

June 10, 2019

Chairman Brandt Iden  
House of Representatives  
372 Capitol Building  
Lansing, MI 48933

Chairman Iden:

Thank you for sharing Governor Whitmer's recent internet gaming (iGaming) tax and framework proposals and asking for our feedback. We appreciate your continued leadership on this issue.

iDEA Growth was founded to advocate for responsible policies that enable the online interactive gaming business in the United States to spur economic growth and protect consumers. Our members represent all sectors of the of internet gaming, sports betting and entertainment industries and are licensed and regulated in the U.S. (most notably New Jersey) and other jurisdictions throughout the world. iDEA Growth members are involved in every level of the iGaming ecosystem, including operations, development, technology, marketing, payment processing, and law. We share the common goal of expanding American consumers' access to secure and regulated online gaming.

To that end, independent researchers examined the success of New Jersey's iGaming market and iDEA Growth published a study<sup>1</sup> that highlights its economic impact. New Jersey's operating environment and regulatory structure provides a portable model, which can be implemented by other jurisdictions, bringing much needed jobs and tax revenue.

Michigan was on the precipice of enacting sensible iGaming policy last year which received broad bi-partisan support in the legislature. Unfortunately, that bill met the veto pen in the final days of 2018 and never became law.

This year, can and should be different. The need for regulation has never been more apparent. Michigan consumers are inundated with offshore internet gaming options that provide little or no protection. Simply type "Can I gamble online in Michigan" into an internet search engine and you will be directed to numerous websites that will claim to offer "legal" and "safe" online gaming for people living in Michigan. State regulation of iGaming changes this dynamic and puts Michigan in control of internet gaming by turning it into a state-based industry that is safe for consumers and accountable to regulators.

We are encouraged to hear that Governor Whitmer understands the need to protect consumers. This can be done while at the same time creating a business environment that promotes the

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<sup>1</sup> [Economic Impact of New Jersey Online Gaming: Lessons Learned](#); June 2017; Nathan Associates and Victor-Strategies.

state's commercial casinos, tribal communities and lottery; all of which provide significant revenue, jobs and economic opportunity for Michigan.

The bedrock for creating a dynamic internet gaming market is to establish a reasonable tax rate that promotes growth, innovation and most importantly, competition. Your bill, H 4311, does exactly this. That is why we have proudly supported the bill and shared our enthusiasm for your policies in the *Detroit News* editorial<sup>2</sup> dated February 7, 2019.

We are deeply concerned, however, with the recent iGaming proposals circulated by Governor Whitmer's policy advisors. They represent a radical departure from the proven iGaming tax policies the legislature overwhelmingly supported just one year ago. The proposals you shared with us would significantly impact the market size and ensure that licensed, regulated and (overly) taxed Michigan companies could never effectively compete with offshore and illegal iGaming operators that continue to market to and accept Michigan players without paying any taxes at all.

Taxes must be reasonable for Michigan's tribes and casinos to realize a viable economic opportunity. Tax rates in H 4311, effectively amounting to 9.25 percent, would have created a hospitable environment to do business. However, raising that rate all the way up to 40 percent on a sliding scale, based on operator revenue, creates little incentive to be a licensed iGaming operator. For those who do seek to be licensed, they will be perversely incentivized to moderate their success so they are not subjected to massive taxes.

Moreover, there should not be artificial restrictions on what types of gaming can be offered through regulated iGaming operators, most notably internet slot games. According to information provided by the gaming industry research firm, Eilers & Krejcik<sup>3</sup>, nearly 77 percent of all iGaming revenue in New Jersey is derived from internet slot offerings. To deny tribes and casinos the ability to offer online slot games would dramatically impact the tax revenue Michigan would receive from regulated iGaming.

There is no credible evidence to suggest that internet slots (or any form of iGaming), operated by Michigan's tribal and commercial casinos would negatively impact the important revenue the state generates from its lottery. Providing consumers with more options, not less, will actually elevate all gaming stakeholders to improve their offerings, thereby creating a competitive market that raises overall revenues for the state.

This curious prohibition also raises practical questions about why casinos and tribes, that have successfully regulated brick and mortar slot machines for decades, would now be denied that opportunity as the gaming industry evolves. It simply makes no sense and it would be a huge economic loser for Michigan.

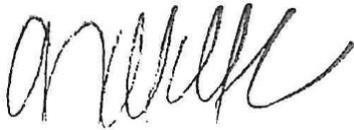
<sup>2</sup> "Opinion: Michigan should legalize online gambling" by Jeff Ifrah, iDEA Growth; *Detroit News*; February 7, 2019.

<sup>3</sup> Based on information provided by [Eilers & Krejcik Gaming, LLC](#).

We applaud your foresight in establishing iGaming policy that looks to the future by allowing Michigan the ability to pool players from other regulated jurisdictions and urge you to reject proposals that would close Michigan off to this opportunity. It is particularly important for peer-to-peer games such as poker, that rely on a volume of players to make it an attractive consumer product and business offering. Your bill would allow for Michigan to join the already existing Multi-State Internet Gaming Agreement<sup>4</sup> between New Jersey, Delaware and Nevada (Pennsylvania will likely join when its internet poker operations are established this summer) and we believe this should be preserved.

iDEA Growth, through its members, has decades of experience in internet gaming. Our companies have worked with policymakers across the globe to share with them the policies and procedures that work. We look forward to working together to develop an iGaming framework that benefits Michigan residents and the state.

Sincerely,



**A. Jeff Ifrah**

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<sup>4</sup> [Multi-State Internet Gaming Agreement](#); signed by Governors John Carney, Chris Christie and Brian Sandoval.