

How Sports Betting Revenues are Taxed

The reported sports betting handle for September 2020 was an impressive \$207,622,942.72. The top five sports patrons wagered on were baseball, football, basketball, hockey, and table tennis. The total handle includes all retail and online cash and free bets.

How are sports betting funds taxed? In order to explain this as easy as possible, let's categorize everything into boxes, as illustrated below.



To calculate Colorado taxes, we must first find the Gross Gaming Revenue (GGR), which is the amount of the total handle (Box A) minus the winning payouts (Box B). **GGR = A-B**



Next, we need to find the Net Sports Betting Proceeds (NSBP). By definition, Net sports betting proceeds means the total amount of all bets placed by players in a Sports Betting Operation or Internet Sports Betting Operation, less all payments to players, less free and promotional bets, and all excise taxes paid pursuant to federal law.

Payments to players include all payments of cash premiums, merchandise, or any other thing of value. To find the NSBP, we take the GGR and subtract the Federal Excise Tax (Box C) and deductions (Box D). **NSBP = GGR-C-D**

Statutorily, the sports betting tax rate is set at ten percent of the net sports betting proceeds. Therefore we simply calculate **NSPB x 10%**. Easy, right?

Well, maybe not so much. When you compare the reports from August 2020 and September 2020, you will see a few discrepancies in the calculations of the Total Taxes Due. September numbers are not quite 10% of the NSPB. That is because operators offered millions of dollars in free bets and promotional plays as sports started coming back online. In some cases, the tax credits exceeded the taxes owed, allowing operators to carryover a negative tax amount to the

following month. These carryovers skew the numbers to show a lower tax rate. As we average the reports throughout the year, we should see them even out.

Colorado Sports Betting Proceeds
August 2020

<i>Statewide Summary</i>	Retail	Online	Total
Total GGR*	\$243,728.92	\$7,275,869.75	\$7,519,598.67
Total NSBP**	\$239,060.42	\$1,638,850.71	\$1,877,911.13
Total Taxes Due	\$23,906.04	\$163,885.07	\$189,461.84
Total Win Percentage	12.31%	5.74%	5.85%

Top 10 Sports by Total Wagers	WAGERS			PAYMENTS TO PLAYERS		
	Retail	Online	Total	Retail	Online	Total
Basketball	\$742,111.84	\$37,297,915.35	\$38,040,027.19	\$640,255.06	\$35,271,626.86	\$35,911,881.92
Baseball	\$312,770.51	\$22,476,538.76	\$22,789,309.27	\$279,996.39	\$21,179,140.88	\$21,459,137.27
Hockey - Ice	\$222,942.46	\$13,371,119.92	\$13,594,062.38	\$203,459.64	\$12,405,910.05	\$12,609,369.69
Table Tennis	\$17,720.80	\$4,511,780.73	\$4,529,501.53	\$11,105.46	\$4,167,645.38	\$4,178,750.84
Golf	\$12,234.38	\$4,464,945.03	\$4,477,179.41	\$12,339.18	\$4,820,207.30	\$4,832,546.48
Soccer	\$89,101.57	\$3,439,412.78	\$3,528,514.35	\$80,170.56	\$3,371,062.39	\$3,451,232.95
Tennis	\$4,428.84	\$2,403,020.20	\$2,407,449.04	\$3,670.74	\$2,244,222.22	\$2,247,892.96
MMA	\$8,927.75	\$1,933,884.21	\$1,942,811.96	\$6,674.49	\$1,992,295.04	\$1,998,969.53
Motorsports	\$1,730.00	\$297,710.00	\$299,440.00	\$4,033.46	\$256,073.83	\$260,107.29
Football - Pro American	\$32,218.52	\$183,803.87	\$216,022.39	\$2,720.86	\$16,439.24	\$19,160.10
Parlays/Combinations	\$512,028.00	\$22,150,097.06	\$22,662,125.06	\$460,239.36	\$19,546,497.83	\$20,006,737.19
Other	\$23,756.51	\$14,136,010.00	\$14,159,766.51	\$31,577.06	\$14,119,247.14	\$14,150,824.20
Total	\$1,979,971.18	\$126,666,237.91	\$128,646,209.09	\$1,736,242.26	\$119,390,368.16	\$121,126,610.42

*GGR = Gross Gaming Revenue (Gross Wagers - Payments to Players)

**NSBP = Net Sports Betting Proceeds

Colorado Sports Betting Proceeds
September 2020

<i>Statewide Summary</i>	Retail	Online	Total
Total GGR*	\$403,259.30	\$3,763,074.91	\$4,166,334.21
Total NSBP**	\$394,156.59	-\$3,788,347.03	-\$3,394,190.44
Total Taxes Due	\$39,415.66	\$30,355.99	\$69,771.64
Total Win Percentage	10.69%	1.85%	2.01%

Top 10 Sports by Total Wagers	WAGERS			PAYMENTS TO PLAYERS		
	Retail	Online	Total	Retail	Online	Total
Baseball	\$630,358.46	\$46,478,502.50	\$47,108,860.96	\$596,759.02	\$49,557,016.11	\$50,153,775.13
Football - Pro American	\$1,250,846.34	\$37,360,906.02	\$38,611,752.36	\$1,001,594.44	\$35,865,779.33	\$36,867,373.77
Basketball	\$878,935.10	\$36,895,618.27	\$37,774,553.37	\$909,073.10	\$36,566,253.05	\$37,475,326.15
Hockey - Ice	\$149,951.27	\$11,322,995.58	\$11,472,946.85	\$103,466.94	\$11,012,331.79	\$11,115,798.73
Table Tennis	\$5,924.28	\$5,371,148.26	\$5,377,072.54	\$6,013.33	\$4,993,498.48	\$4,999,511.81
Tennis	\$12,015.79	\$5,038,486.95	\$5,050,502.74	\$13,533.17	\$4,784,996.69	\$4,798,529.86
Soccer	\$72,112.93	\$4,835,917.92	\$4,908,030.85	\$85,095.02	\$4,367,362.36	\$4,452,457.38
NCAA Football	\$152,969.42	\$3,687,347.97	\$3,840,317.39	\$123,218.65	\$3,560,025.81	\$3,683,244.46
Golf	\$5,112.23	\$3,209,331.01	\$3,214,443.24	\$3,502.77	\$2,677,207.64	\$2,680,710.41
MMA	\$16,117.33	\$1,392,395.44	\$1,408,512.77	\$10,395.71	\$1,451,397.12	\$1,461,792.83
Parlays/Combinations	\$594,872.16	\$27,577,826.40	\$28,172,698.56	\$509,856.16	\$23,748,982.30	\$24,258,838.46
Other	\$3,934.00	\$20,712,317.09	\$20,716,251.09	\$7,381.70	\$21,534,867.82	\$21,542,249.52
Total	\$3,773,149.31	\$203,882,793.41	\$207,655,942.72	\$3,369,890.01	\$200,119,718.50	\$203,489,608.51

*GGR = Gross Gaming Revenue (Gross Wagers - Payments to Players)

**NSBP = Net Sports Betting Proceeds