system of funding, New Jersey is able to successfully regulate the gaming industry and accomplish many of the purposes for which gaming was legalized.

South Dakota

The history of gaming in South Dakota predates its admission into the union in 1889. With the arrival of the railroad in 1873 and the discovery of gold in the Black Hills in the following year, gambling naturally developed in the wild and woolly frontier. In 1989, limited stakes gaming in the town of Deadwood was authorized to provide an economic stimulus. The legislation is extremely restrictive on the size of casinos and includes wagering and loss limits. Deadwood's historic preservation is of paramount concern, since it is an old, gold-mining town where Wild Bill Hickock was shot and Calamity Jane was a frequent visitor. From this unique past and with its restrictions, gaming in Deadwood has remained a local operators' market and, as was intended, has attracted many new visitors to the town.

Licensing in South Dakota is limited to 30 devices per retail license, including both tables and slot machines. The retail license is \$250 for the first year and is renewable on July 1 each subsequent year for \$100. An operator's license is also necessary. It costs \$1,000 for the first year and is renewable on July 1 each subsequent year for \$200. Moreover, the State charges \$2,000 for an annual license stamp fee upon slot machines and card tables, each July 1. Finally, a gaming tax of 8% of the adjusted gross proceeds is collected by the State. Deadwood casino gaming is regulated by the South Dakota Commission on Gaming, which has responsibility to maintain the integrity standards for operators and to assist the industry in becoming a viable economic unit within the state.

United States Government (Internal Revenue Service)

Recently, there has been quite a discussion regarding a national gaming tax. With the increasing number of jurisdictions that allow legalized forms of gambling and the resolve of the leaders in the Federal government to balance the budget, this new type of tax appears to many as a panacea for revenue shortfalls. However, until legislation is passed by Congress and signed into law by the President, the only federal tax

in the Internal Revenue Code that specifically targets the gaming industry is found in Title 26, Subtitle D (Miscellaneous Excise Taxes), and Chapter 35 (Taxes on Wagering).

Under Code Section 4401, two different tax rates are set forth depending on the legality of the wager; but before discussing the tax, the definition of a wager will be examined. According to Section 4421, the term "wager" is defined as "any wager with respect to a sports event or a contest placed with a person engaged in the business of accepting such wagers, any wager placed in a wagering pool with respect to

Each game offered in a casino must be individually reviewed to see if the IRS will classify any portion of it as a lottery.

a sports event or a contest, if such pool is conducted for profit, and any wager placed in a lottery conducted for profit."

A lottery is defined in Section 4421 to include numbers games, policy, and other comparable types of wagering; but the Code specifically excludes from the definition of a lottery, any type of game where "wagers are placed, the winners are determined, and the distribution of prizes, or other property is made, in the presence of all persons placing wagers in such game." Also, drawings that do not benefit any private shareholder or individual and are operated by an organization which has received exempt status under Sections 501 and 521 are excluded from the term. Similarly, Section 4402 gives an exemption to pari-mutuels, coin-operated devices, and state-conducted lotteries or wagering pools. Thus, any gambling activity that meets this definition and is not specifically exempted will be subject to the excise tax whether or not legal in a particular jurisdiction.

In determining the federal excise tax, each state's laws must be considered when selecting the appropriate rate. In those states where the wager is legal, the excise tax is .25% of the amount wagered; but in unauthorized jurisdictions, the level climbs to 2% of the amount wagered (Section 4401). Each person who is in the business of accepting these wagers or operating wagering pools and lotteries, is responsible for the tax on all wagers he receives. In addition, any designated individual who receives the wager on behalf of another person is equally liable for the tax on the portion of wagers personally collected.

Moreover, all expenses that are related to the placement of these wagers are deductible, unless an amount equal to the tax levied is separately received from the person making the wager. Finally, pursuant to Section 4411 and 4412, a special tax of \$500 per year is assessed on each person who is liable for the excise tax and is obligated to register with the Internal Revenue Service; but this levy is further amended to change the \$500 fee to \$50 when the person receiving the wager is legally allowed to do so and is only receiving the wager for someone else. Under these codes, the Federal government does apply a type of national gaming tax.

Currently, the federal excise tax is mostly applied to bets placed at sports books. With the reduction in the tax rate from 10% to 2% in 1974 and then down to .25% on January 1, 1983, the number of wagers subject to this levy has increased dramatically; but sports book wagering is not prevalent in all gaming jurisdictions. At the present time, Nevada is the only jurisdiction within the United States where indi-

vidual bets on sporting events can be made legally; however, the state of Oregon does conduct a sports lottery pool called "Sports Action". Similarly, the state of Delaware legalized a sports lottery pool; but it has not been operational since the 1970s.

Moreover, on January 1, 1993, The Professional and Amateur Sports Protection Act took effect. The legislation basically prohibited any state or other government organization from sponsoring, operating, advertising, authorizing, licensing, or promoting any sports lottery, sweepstakes, or gambling scheme. It did provide an allowance for any state with prior operations, but it does not allow any new jurisdictions to legalize sports wagering. Therefore, despite the excise tax being nationally imposed, Nevada is the only place in the country where it is levied relative to sporting events because Oregon is exempt under its state-operated status.

In addition to sports betting, some of the other games found in a casino are more difficult to ascertain their tax status. Without question, "for profit" sweepstakes, lotteries, and wagering pools are subject to this levy; however the Section 4421 definition of a lottery, requires a judgment ruling by IRS with regards to some games found in a casino. Despite being a clear "for profit" lottery game, keno presents an issue related to whether the "wagers are placed, the winners are determined, and the distribution of prizes, or other property is made, in the presence of all persons placing wagers in such game." In this situation, the agency has made an artificial separation at the 20 game mark ("IRS Reporting," 1996). If a claim is made for the winnings after the 20 ensuing games have elapsed, the excise tax is imposed. Otherwise, all wagers are considered present during the distributions and the exemption is acceptable.

In other games, like Caribbean Stud and Let it Ride, the excise tax may be imposed. If the game is played on a machine, there is clearly no assessment; but if the game is dealt at the tables, the tax and the associated fees are levied. The IRS has determined that the optional side wager placed on the progressive jackpot associated with this game is a lottery under the definition given in the Code (Internal Revenue Service, Revised 1996). Unfortunately, commercial gaming enterprises in Missouri were the first to be notified of this reclassification. As a result, many have blamed the close relationship between the IRS and the Missouri Gaming Commission as the cause (Faust, 1997). Currently, the gaming industry is not mounting a large protest against the tax; but it is trying to negotiate a compromise to lessen the overwhelming administrative burden of tracking each dealer associated with these type of games ("IRS tacks," 1997). Thus, each game offered in a casino must be individually reviewed to see if the IRS will classify any portion of it as a lottery.

These are not the only federal tax issues impacting the gaming industry. Professors Ivancevich and Fried have written two articles on other federal taxation issues affecting the gaming industry in earlier issues of this Journal (Ivancevich & Fried, 1995, 1996).

Discussion and Analysis

In completing this survey, the Internal Revenue Code and each state's gaming acts were reviewed and analyzed. In addition, the regulatory agency for each state was contacted to supply any information regarding tax, licensing, or admission charges that are left to their discretion. While many states have Indian gaming

facilities, state lottery terminals, and video poker machines in eating establishments, these commercial enterprises are very limited in scale; or in the case of the Indians, they are not subject to state imposed gaming taxes within their territories. Therefore, only those jurisdictions with state authorized, casino-style gaming and government imposed license fees and taxes are included in the survey.

Table II contains all gaming taxes and fees and related taxes and fees imposed on casinos by the respective states. For comparative purposes, the various types of taxes and fees levied upon gaming operations have been organized into three categories. First, the percentage fees and taxes section was developed to capture any assessments based on a percentage of the adjusted gross receipts, the casino's win, with no deduction of operating expenses. While each state may have a little different description for this line on the income statement, their definitions of what is being measured tends to be the same. Moreover, though one state and the federal government have elected to assess excise taxes on gaming operations, the taxes are completely different in nature. In contrast, the second category consisting of flat or fixed licensing fees tremendously varied in both type and amount. Many of the jurisdictions only require an owner's or operator's license with application and renewal fees; however, others are more elaborate in structure.

Those states with multiple types of assessments have a mixture of charges that are levied on a casino's gross receipts, the passenger carrying capacity on a riverboat, the number of games available to customers, the number of slot machines in an establishment, and a fee for each person parking a vehicle at the casino. Furthermore, while most taxes and fees are imposed by legislation, some of the authority for setting these assessments has been left to state gaming regulators or to local governments. In addition, some local governments have chosen to impose their own licensing requirements on commercial gaming enterprises in their community where legislatively authorized to do so. Such local government fees and their method of application tend to follow the state's system of licensing.

Finally, admission fees were grouped into the last category. These charges tend to be only assessed in those jurisdictions that have riverboat gambling. In almost every state with an admission fee, it is imposed on each person entering the gaming vessel whether admittance is paid for or complimentary and it is levied for

each "cruise" when the passenger remains on board for multiple "cruises." One state allows its gaming commission to assess the fee and has taken a unique approach by setting a weekly amount that is not related to the number of people entering the casino. Similar to the licensing situation, some local governments are also

The total cost of operation, the investment required, and the competitive environment, not just the taxes and fees, must be evaluated before making an investment in commercial casino gaming.

allowed to impose additional admission charges. Through this classification of the myriad of governmental obligations imposed on commercial casino enterprises, each jurisdiction's unique system can be compared with other jurisdictions.

In comparing gaming tax systems, some caveats should be observed. Simplicity in taxing is desirable, but less imperative than raising monies for governmental purposes. Once businesses are accustomed to paying a tax, it may be easier to keep that tax in place and add a new one than to redo the entire tax system. Nevada exemplifies this concept. The gross gaming tax, which is almost universal, does meet the test of simplicity. There are far fewer interpretations or disputes over deductibility of expenses in contrast to a net income tax where interpretations and efforts to "stretch the envelope" are commonplace. Gross revenue tax audits are, therefore, simpler. They require less manpower and thus are less expensive. This benefits both the government and the taxpayer. There can, however, be disputes over whether some "payouts" properly reduce the casino's "win" or constitute a non-deductible promotional expense. Examples of this are cars and other non-cash "prizes" for winning slot machine "jackpots."

Stability in taxes and fees is an important issue to casino operators, as it is to many other business owners. If taxes or fees are increased, or added, after investments are made or loans are obtained, the basis on which the investment or loan was made is altered. Increased taxes or fees may diminish the return on the investment, make the business more risky, and make the business less desirable as an investment. Increased taxes are a disincentive to investment. There is always the concern that if taxes are raised today, they could be raised again soon. It may take some time for investors to feel comfortable that an increase was an infrequent event, and not the beginning of a trend. It will be interesting to see what impact the 1998 increase in gaming taxes in Illinois has on future investments in gaming properties in that state.

The tax rate on gaming revenues is very important, but a jurisdiction should not be evaluated on the tax rate or total taxes alone, without looking at other relevant factors, such as competition. The tax rate becomes more critical as competition increases. The Players International, Inc. experience is illustrative of this principle. Players International operates riverboat casinos in Illinois and Louisiana, and for about two years operated a casino in Mesquite, NV, a town 85 miles from Las Vegas on the Arizona/Utah border. In 1996, the operating profit margins for Players' Illinois and Louisiana operations were 34% and 27% respectively and the Nevada operation, opening that year, lost \$10.6 million. In 1997, the Illinois boat had an operating margin of 27%, the Louisiana boat had an operating margin of 15.5%, and the Nevada operation lost \$8 million (Players, 1997). Increased competition in both riverboat casino markets was blamed for the reduced margins. After spending \$85 million to build the Mesquite casino, it was sold two years later for \$30.5 million after experiencing \$18.6 million in operating losses. The 20% Illinois gaming tax and the 18.5% Louisiana gaming tax were accompanied by limits on the number of competing riverboat casino licenses.

On the other hand, the lower 6.25% tax in Nevada was accompanied by competition limited only by the faith and financing of competitors. The Illinois competition came from surrounding states, not additional Illinois casinos. The Louisiana competition, however, came from additional Louisiana casino boats licensed in the same market. Thus, even limited license states may increase the competition in some markets. These examples make the point that the total cost of operation, the investment required, and the competitive environment, not just the taxes and fees, must be evaluated before making an investment in commercial casino gaming.

Those who advocate increasing tax rates in Nevada, New Jersey, and Mississippi should look beyond the tax rate, too. Nevada has not raised its tax rate since 1987, but Nevada's tax revenues from gaming have increased from \$334 million in 1989 (Gaming Control Board, 1989), before the Mirage opened, to \$570 million in 1997 (Gaming Control Board, 1997), an increase of 70% in just eight years, with no increase in the tax rate. Because the industry has made huge investments in its facilities and in marketing and because everyone who can raise the money and is suitable to hold a license can enter the market, it would be foolish to assume that had gaming taxes been increased substantially, the investments would have occurred anyway and the tax revenues would have increased even more. If increased taxes do discourage investment, the result will likely be less gaming taxes and fees, less sales tax, less property tax, less room tax, less construction expenditures, fewer tourists, fewer jobs, and fewer goods and services purchased in the community and state.

Table 2. Survey of Each Jurisdiction in the United States with Commercial Casino Gaming

Jurisdiction	Percentage Fees & Taxes	Flat or Fixed License Fees	Admission & Other Fees
Colorado	To be determined by the Limited Gaming Commission and cannot exceed 40% on the adjusted gross proceeds (see Table 1 for rates)	Determined by the local government or the Limited Gaming Commission Operator- \$500 (Type I) or \$1,000 (Type II) annual application fee and \$1,000 annual fee for the license Retail- \$1,000 (Type I) or \$2,000 (Type II) annual application fee and \$1,250 annual fee for the license State Device Fee- \$75 per machine or table per year Local- \$750 to \$1,200 per machine or table per year	N/A
Illinois	Sliding scale on the adjusted gross receipts: \$0 to \$25 M. => 15% \$25 M to \$50 M => 20% \$50 M to \$75 M => 25% \$75M to \$100M => 30% Over \$100 M => 35% (M=Million)	Owners- a \$25,000 application fee which includes the first year, and \$5,000 annual renewal fee	\$2 per person per cruise cruise(including complimentaries and multiple rides)

(Table II continued)

Jurisdiction	Percentage Fees & Taxes	Flat or Fixed License Fees	Admission & Other Fees
Indiana	20% on the adjusted	Owners- a \$50,000 gross receipts application fee (set by the Gaming Commission) and then \$25,000 for the first 5 years with a \$5,000 annual renewal fee each year thereafter	\$3 per person per cruise (including complimentary and multiple rides)
Iowa	Sliding scale on the adjusted gross receipts: \$0 to \$1 million => 5% \$1 to \$3 million => 10% \$3 million and up => 20%	Excursion Gambling Boat-\$25,000 application fee for a 9 year term and renewed annually for \$1000 plus \$5 per passenger carrying capacity including crew (minimum capacity is 250)	Weekly regardless of the number of passengers and is set by the Racing & Gaming Commission based on 65% of the enforcement costs plus all of the expenses divided equally between every operator Local - \$.50 per person per cruise (optional)
Louisiana	Franchise Fee- 15% of the net gaming proceeds Riverboat- 3.5% of the net gaming proceeds Jefferson Parish is 6% of weekly net gaming proceeds	Riverboat- \$50,000 for the first year of operation, \$10,000 each subsequent year	Bossier, Caddo, and Calcasieu Parish- \$3 per person (optional) Local-\$2.50 per person (optional)
Michigan	Wagering Tax of 18% of adjusted gross receipts (win), paid daily	Casino- application fee of \$50,000, annual renewal charge is to be determined by the Gaming Control Board Annual state services fee- \$25 million to be equally divided between all 3 licensees (\$8.33 million per casino)	N/A
Mississippi	Monthly gross revenue fee: \$0 to \$49,999=>4% \$50,000 to \$133,999=>6% \$134,000 and up=>8% Annual per game fee- 10 games or less: 1 game => \$50 2 games => \$100 3 games => \$200 4 games => \$375 5 games => \$875		N/A

(Table II continued)

Jurisdiction	Percentage Fees & Taxes	Flat or Fixed License Fees	Admission & Other Fees
Mississippi	<p>6 or 7 games=>\$1,500 8 to 10 games=>\$3,000 More than 10 games: 0 to 16 => \$500/game 17 to 26 =>\$4800/game 27 to 35 =>\$2800/game 35 and up=>\$100/game</p> <p>Monthly local Fees on gross revenue (optional): \$0 to \$49,999 => .4% \$50,000 to \$133,999=> .6% \$134,000 and up => .8%</p>		
Missouri	<p>20% on the adjusted gross receipts</p>	<p>Gambling Boat- \$50,000 (\$15,000 for each person to be investigated), first 2 years are for 1 year, third year and later renewals are for 2 years, and the annual fee is to be set by the Gaming Commission and cannot be less than \$25,000</p>	<p>\$2 per person per cruise (including complimentary and multiple rides)</p>
Nevada	<p>Monthly gross revenue fee: \$0 to \$49,999=> 3% \$50,000 to \$133,999=>4% \$134,000 and up=>6.25%</p>	<p>Annual Slot (excise- \$250 per machine</p> <p>Restricted quarterly fee- 1 to 5 slot machines => \$61 per machine 6 to 15 slot machines => \$305 plus \$106 per machine</p> <p>Nonrestricted quarterly fee-\$20 per slot machine</p> <p>Annual per game fee- 1 game => \$100 2 games => \$200 3 games => \$400 4 games => \$750 5 games => \$1,750 6 or 7 games=>\$3,000 8 to 10 games=>\$6,000 11 to 13 games =>\$650 per game 14 to 16 games =>\$1,000 per game more than 16 games => \$1,000 per game up to 16 and \$200 per game above 16</p>	<p>N/A</p>

(Table II continued)

Jurisdiction	Percentage Fees & Taxes	Flat or Fixed License Fees	Admission & Other Fees
Nevada	<p>Quarterly per game fee (in annual amounts)- 10 games or less: 1 game => \$50 2 games => \$100 3 games => \$200 4 games => \$375 5 games => \$875 6 or 7 games=>\$1,500 8 to 10 games=>\$3,000 More than 10 games: 0 to 16 => \$500/game 17 to 26 =>\$4800/game 27 to 35 =>\$2800/game 35 and up=>\$100/game</p> <p>Quarterly local Fees- \$25 per month per card game, \$50 per month per game or device, and \$10 per month per slot machine</p>		
New Jersey	<p>Casino Revenue Fund- 8% of the gross revenues</p> <p>Casino Reinvestment Development Authority- 1.25% of the gross revenues (Legally, an investment, not a tax. Alternatively, the licensee can pay a 2.5% tax that will go into the Casino revenue Fund)</p>	<p>Casino- application fee of at least \$200,000, renewal fee for 1 year of \$100,000 or for 4 years of \$200,000</p> <p>Slot- \$500 per machine per year</p>	<p>Parking- to be determined by the Casino Reinvestment Development Authority (currently \$2 per vehicle)</p> <p>Costs of regulation not covered by license fees apportioned among all licensees equally</p>
South Dakota	8% of the adjusted gross revenues	<p>Operator- \$1,000 for first year, renewable at \$200 per year</p> <p>Retail- \$250 for first year, renewable at \$100 per year</p> <p>Annual Stamp Fee- \$2,000 per machine or table per year</p>	N/A
United States Government (Internal Revenue Service)	Unauthorized Wagers (excise)- 2% of amount wagered and \$500 per year for each person liable for the tax	N/A	N/A

(Table II continued)

Jurisdiction	Percentage Fees & Taxes	Flat or Fixed License Fees	Admission & Other Fees
United States Government	State Authorized Wagers (excise) - .25% of amt wagered (except pari-mutuels, coin operated devices, or state conducted lotteries), \$500 per year for each person liable for the tax and \$50 per year for each person engaged in receiving legal wagers under the tax		

Conclusion

Throughout this survey, it has been evident that those states with commercial forms of legalized gaming have utilized many different approaches to creating jobs, generating new governmental revenues, and stimulating tourism. As a result, regulation and revenue systems have been uniquely adapted by each jurisdiction to the type and extent of gaming within its boundaries. Thus, any organization that considers operating a commercial gaming enterprise in multiple jurisdictions must evaluate these aspects. Therefore, by categorizing and then examining the taxes, licensing fees, and admission charges as both components and as a whole system, this comparison may be used as a tool that will assist decision makers in evaluating the financial viability of a particular gaming market. Moreover, in conjunction with each state's system, the analysis of the Federal government's tax serves to illustrate that each game offered in a casino should also be scrutinized. Hence, as the gaming industry goes through the organizational cycle of growth and consolidation, understanding this perspective of the business environment is crucial for leaders who wish to take full advantage of the new opportunities available.

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