

REVENUE IMPACT OF PROPOSED LEGISLATION – SB212A

Spirit Mountain Casino (SMC) is one of nine Indian Casinos in Oregon. Respectfully, we challenge the proposed legislation as our analysis shows that the impact will disproportionately burden all nine Tribes in Oregon compared to the analysis provided by the State.

- SMC has been operating approximately 1750 Slot machines of the 2000 allowed, which represents 23% (7600/1750=23%) of total Slot machines currently in use for all nine Tribes.
- The Oregon Lottery currently has more than 11,750 Slot machines throughout Oregon, which is 6.7 times more than Spirit Mountain Casino.
- With the nine Tribe’s total of 7,600 units added to the Oregon Lottery’s 11,750 units, there are 19,350 total machines in play. Spirit Mountain Casino’s 1750 active games mean that Spirit Mountain represents approximately 9% of all active machines in the state.
- The State’s analysis shows an increase of **\$5.7M** in 2019 Revenue with the elimination of the Gambling Loss Deduction.

Oregon State Estimates	Fiscal Year		Biennium		
	2019-20	2020-21	2019-21	2021-23	2023-25
Tuition and Fees Deduction	-6.2	-6.2	-12.4	-12.3	-12.2
Gambling Loss Deduction	5.7	5.8	11.5	11.8	12.2
Total General Fund	-0.5	-0.4	-0.9	-0.5	0

- In 2018 Spirit Mountain Casino reported \$56.2M in gaming taxes. Based on the highest State Income Tax amount for Oregon at 9.9%, Spirit Mountain alone would represent \$5.6M of the Gaming Loss Deduction noted by the State’s analysis. With Spirit Mountain only representing 9 percent of all games, the estimate provided by the State does not appear to include all revenue that would be generated. Oregonian’s gaming in other jurisdictions such as Washington, Las Vegas and Reno to name a few, will also be included in the federal calculations.

The breakdowns of Spirit Mountain Casino Taxable Payouts/Jackpots for 2018 are as follows:

	2018-All Taxable Pays				AVG
	\$	%\$	#	%#	
>2500	\$28,763,511	51.2%	17984	76.2%	\$1,599
2500-5K	\$13,029,414	23.2%	4006	17.0%	\$3,252
5-10K	\$8,300,838	14.8%	1230	5.2%	\$6,749
10-20K	\$4,321,774	7.7%	336	1.4%	\$12,862
20-30K	\$728,125	1.3%	32	0.1%	\$22,754
30K+	\$1,040,031	1.9%	21	0.1%	\$49,525
Total	\$56,183,693	100.0%	23,609	100.0%	\$2,380

* 93.2 % of all taxable payouts are less than \$5,000.

All Casino operators know the 80/20 rule, which means that the top 20 percent of players are responsible for 80 percent of the Casinos revenue.

Spirit Mountain is no different, our most elite players will be impacted the greatest as they represent the top 20% of players and are responsible for 80% of our total revenue. It is our opinion that the proposed legislation will reduce the amount of revenue for SMC, which supports the 5000+ members of the Confederated Tribes of Grand Ronde.

Like most casinos, only a fraction of every dollar won is actually taken to the bottom line; usually approximately 30% becomes true revenue after expenses. By affecting those who represent 80% of the Casinos revenue, the impact to Casino will be devastating.

One needs to clearly understand how gaming actually works to understand what this disallowance of losses actually means to players.

It is not simply writing off ones losses, but determining ones winnings that are taxable. With casinos tracking all gaming play via computer/slot club we know exactly what individuals who use cards actually win or lose. Not allowing individuals to write off "slot payouts/wins" during the year would have a huge effect on frequent/regular and valuable players to the Casino.

The assumption that an individual is writing off a loss is not totally an accurate analogy. It is not unusual for a player to hit many larger payouts during the year, they will have losing days and winning days, but at the end of the year the determination of winning or losing is calculated in order to tax players who have actually "won" money.

Today every penny entered into a game whether it is the player's money or winning pays counts as a players "coin-in", including "taxable" pays. But players cycle the money back into the machines to continue to play throughout the year hoping to "win". The total winning payouts and every small combination of payout made on a machine attributes to the amount the player "wins." But calculating the coins-in, and then calculating the coins-out (including taxable payouts) determines the player's win or loss.

John Doe: Actual guest account shows the following scenario. With this ruling disallowing the losses of the taxable pays that were played back into the game means that this player who actually lost \$13,382.00, by cycling of all the winnings including taxable winnings back into the machines; also show that this player had taxable wins totaling \$887,744.00 dollars, all of which were played back into the machines.

The coin-in for this account shows that this player placed \$2.9 million dollars of coins into the machines, and took out just over \$2.0 million dollars in coins, showing a loss of approximately \$902,000. But since he had taxable payouts of \$887,744.00 the player actually lost \$13,382.00.

The new rules would show taxes of almost \$80,000 due to the taxable payout, when in reality the player actually lost \$13,382.00. The player would now have a true loss of over \$93,000.00 due to his inability to write off his wins against his losses. This increase would be taxed at approximately 598 percent. This is why the federal government for many years has allowed players to write off the losses, in order to determine the true "win" the player received. These individuals are not professional gamers, just regular gamers.

The law states Professional gamers may continue to write off losses. Professional players don't usually play slots; but games of chance where they can affect the game in a favorable outcome such as poker, table games and sports wagering. Slots have set hold percentages that do not allow skill to affect the machines hold percentage. This is how the Oregon Lottery can count on almost one billion dollars in slot VLT revenue year after year. The Lottery will not be as adversely affected by this change as they have smaller payouts & jackpots, but place the largest burden on the tribes.

1/1/18 - 12/31/18 When players lose

Player_ID	Visits to SMC	# of Taxables	\$ of JP	Total Coin In	Total Coin Out	Actual Win/Loss (Coin In - (Coin out + Jackpots))	9% proposed Tax	After Tax Actual Loss	Percent increase to players loss
17595	125	235	\$888,744	\$2,912,827	\$2,010,701	\$13,382	\$79,986.96	\$93,368.78	598%
70887	30	249	\$581,807	\$2,298,756	\$1,637,900	\$79,049	\$52,362.63	\$131,411.63	66%
81261	73	142	\$338,634	\$3,014,173	\$2,553,350	\$122,189	\$30,477.06	\$152,665.81	25%
149426	84	184	\$1,124,232	\$2,523,978	\$1,279,768	\$119,978	\$101,180.88	\$221,159.09	84%
201287	44	148	\$376,060	\$2,745,378	\$2,239,457	\$129,861	\$33,845.40	\$163,706.84	26%
278456	73	184	\$379,882	\$2,420,587	\$1,842,291	\$198,413	\$34,189.42	\$232,602.84	17%
298704	100	317	\$862,896	\$6,124,380	\$5,046,795	\$214,688	\$77,660.64	\$292,348.90	36%
580270	118	164	\$374,692	\$3,977,735	\$3,371,584	\$231,459	\$33,722.28	\$265,181.30	15%
582714	18	239	\$621,535	\$2,059,409	\$1,389,680	\$48,194	\$55,938.15	\$104,132.48	116%
673043	51	106	\$266,254	\$1,511,027	\$1,219,005	\$25,768	\$23,962.86	\$49,730.93	93%
745104	198	166	\$454,756	\$4,774,547	\$4,114,730	\$205,060	\$40,928.04	\$245,988.23	20%
787263	136	187	\$487,806	\$1,548,849	\$848,913	\$212,130	\$43,902.54	\$256,032.67	21%
832820	48	115	\$281,637	\$1,419,929	\$1,078,345	\$59,947	\$25,347.33	\$85,294.38	42%
907015	179	225	\$484,536	\$3,174,518	\$2,567,818	\$122,165	\$43,608.22	\$165,772.80	36%

1/1/18 - 12/31/18 When players Win

Player_ID	Visits to SMC	# of Taxables	\$ of JP	Total Coin In	Total Coin Out	Actual Win/Loss (Coin In - (Coin out + Jackpots))	9% proposed Tax	After tax Actual win	Percent decrease to players Win
271161	46	118	\$535,241	\$1,494,345	\$971,926	\$12,822.75	\$48,171.69	-\$35,348.94	375.7%
588234	35	116	\$285,453	\$739,835	\$484,565	\$30,183	\$25,690.77	\$4,492.59	85.1%
1220143	142	91	\$380,968	\$1,569,970	\$1,283,257	\$94,255	\$34,287.12	\$59,968.10	36.4%
1220144	173	121	\$329,015	\$1,394,836	\$1,127,307	\$61,486	\$29,611.35	\$31,874.88	48.2%

For the period of 1/1/2018 to 12/31/2018: Tracked Play

10% of our guests contributes 80% of our Revenue

5% of our guests contribute 68% of our Revenue

2% of our guests contribute 50% of our Revenue