

# Who Pays Pennsylvania Gaming Taxes?



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*This research brief allocates gaming taxes and funds retained by the Lottery across six income groups. This is the second brief in a series that examines the progressivity/regressivity of state and local taxes. Complete results for all state and local taxes will be published later this year.*

For FY 2023-24, Pennsylvania retail casino gaming taxes (slots and table games) generated \$1.39 billion and other gaming taxes (online slots, table games, sports wagering and other) generated \$1.04 billion. After all prize payouts, the Lottery retained \$1.74 billion of funds to pay Lottery expenses and to support various programs that benefit elderly residents.

To distribute indirect gaming taxes across income groups, a June 2024 working paper by Taylor et al. is informative. The paper uses debit and credit card transactions from a balanced panel of 717,724 “potential gamblers” who regularly deposited funds with one of 41 gambling merchants (e.g., DraftKings, Fan Duel, BetMGM, Bellagio, Wynn Resorts) over a five-year period (2019 to 2023) to track spending patterns for online gaming and retail casino spending.<sup>1</sup> Based on those data, the distribution for calendar year (CY) 2022 gaming taxes is shown in the table. For both the U.S. and Pennsylvania, roughly two-thirds of the amount of dollar deposits (i.e., bets) was from gamblers with income between \$50,000 and \$200,000. For the U.S., the average annual deposit into an online gaming account was \$1,375 and average income was \$132,000.<sup>2</sup> The paper found that roughly one-half of casino net revenues (after payouts) was attributable to 3% of gamblers, so gambling losses were highly concentrated in a small number of bettors.

**Distribution of PA Gaming Taxes and Lottery Revenues**

Income Level		Gaming Taxes		Lottery Revenue	
Lower	Upper	Share	Amount	Share	Amount
\$1	\$49,999	11%	\$233	46%	\$818
\$50,000	\$99,999	32%	\$679	29%	\$515
\$100,000	\$199,999	34%	\$721	16%	\$288
\$200,000	\$499,999	18%	\$382	6%	\$114
\$500,000	\$999,999	3%	\$64	2%	\$29
\$1 million	or more	2%	\$42	1%	\$16
<b>Total</b>		<b>100%</b>	<b>\$2,122</b>	<b>100%</b>	<b>\$1,780</b>

Note: Dollars in millions for CY 2022. Lottery Revenues are gross revenues less prize payouts. Assumes all amounts paid by residents, but a portion is not.

For the Lottery, research finds that players have a very different income profile. Based on a public-records request of U.S. state lottery systems, *The Economist* found that the poorest households spent 30 times more on state lotteries than rich ones, as a share of income. For the poorest 1% of zip codes with a lottery retailer, the average adult spent around \$600 per year, or nearly 5.0% of income, on tickets. For the richest 1% of zip codes, the figures were \$150 and 0.15% of income.<sup>3</sup> Based on these findings, *The Economist* found state Lottery systems to be highly regressive.

The IFO distribution model assumes that the lowest income group spends 20 times more (as a share of income) than the highest income group (see table, amounts are after all prize payouts for CY 2022). Net Lottery spending for the <\$50,000 income group is 0.6% of income (not shown), compared to 0.2% for all residents.

<sup>1</sup> See “[Online Gambling Policy Effects on Tax Revenue and Irresponsible Gambling](#),” (June 2024). Income data were available for 33.7% of potential gamblers.

<sup>2</sup> Because some types of income cannot be observed (e.g., capital gains), the true average will be higher.

<sup>3</sup> See <https://www.economist.com/graphic-detail/2024/04/02/the-economics-of-american-lotteries>. These results confirm findings by Kearney (2002) that found lower income households spent 0.46% of their income on the lottery, compared to 0.14% for middle income and 0.08% for upper income. See [NBER Working Paper 9330](#) (November 2002). The low-income share in *The Economist* is much higher because it pertains only to the lowest 1% of income.