

# Support HB -1311: Deductions for Net Sports Betting Proceeds

*Speaker McCluskie, Representative Soper & Senator Roberts*

## Upholding Colorado Voter's Intent & Protecting Colorado's Water Future

In 2019, Colorado voters approved Proposition DD to legalize and tax sports betting at a 10% tax rate and directed the tax proceeds to fund the regulation of sports betting, gambling addiction services. The remaining proceeds are required to go to the Water Plan Implementation Cash Fund for water projects that conserve and protect Colorado's Water.



### Time for Needed Reform

As many other states have followed Colorado's lead in legalizing sports betting over the past five years, we find that Colorado is losing significant tax revenue that could go to conserving and protecting our water. Since sports betting's inception, and thanks to beneficial tax write-offs written into the legislation, **sports betting companies have paid an effective tax rate of 5.89%** --well below the tax rate voters approved and significantly lower than the national average of 18%. Currently, sports betting companies are allowed to

deduct their customer recruitment and retention or "free bets" as a tax write-off, greatly reducing their effective tax rate and subsequent contributions to Colorado's water plan implementation. For example, in the last 2 years, Indiana, who has a 9.5% tax rate on sports betting and with a smaller betting market, raised \$25 million more than Colorado over the same period.

#### Colorado Sports Betting by the Numbers

- Voter Approved Tax Rate: 10%
- Current Effective Tax Rate: 5.89%
- National Average Sports Betting Tax Rate: 18%
- Estimated Increase in Funding for Water: \$5-10 Million Annually
- Total Funding to Date: \$101 Million

### What HB25-1311 Does & Does Not Do:

HB25-1311 would prohibit the ability of sports betting operators to deduct "free bets," for purposes of calculating their net taxable betting proceeds, as a deductible tax write off. This will increase the effective tax rate paid by sports betting companies bringing them closer to paying the effective tax rate of 10% as approved by voters in 2019. Stakeholders reached a mutually beneficial deal via amendment and this bill accommodates industry needs and delays implementation a year and a half to allow industry to make necessary business adaptations.

This bill does **not** raise taxes on sports betting companies nor does it eliminate all of their tax deduction capacity.

## **HB25-1311 does more to Conserve and Protect Colorado water**

Population growth, long-term warming and drying trends known as “aridification,” major wildfires, and multi-year droughts strain Colorado water systems like never before. We must continue to invest more to support Colorado water security to protect our vibrant communities, productive agriculture, wildlife and robust outdoor recreation economy.

Coloradans across the state expressed their support for these values again in 2024, by passing Proposition JJ, which removed the cap on sports betting tax revenues the state could collect. JJ passed overwhelmingly with 76% approval, winning every county in Colorado except two. Colorado voters sent a clear message: **water funding is popular and a top priority.**

### **About the Water Plan Implementation Cash Fund and water plan grants:**

More than 90% of tax revenue from sports betting goes to the Colorado Water Conservation board through their water plan grant program. Since inception \$97 million in tax revenue has been raised and hundreds of water



plan grants have been awarded throughout the state. Tribes are eligible for water plan grants and do not need to meet the 25% match requirement required by other water users to qualify for grant awards. The Colorado Water Conservation Board (CWCB) is responsible for making sure that these dollars go to benefit Coloradans in every corner of the state. To date, CWCB has funded hundreds of projects. For example, last year the following projects received funding:

- Environment and Recreation Projects, like The Little Cimarron River Fish and Flow Bypass project, which awarded \$200,000 modify the Collier Ditch dam on the Cimarron River allowing the environment and agriculture to work together and provide benefits to all water users. Farmers and fish alike benefit from this new construction.
- Municipal Water Supply Conservation Projects, including \$225,000 for the Alliance for Water Efficiency to support water conservation in mobile home parks in Colorado Springs, Thornton, and Fountain by conducting in-home repairs, researching water-saving opportunities, and addressing equity issues.
- Agriculture Projects that help this important economic sector – which makes good use of more than 70% of Colorado’s water – operate efficiently and innovatively. Like the Intermountain West Alternative Forages Project which was awarded \$280,000 to explore the feasibility of using less water-intensive forages—such as sainfoin and intermediate wheatgrass—in the Upper Colorado River basin, to support more sustainable agricultural operations.

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