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Internet Gaming

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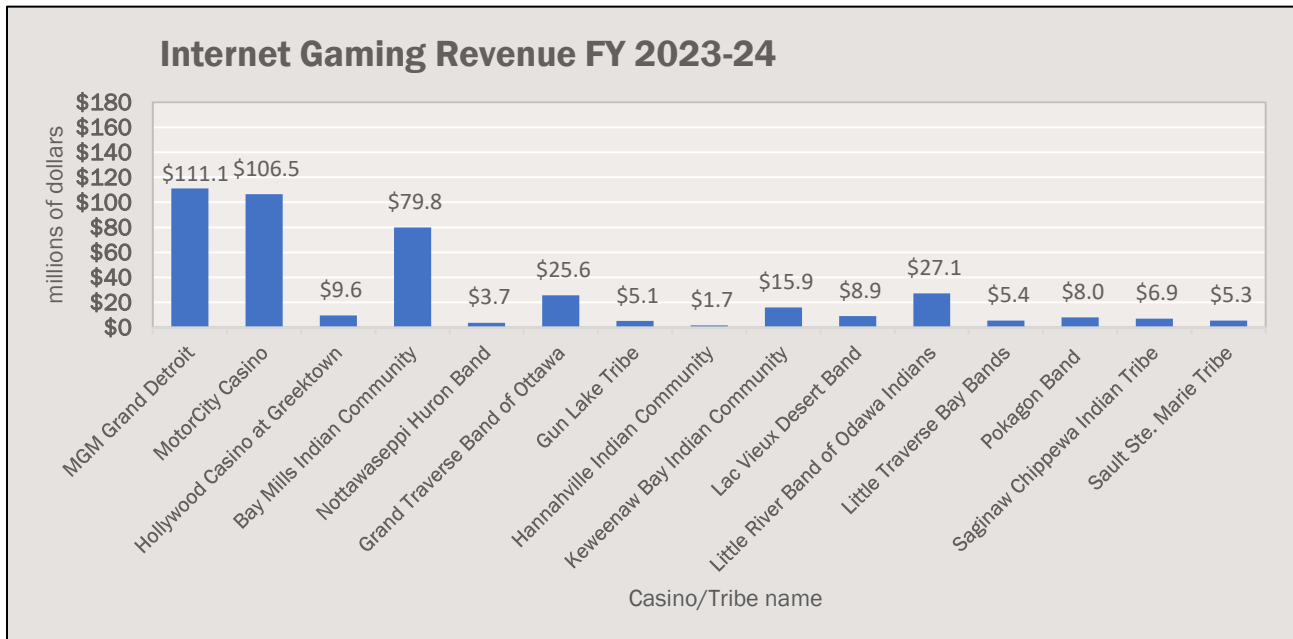
Internet Gaming History

The 2019 enactment of the Lawful Internet Gaming Act (Public Act 152 of 2019) allows Detroit’s three commercial casinos and Michigan’s 12 tribal casinos to conduct internet gaming through an internet gaming operator. Since the law was enacted, all Michigan casino operators have established internet gaming. The first full fiscal year (FY) with internet gaming was FY 2021-22. In 2022, Michigan joined the Multi-State Internet Gaming Agreement compact, which allows internet poker with players from Delaware, Nevada, New Jersey, Pennsylvania, and West Virginia.

Internet Gaming Tax

The Internet Gaming Tax applies to adjusted gross receipts (AGR), calculated as gross gaming receipts minus winnings paid. This graduated tax ranges from 20% to 28%, and is remitted on the 10th day of each month. The graduated tax schedule is as follows:

1. 20% for AGR less than \$4.0 million.
2. 22% for AGR from \$4.0 million to less than \$8.0 million.
3. 24% for AGR from \$8.0 million to less than \$10.0 million.
4. 26% for AGR from \$10.0 million to less than \$12.0 million.
5. 28% for AGR at \$12.0 million and above.

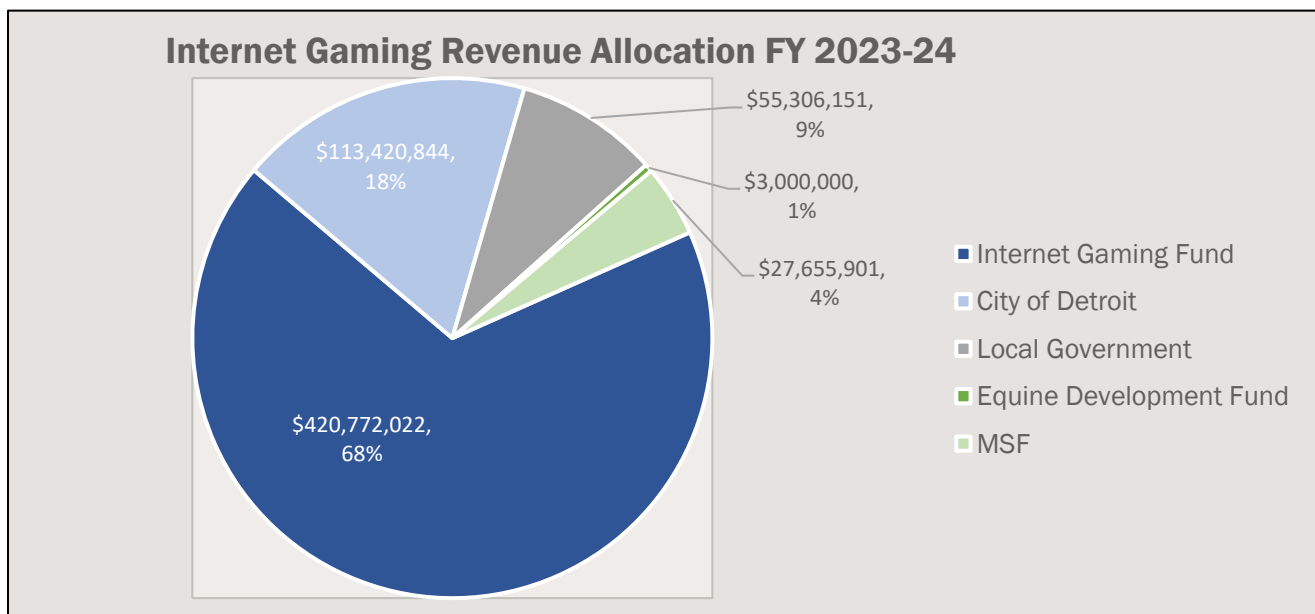


In addition to the graduated tax, the Detroit casinos also pay a 1.25% municipal service fee, matching in-person gaming activities. In FY 2023-24, State internet gaming operators generated \$2.2 billion in adjusted gross receipts and paid \$620.2 million in total tax revenue.

Internet Gaming Revenue Allocation

The Internet Sports Betting Tax allocation depends on whether the casino is commercial (Detroit) or tribal. For Detroit's commercial casinos, 30% goes to the City of Detroit, 65% to the Internet Sports Gaming Fund, and up to \$3.0 million, or 5%, to the Michigan Agriculture Equine Industry Development Fund. If Detroit's Wager Tax on in-person casino gaming plus the allocation of Internet Gaming Tax is less than \$183.0 million, then the allocation to Detroit is increased to \$183.0 million, or no more than 55% of the distribution.

For tribal casinos, the Internet Gaming Tax is allocated as follows: 20% to the local government where the operator's casino is located, 70% to the Internet Gaming Fund, and 10% to the Michigan Strategic Fund. The chart below shows the total internet gaming revenue allocation for FY 2023-24, including the Internet Gaming Tax and municipal service fee.



Internet Gaming Fund Distribution

The revenue allocated to the Internet Gaming Fund must be spent in the following order:

1. Cover the costs incurred to regulate and enforce internet gaming.
2. Cover the costs incurred to administer and enforce millionaire party activities.
3. Deposit \$500,000 into the Compulsive Gaming Prevention Fund.
4. Deposit \$2.0 million into the First Responder Presumed Coverage Fund.
5. Deposit all remaining funds into the School Aid Fund.

In FY 2023-24, of the \$420.8 million that was allocated to Internet Gaming Fund, \$388.5 million was deposited into the School Aid Fund.