

Your turn: The unintended consequences of raising sports betting taxes in Illinois

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Imagine you're managing your household budget, already stretched thin by rising costs for groceries, utilities, and everyday necessities. Now, imagine the state government decides to double your property taxes overnight, leaving you scrambling to make ends meet. This is essentially the scenario Illinois sports betting operators are facing with a proposed tax hike from 15% to 35%. This 133% increase threatens to undermine the very market that has started to flourish in Illinois and has already surpassed expectations by delivering nearly half a billion dollars in tax revenue since launching in late 2020.

The dramatic tax increase will have unintended consequences, driving customers *back* to illegal betting channels and hurting local businesses.

Raising the tax rate on sports betting is akin to subsidizing the illegal, offshore sportsbooks that Illinois state lawmakers sought to eliminate when they legalized and regulated sports betting. Given that legal sportsbooks operate on thin margins, they cannot simply absorb this massive tax increase.

It will force Illinois betting operators to offer less favorable odds and reduce promotions, effectively raising the costs to consumers. Legal sports betting has only begun to dent Illinois' robust illegal sports betting scene significantly, and these changes will inevitably push bettors back into the arms of illegal bookies.

The result? Lower — not higher — tax revenues for Illinois as more bets are placed outside the regulated framework. The financial fallout from a higher tax rate on sports betting will ripple through the State's economy. Online operators will see reduced revenues, which means their in-state market access partners — casinos and tracks — will suffer too.

All of these entities are significant job creators and economic engines for local economies throughout Illinois. Mobile sports betting has helped the

broader Illinois gaming industry stay competitive in the evolving entertainment marketplace.

The tax increase will negatively impact the sportsbooks, the end users, and everyone in between. It could lead to fewer advertising dollars for local TV and radio stations, diminished marketing partnerships with local sports teams and bars, and, ultimately, job losses.

The proposed tax increase on sports betting is a shortsighted solution to Illinois' budget woes.

Sports betting revenues are inherently volatile, influenced by the unpredictable outcomes of games and the success of local teams. While Illinois has done well financially with sports betting at the current tax rate, it would be foolhardy to believe that doubling the tax rate would double the State's revenue.

Instead, Illinois' budget could truly be boosted if lawmakers legalized online casino gaming. This move could generate over \$750 million annually — nearly four times the expected revenue from sports betting. Beyond the consumer protection benefits of regulating an existing black market, legalizing online casino gaming would provide a more stable and substantial revenue source, benefiting the State, local businesses, and labor unions.

The proposed tax hike on sports betting is a well-intentioned but misguided effort to fill budget shortfalls. It threatens to drive bettors back to illegal markets, increase costs for Illinois consumers, harm local businesses, and reduce competition.

Rather than jeopardize the progress made in the legal sports betting market, Illinois should explore more effective revenue-raising solutions like legalizing online casino gaming. By embracing smarter fiscal strategies, Illinois can ensure a prosperous future for its residents and businesses alike.