



March 7, 2017

Written comments of Mount Airy #1, L.L.C. d/b/a Mount Airy Casino Resort to the Pennsylvania House Gaming Oversight and Senate Community, Economic & Recreational Development Committees.

Please accept the following written comments on behalf of Mount Airy in connection with potential amendments to Title 4 (“Gaming Act”):

1. **Local Share Tax** – We fully recognize and understand the benefits of the local share tax and its importance to the local communities and the urgency to keep this tax revenue flowing. Mount Airy believes the best path forward is to come up with a legislative fix that will be a long term solution, not something that will, most certainly, invite more litigation, including refund issues, and keep the local communities in a state of confusion and uncertainty. To that end, a 4% municipal share tax on each casino’s GTR will generate approximately the same total municipal share tax revenue as was generated prior to the Supreme Court’s decision and critically, will be constitutional. We also support a restoration of the 2% county share tax levied on each casino’s GTR.

A local share tax of a flat dollar amount will, in our opinion, violate the Uniformity Clause because the Pennsylvania Constitution requires substantial equality of tax burden and if the tax is a flat dollar amount, casinos that make less have a substantially higher tax burden than those who make more. The chart below demonstrates the vastly disparate effective municipal share tax rates imposed on casino licensees in 2016:

<u>Casino Licensee</u>	2016 Effective Municipal Share Tax
Presque Isle	8.67%
Mount Airy	7.04%
Harrah’s Chester	4.83%
Penn National	4.76%
Mohegan Sun	4.62%
Meadows	4.51%

Rivers	3.77%
Sands Bethlehem	3.28%
Parx	2.57%
SugarHouse ¹	2.0%
Valley Forge	2.0%
Nemacolin	2.0%

Characterizing a local share tax in a flat dollar amount as a “license fee” will not escape Uniformity Clause scrutiny. The Supreme Court has clearly established that any “fee” or “assessment” whose primary purpose is to raise revenue will be treated as a tax.

2. **Internet Gaming** - Mount Airy fully supports the legalization of internet gaming with reasonable license fees and a tax rate commensurate with the rate imposed in New Jersey. Internet-gaming will provide a critical new source of tax revenue for the Commonwealth and new local share tax revenue to assist local communities. In addition, it will protect consumers from the existing illegal market.
3. **Video Gaming Terminals** - Mount Airy is adamantly opposed to the legalization of VGTs as they will only serve to cannibalize the existing casino licensees, which will dramatically reduce the tax revenue collected by the Commonwealth and ultimately hurt the Commonwealth’s taxpayers and local communities.

It is simple supply and demand. The Legislature and PGCB carefully and thoughtfully situated the Commonwealth’s existing casinos to best ensure equilibrium. Adding tens of thousands of VGTs across the Commonwealth will most assuredly create an excess supply of slot machines without generating a corresponding increase in demand. The only remedy to this imbalance will be to cut supply, which will cause the loss of jobs and tax revenue. There is no need to speculate as to the impact of adding VGTs. Illinois demonstrates the consequences: 18% decrease in slot revenue and a 14% decrease in employment at land based casinos.²

4. **Regulatory Streamlining** – Mount Airy fully supports all efforts to streamline the regulatory oversight process to keep the Pennsylvania casino industry competitive with other gaming industries and reduce the cost to the casino industry.

We very much appreciate the attention you have paid to these issues and look forward to working collaboratively to sustain and enhance the Commonwealth’s casino industry.

¹ In 2016, SugarHouse was subject to a 4% county local share tax; for comparison basis, we allocated their local share tax equally between county and municipal.

² *Source:* Innovation Group report dated May 2016.