

Testimony of Scott S. Ward on behalf of the
Sports Betting Alliance
Before the House Ways & Means Committee
Regarding H.B. 96
March 5, 2025

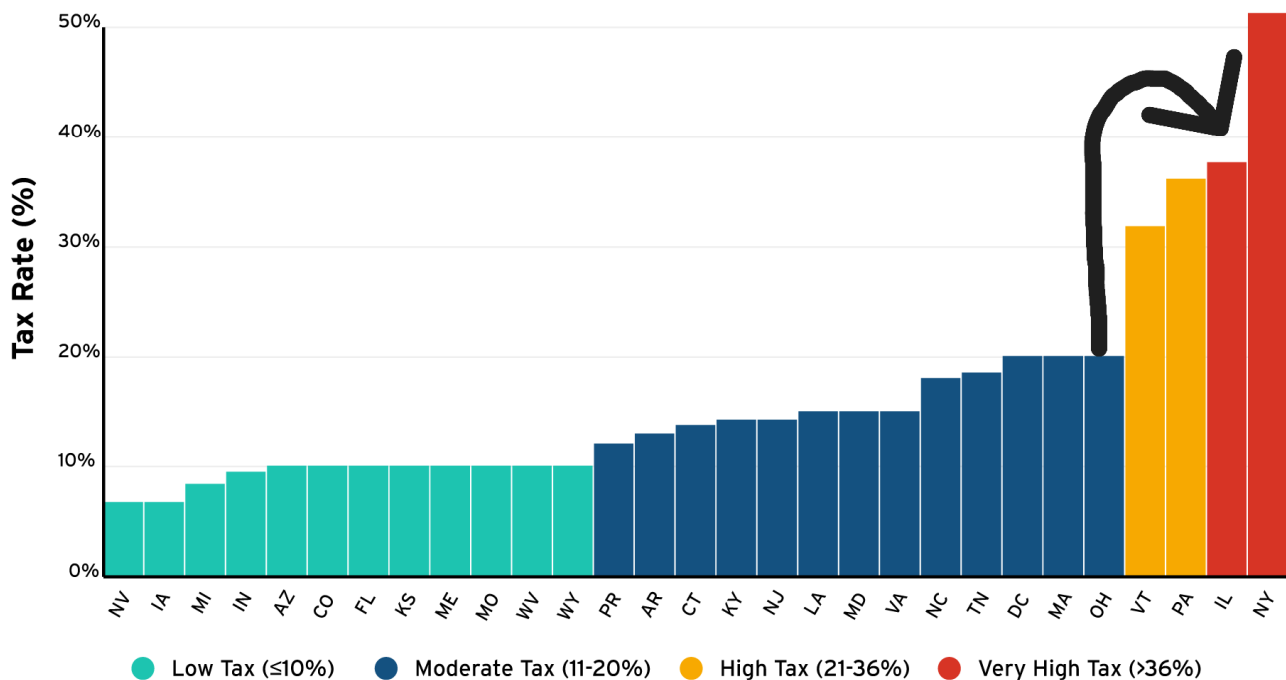
Mr. Chairman and members of the committee. My name is Scott Ward. I am an attorney with the law firm Orrick, Herrington, and Sutcliffe. I am here today on behalf of the Sports Betting Alliance. The SBA is a trade association of leading regulated online sports betting companies FanDuel, DraftKings, Fanatics and BetMGM.

I am before you to oppose the budget proposal doubling the tax rate on sports betting from 20% to 40%. I will start with a quick timeline:

- January 2023 - Legal and regulated sports betting first started in Ohio at a 10% tax.
- July 2023 - Governor's budget doubles the rate to 20% after only six months.
- February 2025 - Governor's budget proposes doubling the tax rate again to 40%.

This is a **300% increase** in the tax on regulated sports betting in Ohio in just over two years. Moreover, regulated sports betting is the only industry in Ohio to see a tax increase in the Governor's two most recent proposals. At 40%, Ohio would be far outside the norm in the U.S.

Tax Rates for Online Sports Betting in Competitive Markets



Ohio is already at the top end of U.S. states with a 20% tax rate – tied with Massachusetts and the District of Columbia. Those are two U.S. jurisdictions that Ohio is not normally compared with on taxes. The 40% tax rate would jump Ohio into rarified anti-business air, with the second highest rate in the nation, right in-between New York and Illinois. You don't often hear about Ohio following the lead of Illinois and New York.

You may hear that Rhode Island and New Hampshire have rates higher than 40% as well. But those states have monopoly markets where the state partners with only one sportsbook and consumers have no choice. After paying for all expenses of operation, the state and the monopoly operator share revenue at about 50% - so those are not tax rates. That is apples and oranges compared to the robust, competitive consumer driven market in Ohio.

The primary argument for a 300% tax increase is that most sports betting operators are located out of state. But sportsbooks in Ohio are required to partner with in-state Ohio businesses such as Ohio professional sports teams, casinos and racinos or other businesses like the Hall of Fame Village. As the state increases its tax on sports betting, it is taking that money out of those brick-and-mortar Ohio businesses.

Further, the proposal ignores the devastating effect it will have on the Ohio market. No business can absorb a 300% tax increase –that cost will be passed onto customers. Bob and Betty Buckeye will pay for the tax increase in three tangible ways:

- 1) Lower or no promotions, odds boosts or free bets enjoyed by customers in other states. For instance, Ohio consumers would be excluded from national promotions offering a 50% odds boost on Monday Night Football, or from March Madness promotions offering free bets or improved odds.
- 2) Worse odds and lower winnings on all bets. This means customers in other states might be able to bet on Ohio State football to win with odds of -110 (which means a \$100 bet returns you \$190 in winnings). But in Ohio, bettors can only make that same bet at -120 odds. (which means a \$100 bet returns you only \$180 in winnings).
- 3) Less choice. A hallmark of the sports betting law negotiated by this legislature was consumer choice – with up to 25 different operators in the state and numerous retail locations. But since the first doubling of the tax rate on sports betting, we have only seen a decrease in the number of mobile operators and several retail locations close. A 300% increase in taxes will accelerate a tightening in the market – leaving consumers with far fewer choices.

Additionally, Ohio sports teams, radio stations, newspapers and any Ohio business that relies on advertising or takes sponsorships will see their sports betting revenue stream disappear. National advertising will continue – so you will continue to see that – but Ohio businesses who directly benefit from localized sponsorships or advertising, will lose all of that direct revenue.

No promotions, worse odds and fewer local sponsorships will hurt Ohio consumers and businesses. But illegal and unregulated online sports betting operators are celebrating this proposal. Ohio consumers for sports betting don't simply have to put up with unfair treatment from the State. There are many options for their sports betting dollar, where they can get promotions and better odds, that aren't regulated and pay zero taxes in Ohio.

These are just a few of the sites where you can play for real money in Ohio, with zero regulation or tax:

**Illegal / Unregulated
Online Sportsbooks**

BetOnline
BetUS
BetWhale
Ignition
Stake

**Illegal / Unregulated
Online Casinos**

BetUS
BetWhale
Black Lotus Casino
Chumba Casino
CoinPoker
Crown Coins Casino
Ding Ding Ding
Fortune Coins Casino
FunzCity
Hello Millions
High 5 Casino

Ignition
LuckyBird
LuckyCreek
Lucky Red
Luckyland Slots
McLuck
Play Fame
Pulsz
Raging Bull Slots
RealPrize
Stake
Wild Casino
Wow Vegas

Regulated online sportsbooks pay license fees upwards of \$2.5 million, comply with regulations and oversight from the Ohio Casino Control Commission, and are subject to what is now apparently ever-changing taxation from the state. But we compete directly with all of these sites listed above operating here in Ohio that do none of that.

A 40% tax on regulated sports betting in Ohio only means that many consumers will do one of two things: 1) for those that live near the Ohio border, they will simply go to any neighboring state where they can bet with more promotions and better odds, or 2) they will stop coming to the regulated market altogether and use the illegal or unregulated market. Either way, Ohio will receive zero tax dollars, and the Ohio consumer is worse off for the experience.

But there is another way. If the state wishes to raise new revenue from gaming it can follow the lead of neighboring West Virginia, Michigan and Pennsylvania and legalize igaming or online casinos. Regulated online casinos have been successfully operating in Ohio's neighboring states for four years, and in New Jersey for more than 10. Online casino, typically taxed at a higher rate than sports books, results in tax revenue 6-10 times that of sports betting. Here in Ohio, the state could conservatively see at least \$400 million in new tax revenue in the first year – without raising taxes.

In closing a 300% tax increase in just over two years is unfair and will hurt Ohio consumers and businesses. We urge you to reject the proposed tax increase.