



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKA'I

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DTS 202503201434LA

March 24, 2025

The Honorable Ronald D. Kouchi,
President and Members
of the Senate
Thirty-Third State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Nadine K. Nakamura,
Speaker and Members of the
House of Representatives
Thirty-Third State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Nakamura, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the *Online Sports Wagering Working Group Final Report*, as requested by the joint resolution, HCR 70 HD1, SD1 of the 2024 Legislature. In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at:
<http://dbedt.hawaii.gov/overview/annual-reports-reports-to-the-legislature/>.

Sincerely,

James Kunane Tokioka
DBEDT Director

Enclosure

c: Legislative Reference Bureau



Online Sports Wagering Working Group Final Report

Prepared by the Research and Economic Analysis Division of
DBEDT in response to HCR 70 HD1, SD1 of the 2024 Legislature



March 2025
Department of Business, Economic Development and Tourism

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1. Introduction

During the 2024 Hawai'i Legislative Session, House Concurrent Resolution HCR70 HD1, SD1 passed (see Appendix A). This resolution requested the Department of Business, Economic Development, and Tourism (DBEDT) to convene a Sports Wagering Working Group to conduct an analysis of the potential legalization and regulation of online sports wagering in Hawai'i. The following membership was specified for the working group:

- (1) The Director of Business, Economic Development, and Tourism or the Director's designee.
- (2) The President of the Senate or the President's designee.
- (3) The Speaker of the House of Representatives or the Speaker's designee.
- (4) Attorney General or the Attorney General's designee.
- (5) The Director of Taxation or the Director's designee.
- (6) The Director of Commerce and Consumer Affairs or the Director's designee.
- (7) A representative from the Hawaii law enforcement community to be selected by the Director of Law Enforcement.
- (8) Two representatives of the Sports Betting Alliance.

In July and August of 2024, DBEDT contacted potential members and finalized the working group membership. The first meeting was held on November 14, 2024. Dr. Eugene Tian, Economic Research Administrator of the Research and Economic Analysis Division of DBEDT was designated by DBEDT's Director James Kunane Tokioka to chair the Online Sports Wagering Working Group.

This report is a summary of discussions, presentations, and recommendations collected through a survey responded by working group members. This report presents the Working Group's deliberations on the key elements of the potential legalization and regulation of online sports wagering in Hawai'i. It concludes with a series of recommendations on areas of convergence, and elements for future debate.

2. Members and Attendance

The Working Group held six meetings between November 2024 and March 2025, with active participation from all members, as shown in the following chart:

Agency / WG attendance	11/14/24	12/4/24	1/22/25	2/4/25	2/18/25	3/11/25	Survey Response
DBEDT	X	X	X	X	X	X	X
Rep. Daniel Holt	X		X	X		X	
Sen. Lynn DeCoite	X	X	X	X	X	X	
DCCA, Nadine Ando					X		X
Dept. of the Attorney General (B. Yee/C. Leong)	X	X	X	X	X	X	
Kristen Sakamoto, DoTax	X	X	X	X	X	X	X
Dep. Law Enforcement. Brandon Asuka		X	X			X	X
DraftKings (SBA), Rebecca London	X	X	X	X	X	X	X
BetMGM (SBA), Jeremy Limun	X		X	X	X	X	X
Hawaii Governor's Sports Task Force: Keith Amemiya	X	X	X	X	X	X	X

3. Activities

- Establishing the working group, 11/14/2024

The Department of Business, Economic Development, and Tourism (DBEDT) convened the sports wagering working group to conduct an analysis of the potential legalization and regulation of online sports wagering in Hawaii. Working Group members were introduced. Meeting subjects and future meeting dates and times were proposed. A presentation by the Sports Betting Alliance was proposed and approved. The next meeting was scheduled for 12/5/2024.

- Presentation by Sports Betting Alliance (SBA) on practices of other U.S. States, 12/05/2024

The presentation (see Appendix B) started by describing the legal and legislative background of sports wagering in the U.S. Since 2018, 39 states plus Washington D.C. and Puerto Rico have authorized sports betting. The industry argued for the benefits of having a well-regulated and legalized market, in addition to a stable stream of government revenues. Responsible gaming, it is argued, is supported by legal operators. The industry stated that a competitive market, with a reasonable tax rate, is the best avenue to maximize tax revenue. A very informative Q&A session followed the presentation, where the industry participants had the opportunity to clarify their positions. It was approved that DBEDT would present its fiscal revenue projections from legalization in the following meeting.

- Presentation by DBEDT on “Estimating the Tax Impact of Online Sports Wagering Legalization in Hawai’i”, 01/22/2025.

DBEDT presented market metrics on the evolution of the main market variables (handle, gross gaming revenue, taxes), for a representative sample of states, from 2018 to 2024. The data was normalized by adult population, providing insights on the actual and potential size of the market for Hawai’i. Based on those parameters, DBEDT presented scenarios of lost GET, personal and corporate tax revenue due to lack of legalization, using different assumptions on the handle per adult and hold rates (see Appendix C).

Since several legislative bills were being introduced at the time, namely, bills SB1572, SB1569, and HB1308, a decision by the Working Group was to focus its deliberations on the specific provisions of those bills. Accordingly, it was suggested that DBEDT would present an analysis of the tax revenue impacts of those bills.

- Presentation by DBEDT on the 2025 legislature bills and tax impacts, 02/04/2025

DBEDT presented a comparative analysis of the three bills (SB1572, SB1569, and HB1308). The main dimensions for comparison were the general purposes of the bills, nature and functions of the regulatory agency, taxation, the uses of revenues, and operating restrictions. Next, an assessment of the state tax impact when legalizing sports wagering under the bills was presented (see Appendix D). The discussion illustrated that there are large differences of experiences across states on the regulatory dimensions. Those differences are critical in the evaluation of revenue impacts. Therefore, the working group decided that more discussions were necessary on the optimality of different institutional and market arrangements. It was decided that the Sports Betting Alliance (SBA) would present an analysis of the same bills in the next meeting.

- Presentation by Sports Betting Alliance on recommendations, 02/18/2025

SBA presented their recommendations based on two bills (HB1308 and SB1569). Those bills propose a unique 10% gaming tax rate, and \$250,000 operator fee. Operator and supplier qualifications are solid under the bills, and examples of regulatory agencies were discussed (see Appendix E). Next, DBEDT proposed to members to communicate their opinions and recommendations about the main components of a regulatory package, by using a survey. The survey reflects the main areas of deliberation of the working group, and provides a mechanism to solidify, to the extent possible, common recommendations. Areas of discrepancy are also highlighted; were future work could be focused on.

4. Recommendations on key elements - Survey results

The working group identified seven elements that are critical to eventual market operation in Hawai'i. A questionnaire was designed to collect recommendations from members of the working group. Following there is a summary of the survey's results (See Appendix F for survey questions and Table 1 below for response details).

Regulatory agency: Most members consider that the most appropriate type of regulatory body for online sports wagering in Hawai'i is an entity affiliated with an existing agency with oversight and rule-making authority under the executive branch (e.g., an independent board with some state agency oversight, or an entity attached to an existing state agency). One member considered that the new agency should be fully independent.

Funding of regulatory agency: A majority of members consider that initial and renewal license fees on operators and suppliers should be a major source of funding for the agency's operation. In addition, some members included a role for gaming taxes and general fund resources.

Application fee: on average, members recommended the application fee for operators to be in the \$100,000 – \$500,000 range. On the supplier's side there was more variation, while the average was on the \$50,001 – \$100,000 range. One member considers that renewal fees should be of smaller amount than initial. Another member considers that license fees should be set to sustain agency operations.

Tax structure and treatment: This is an area where larger discrepancies existed. More than half of members considered that the tax rate should be set within a 10%-15% rate. But a member considered that the rate should be between 20% and 30%. Another member recommended that the gaming tax rate should consider (1) the regulatory entity's operations; (2) costs to be incurred by other governmental agencies impacted by legalization; (3) resources to address negative impacts; and (4) additional revenue desired. For most of the members this gaming tax should be applied in lieu of other applicable business taxes. As presented in Appendix C, the median tax rate for states in the mainland with online sports wagering operations was 17.12%.

Promotional bet treatment: Half of the members consider that promotional bets should not be deductible. The other half consider that they should be only partially deductible.

Use of sports wagering tax revenues: Recommendations on the use of gaming tax revenues included the state general fund, problem gambling programs, education funding. One member added sports and recreation development and another affordable housing.

Optimal number of operators: All members recommend a competitive market with recommendations on the 5 to 7 operator range, and more than 7 operators.

Table 1: Recommendation on Key Elements of Sports Wagering Operation in Hawai'i

Element	DBEDT	DCCA	DLE	Governor Sports TF	SBA	DoTax
Q1 Regulatory agency						
New independent body		X				
With existing state agency	X		X	X	X	X
Other						
Q2. Funding of regulatory agency						
General fund	X	X				X
Gaming revenues			X			
License fees		X	X	X	X	X
Other						
Q3. Application fee						
<i>Operators</i>						
Less than \$100,000						
\$100,000 – \$500,000	X	X		X	Larger amount for initial	
\$500,001 – \$1,000,000						
More than \$1,000,000			X			Consistent with regulatory agency's operating costs
Other						
<i>Suppliers</i>						
Less than \$10,000				X	X	
\$10,000 – \$50,000	X	X				
\$50,001 – \$100,000			X			
More than \$100,000						
Other						
Q4. Tax structure						
<i>Tax rate</i>						
Less than 10%						
10% – 15%		X	X	X	X	
16% – 25%						
More than 25%						
Other	20% - 30%					The tax rate should be determined after taking into account the amount of funding needed for: (1) the regulatory entity's operations; (2) costs to be incurred by other governmental agencies impacted by legalization; (3) resources to address negative impacts; and (4) additional revenue desired.
<i>Tax treatment</i>						
In addition to existing business taxes		X				X
In lieu of other applicable business taxes	X		X	X	X	
Other						
Q5. Promotional bet treatment						
Fully deductible						
Partially deductible			X	X	X	
Not deductible	X	X				X
Other						

Table 1 (cont.): Recommendations on Key Elements of Sports Wagering Operation in Hawai'i

Element	DBEDT	DCCA	DLE	Governor Sports TF	SBA	DoTax
Q6. Use of sports wagering tax revenue						
Single-use	X					
Multiple-use with fixed percentages			X	X		
Multiple-use with flexible distribution		X				
Other					Defer to the State	Revenues collected from the general excise tax should be deposited into the general fund, with appropriations to various initiatives and programs made through the budget process. If there is a desire to provide direct allocations of tax revenues from sports betting to various initiatives and programs, a new tax should be created, which will be imposed in addition to the general excise tax. Revenues from the general excise tax will continue to go to the general fund while revenues from the new tax may be allocated to the initiatives and programs in set amounts (via percentage or capped amounts).
If multiple use						
State general fund	X	X				X
Education funding			X	X		
Problem gambling programs		X	X	X		X
Sports and recreation development				X		
Infrastructure and public services						
Affordable housing		X				
Tax relief (please specify)						
Other						
Q7. Additional comments						
Q8. Optimal number of operators						
2 – 4						
5 – 7				X	X	X
More than 7	X		X		X	

Note: The Attorney General's Office decided not to provide recommendations in the survey, considering this was best left to other subject-matter departments, and the other working group participants.

5. Appendixes

Appendix A. House Concurrent Resolution HCR 70 HD1 SD1.

Appendix B. SBA presentation at the Sports Wagering Working Group on 12/05/2024.

Appendix C. DBEDT presentation at the Sports Wagering Working Group on 01/22/2025.

Appendix D. DBEDT presentation at the Sports Wagering Working Group on 02/04/2025.

Appendix E. SBA presentation at the Sports Wagering Working Group on 02/18/2025.

Appendix F. Online Sports Wagering Working Group Survey.

**Appendix A. House Concurrent Resolution
HCR 70 HD1, SD1**

HOUSE OF REPRESENTATIVES	H.C.R. NO.	70
THIRTY-SECOND LEGISLATURE, 2024		H.D. 1
STATE OF HAWAII		S.D. 1

HOUSE CONCURRENT

RESOLUTION

REQUESTING THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM TO CONVENE A SPORTS WAGERING WORKING GROUP TO CONDUCT AN ANALYSIS OF THE POTENTIAL LEGALIZATION AND REGULATION OF ONLINE SPORTS WAGERING IN HAWAII.

WHEREAS, a robust illegal sports betting market thrives in the absence of a legal, regulated framework; and

WHEREAS, the American Gaming Association estimates that Americans wager over \$63,000,000,000 each year in the illegal market with no oversight, consumer protections, or tax revenue generated; and

WHEREAS, sports wagering is offered safely and responsibly by reputable operators in jurisdictions where sports wagering is legal, and these operators implement robust measures with regard to identity verification, consumer protection, responsible gaming, and game integrity that are not present in the illegal market; and

WHEREAS, by channeling this activity into a legal market and building a robust, responsible, and regulated market for sports wagering, Hawaii stands to gain millions of dollars each year in additional tax revenue; and

WHEREAS, the legalization of sports wagering presents an opportunity to generate significant revenue for Hawaii; now, therefore,

BE IT RESOLVED by the House of Representatives of the Thirty-second Legislature of the State of Hawaii, Regular Session of 2024, the Senate concurring, that the Department of Business, Economic Development, and Tourism is requested to convene a Sports Wagering Working Group to conduct an analysis of the potential legalization and regulation of online sports wagering in Hawaii; and

BE IT FURTHER RESOLVED that the following individuals are requested to serve as members of the Sports Wagering Working Group:

- (1) The Director of Business, Economic Development, and Tourism or the Director's designee;
- (2) The President of the Senate or the President's designee;
- (3) The Speaker of the House of Representatives or the Speaker's designee;
- (4) The Attorney General or the Attorney General's designee;
- (5) The Director of Taxation or the Director's designee;
- (6) The Director of Commerce and Consumer Affairs or the Director's designee;
- (7) A representative from the Hawaii law enforcement community to be selected by the Director of Law Enforcement; and
- (8) Two representatives of the Sports Betting Alliance; and

BE IT FURTHER RESOLVED that the Department of Business, Economic Development, and Tourism may invite other stakeholders to be members of the Sports Wagering Working Group; and

BE IT FURTHER RESOLVED that as part of the analysis, the Sports Wagering Working Group is requested to identify, assess, or recommend:

- (1) The estimated revenue potential of a legal online sports wagering market in Hawaii;
- (2) An appropriate regulatory structure to efficiently implement and oversee online sports betting in the State using the experience of other states with online sports betting;
- (3) The consumer protections available for patrons of online sports wagering, including responsible gaming; and
- (4) The experience of other states in implementing online sports wagering and benefits derived from the legalization of online sports betting; and

BE IT FURTHER RESOLVED that the Sports Wagering Working Group is requested to submit a report on its analysis, including any findings, recommendations, and proposed legislation, to the Legislature no later than twenty days prior to the convening of the Regular Session of 2026; and

BE IT FURTHER RESOLVED that certified copies of this Concurrent Resolution be transmitted to the Director of Business, Economic Development, and Tourism; Attorney General; Director of Taxation; Director of Commerce and Consumer Affairs; Director of Law Enforcement; and President of the Sports Betting Alliance.

**Appendix B. SBA presentation at the Sports
Wagering Working Group on 12/05/2024.**

BACKGROUND & LESSONS FROM OTHER STATES



DECEMBER
2024

LEGAL & LEGISLATIVE BACKGROUND

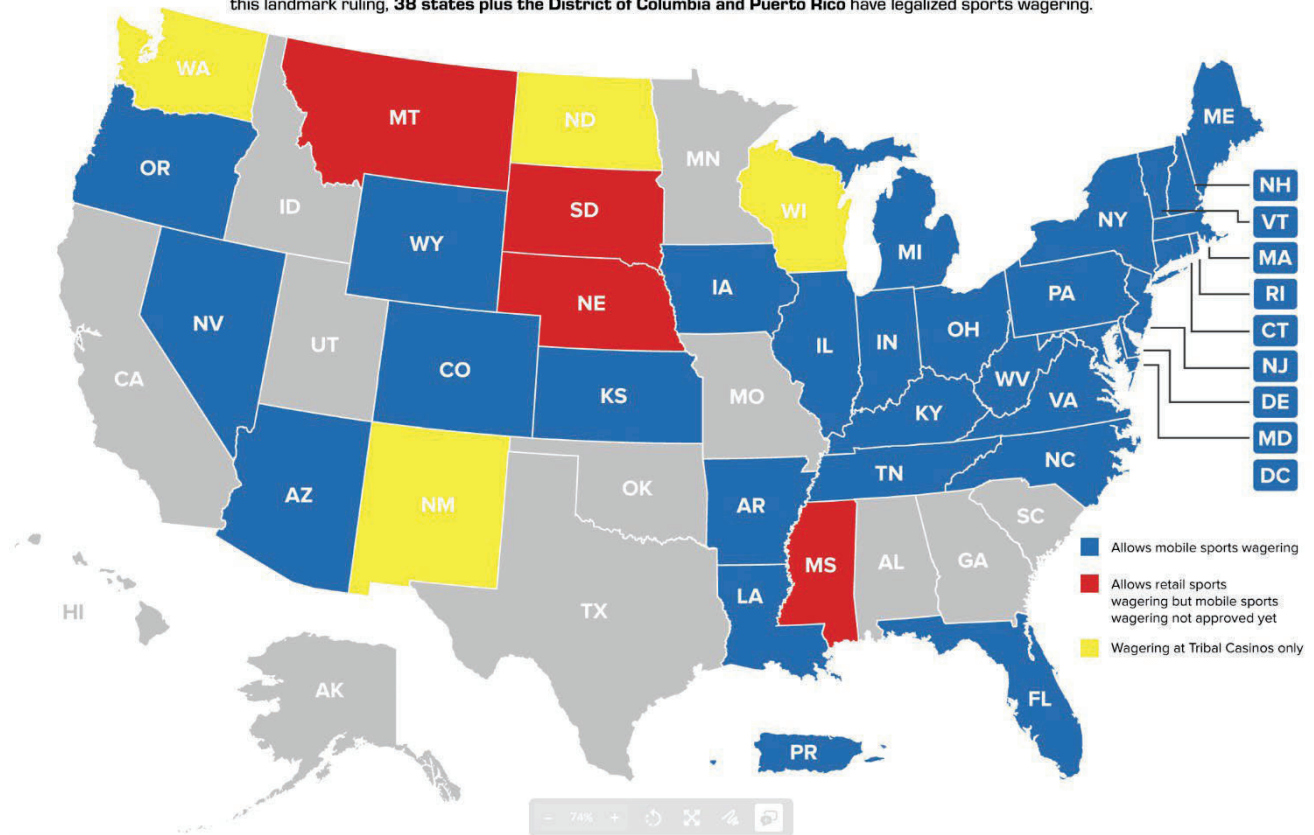
- The Professional and Amateur Sports Protection Act of 1992 ("PASPA") was invalidated by the Supreme Court in 2018.

- ❖ The federal law previously prevented additional states from authorizing sports betting.

- Since then, 38 states plus the District of Columbia and Puerto Rico have legalized sports betting (as well as Puerto Rico and Washington, D.C.).

SPORTS WAGERING IN THE U.S.

In 2018, the United States Supreme Court struck down the Professional and Amateur Sports Protection Act (PASPA), an unconstitutional federal law that forbade states from deciding for themselves whether to authorize sports wagering. In the wake of this landmark ruling, **38 states plus the District of Columbia and Puerto Rico** have legalized sports wagering.



Top Sportsbooks in Hawaii in 2024

By ERIC URIBE,

Reviewed by DAN FAVALE, Fact checked by FRANK MONKHOUSE

Updated on: Nov 19, 2024 12:00 AM



The beautiful island of Hawaii is known for a lot of things – beaches, volcanos, high important taxes, and so on. What it is NOT known for is gambling. That's because **Hawaii is most opposed to betting of any state in the country** (it's a tie with Utah really).

Still, **there is a way to bet on Hawaii through unconventional but perfectly fine means: we're talking about offshore sports betting.** These sites work in Hawaii cause they're located in other, even more foreign islands where betting is perfectly legal. This means they can sidestep the rules and take in bets from Hawaiians. Allow us to explain in this guide to Hawaii betting!



EXCLUSIVE BONUS BOVADA 4.3/5 Read Review 50% bonus up to \$250	Play Now <small>T&C apply, 18+. Play responsibly</small>
BETONLINE 4/5 Read Review 50% bonus up to \$1000	Play Now <small>T&C apply, 18+. Play responsibly</small>
EXCLUSIVE BONUS BETUS 4.1/5 Read Review 125% up to \$2,500	Play Now <small>T&C apply, 18+. Play responsibly</small>
XBET 4/5 Read Review 50% up to \$500	Play Now <small>T&C apply, 18+. Play responsibly</small>
BETNOW WE MAKE IT SIMPLE 4.2/5 Read Review 100% up to \$1,000	Play Now <small>T&C apply, 18+. Play responsibly</small>

Illegal Online Sports
Betting is Available in
Hawaii
TODAY

Top Sportsbooks in Hawaii in 2024

By ERIC URIBE,

Reviewed by DAN FAVALE, Fact checked by FRANK MONKHOUSE

Updated on: Nov 19, 2024 12:00 AM



The beautiful island of Hawaii is known for a lot of things — beaches, volcanos, high important taxes, and so on. What it is NOT known for is gambling. That's because Hawaii is most opposed to betting of any state in the country (it's a tie with Utah really). Still, there is a way to bet on Hawaii through unconventional but perfectly fine means: we're talking about offshore sports betting. These sites work in Hawaii cause they're located in other, even more foreign islands where betting is perfectly legal. This means they can sidestep the rules and take in bets from Hawaiians. Allow us to explain in this guide to Hawaii betting!



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XBET 4/5 ★ Read Review 50% up to \$500	Play Now <small>T&C apply, 18+. Play responsibly</small>
BETNOW WE MAKE IT SIMPLE 4.2/5 ★ Read Review 100% up to \$1,000	Play Now <small>T&C apply, 18+. Play responsibly</small>

"unconventional but perfectly fine means"

"they can sidestep the rules and take in bets from Hawaiians"

Highlight reviews to demonstrate legitimacy

Claim to be 18+, but offer no real identity verification


RESIDENTS OF HAWAII ARE ALREADY BETTING ON ILLEGAL AND UNREGULATED SITES

Residents of Hawaii wager an estimated **\$300 Million** with unregulated online sports betting operators every year – and the real number is likely **much higher**.*

Unregulated operators offer **no consumer protections** and **no age verification procedures** to prevent minors from accessing the platform.

Individuals experiencing issues with problem gambling are **less likely to seek help** when playing on the illegal market.

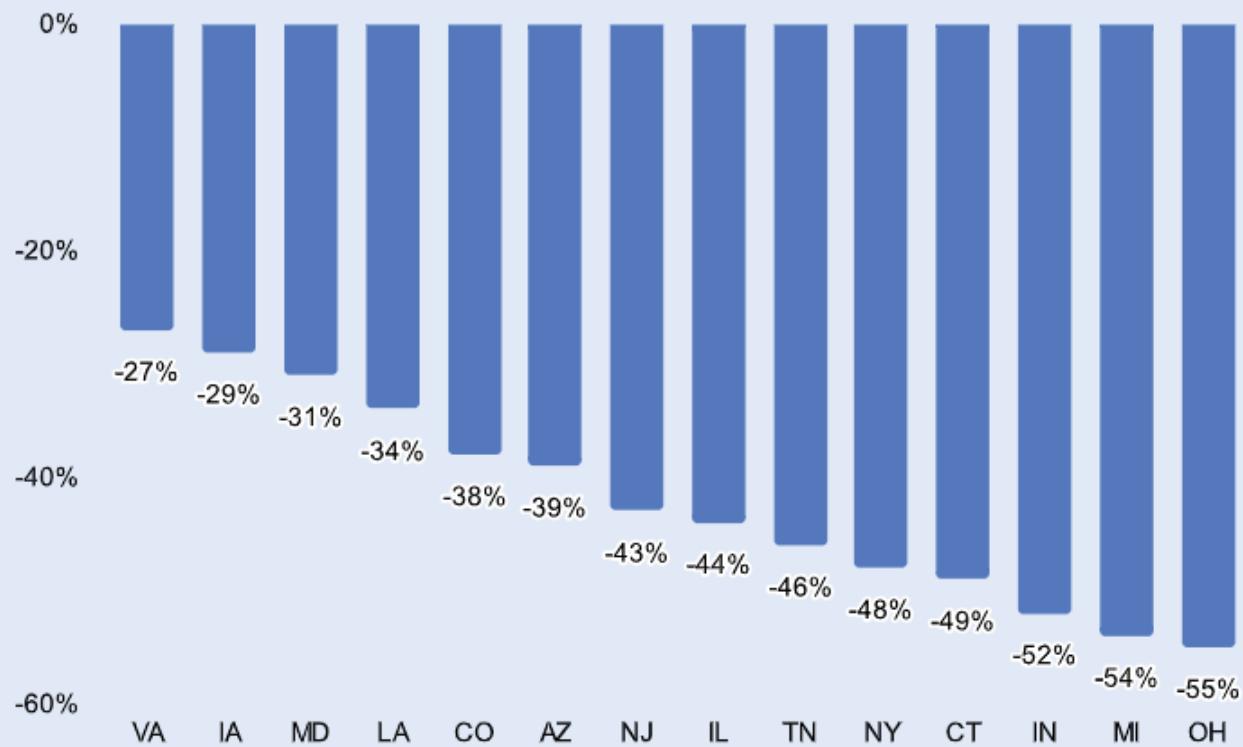
* Derived from 2022 American Gaming Association study "Sizing the Illegal and Unregulated Gaming Markets in the United States."



***WHY HAVE SO MANY STATES
CHOSEN TO LEGALIZE AND
REGULATE ONLINE SPORTS
BETTING?***

LEGALIZING SPORTS BETTING CAN HELP COMBAT THE UNREGULATED MARKET

STATES SAW SUBSTANTIAL DECREASES IN SEARCHES FOR BOVADA ONE YEAR AFTER ONLINE SPORTS BETTING LEGALIZATION



Source: Google Search Data

LEGAL ONLINE SPORTS BETTING OPERATORS ARE COMMITTED TO RESPONSIBLE GAMING

Online sports betting operators...

Enforce **strict age and eligibility requirements** using high-tech identity verification measures to ensure customers are (1) of legal age and (2) who they say they are.

Proactively **encourage responsible gaming** for all consumers by **prioritizing awareness, education, and tools** as a fully normalized part of the betting experience. Easy-to-use tools include deposit limits, time limits, and self-exclusion.

Quickly and effectively address instances of problem gambling through a process that includes a **holistic review** of a customer's history by a team of **dedicated RG professionals**. Following the review, action can be taken to clear, suspend, or exclude a customer.

Work with **law enforcement and other regulatory agencies** to identify irregularities that could constitute fraud, money laundering, or other criminal behavior.

DON'T JUST TAKE OUR WORD FOR IT...

"Legalized, regulated online gambling in the U.S. has done an **excellent job of protecting underage kids** from accessing sites... Tech tools in place are sophisticated, robust, and regulators in the U.S. check these things regularly. I'm unaware of any significant breaches by kids."

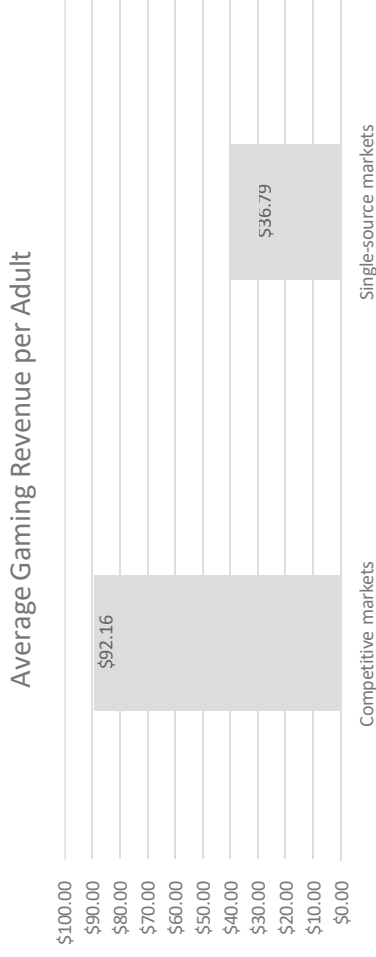
– *Keith Whyte, Executive Director of the National Council on Problem Gambling (NCPG)*

A COMPETITIVE MARKET WITH A REASONABLE TAX RATE WILL MAXIMIZE TAX REVENUE

States with competitive markets, which grant customers the option of choosing between multiple licensed and regulated sportsbooks, perform **2.5 times better** than states where there is only one operator in the market.*

* Derived from review and analysis of all state sports betting revenue, as reported by state gaming regulatory authorities.

** Via District of Columbia Office of Lottery and Gaming financial reports



This holds true for smaller states and jurisdictions. In Washington, DC, which just launched a competitive market with recognizable brands after years of operating with a single-source model, tax revenue in the **first 6 months** of a competitive market is set to surpass **over 4 years** of tax revenue under the previous model.**

A COMPETITIVE MARKET WITH A REASONABLE TAX RATE WILL MAXIMIZE TAX REVENUE

In states with competitive markets and robust regulations, analysts have identified a tax range of 10-15% as optimal to generate sufficient tax revenue while enabling operators to invest in the market and products.*

The median tax rate for online sports betting in the U.S. is 14%.

* This conclusion was independently reached by two separate recent studies, one by Eilers & Krejcik Gaming and another by Spectrum Gaming Group

ONLINE SPORTS BETTING TAX RATES

STATE	TAX RATE	STATE	TAX RATE
Pennsylvania	36	Connecticut	13.75
District of Columbia	25	Florida	10
Arkansas	20	Arizona	10
Massachusetts	20	Colorado	10
Ohio	20	Kansas	10
Tennessee	20	Maine	10
North Carolina	18.5	West Virginia	10
Louisiana	15	Wyoming	10
Maryland	15	Indiana	9.5
Virginia	15	Michigan	8.4
Kentucky	14.25	Iowa	6.75
New Jersey	14.25	Nevada	6.75

ONLINE SPORTS BETTING WILL GENERATE MILLIONS FOR THE RESIDENTS OF HAWAII

Online Sports Betting in Hawaii will generate an additional **\$13 Million** in annual tax revenue – without having to raise taxes on hardworking families.*

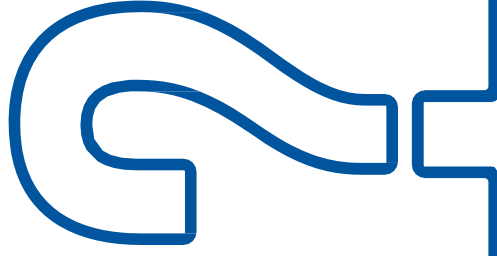
* Calculated by multiplying average 'revenue-per-adult' numbers from comparable states to Hawaii's age 21+ population and applying a 10% tax rate.

Other states have decided to allocate their tax revenue from sports betting to priorities such as K-12 education, water conservation projects, collegiate athletics, and income tax reductions.

What could Hawaii do with this additional money?



Questions?



**Appendix C. DBEDT Presentation at Working Group Wagering
01/22/2025.**

Estimating the Tax Impact of Online Sports Wagering Legalization in Hawai'i

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**Prepared for Third Meeting of Hawaii Sports Wagering Working Group
January 22, 2025**

Sports Wagering Working Group Meeting, 1/22/2025 (3rd meeting)

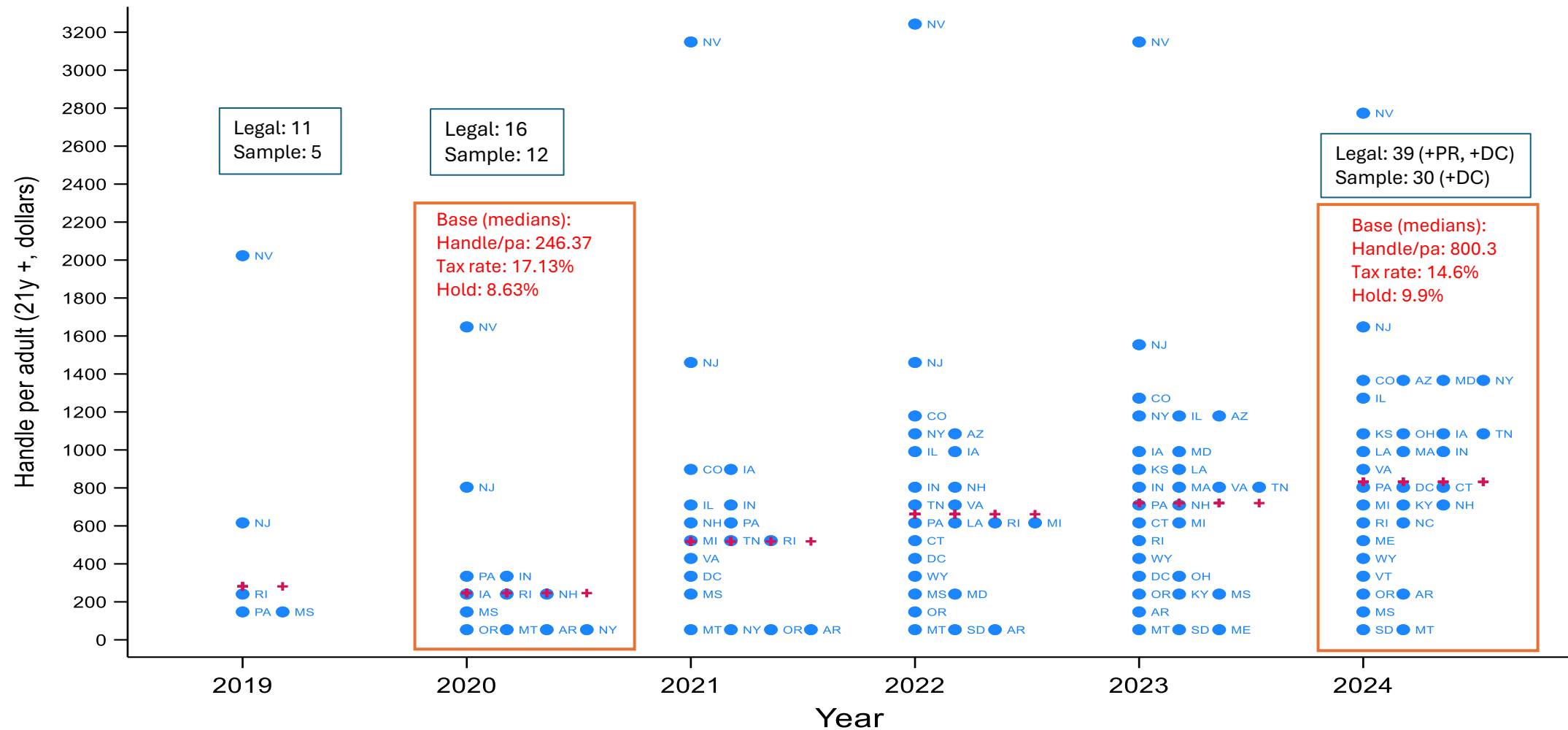
Agenda

- I. Roll call and opening remarks
- II. DBEDT Presentation on economic impact of online sports wagering in Hawaii
- III. Q&A
- IV. Discussion on topic and scheduling of next meeting

DEFINITIONS

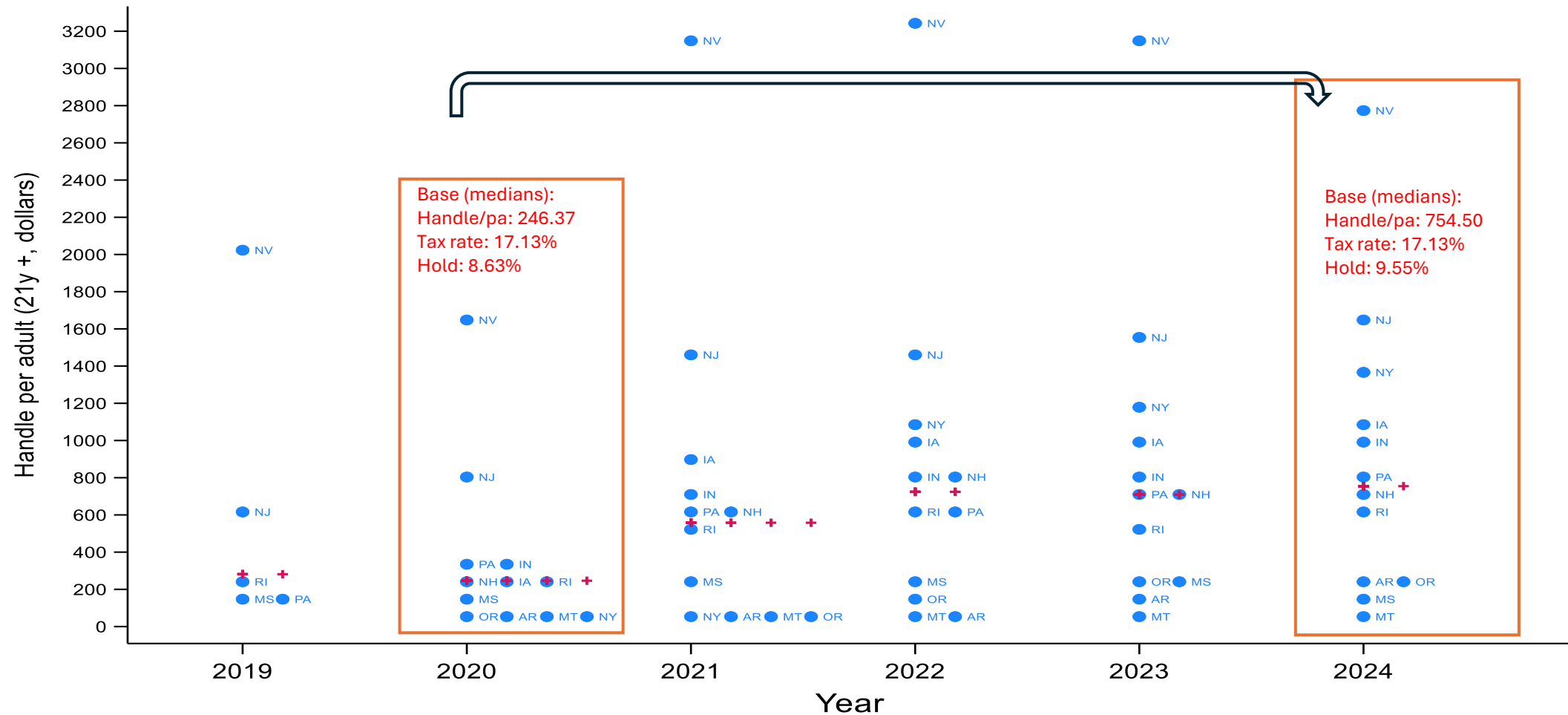
- **Handle:** is the total amount wagered by bettors in a specific location and period.
- **Gross Gaming Revenue (GGR):** Total amount wagered in a specific location and period less the prizes and winnings paid out.
- **Winnings (Payouts):** The handle minus GGR.
- **Hold rate:** the ratio of Gross Gaming Revenue (GGR) to the handle.
- **Gaming tax rate:** State taxes which are calculated as a percentage of operators' Gross Gaming Revenue (GGR).

Evolution of the US market (handle per adult – 21y+)



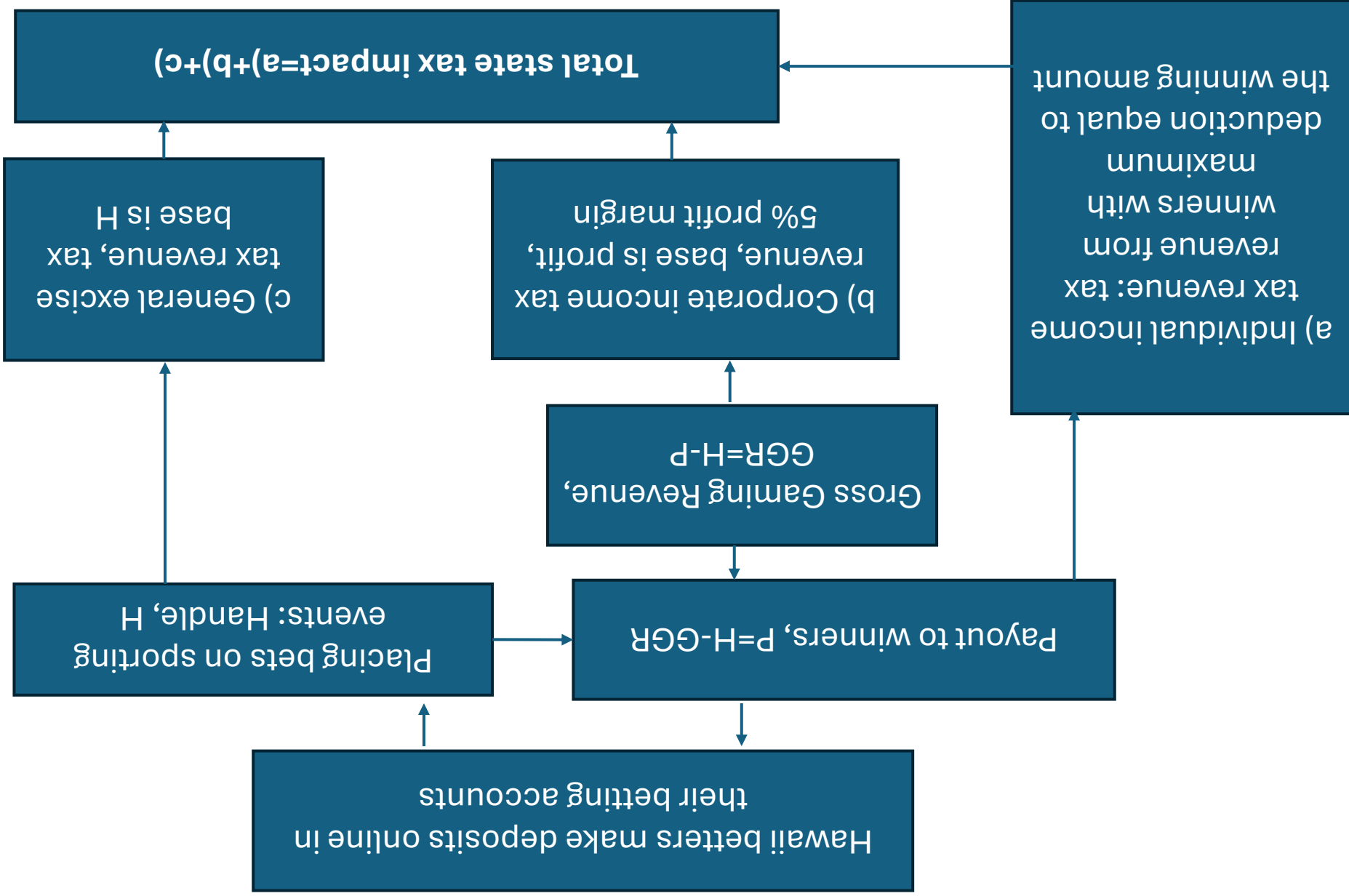
Sources: <https://www.americangaming.org/> and <https://www.legalsportsreport.com/sports-betting/revenue/> . Own calculations.

The Increase of Handle Per Adult 5 Years After Starting



Sources: <https://www.americangaming.org/> and <https://www.legalsportsreport.com/sports-betting/revenue/> . Own calculations.

State Tax Impact From Legalizing Sports Wagering in Hawaii



Scenario 1: State Tax Impact When Legalizing Sports Wagering

Using the Initial Value of 12 States in 2020

33

Line	Item	Value (\$M)	Methodology
A	Handle, H	269.9	Estimated based on average of 12 states in 2020
B	Hold rate	8.63%	Estimated based on average of 12 states in 2020
C	Gross gaming revenue (GGR)	23.3	A x B
D	Payout (P)	246.6	A - C
E	% of payout deductible	80.0%	Estimated based on IRS 2021 Report
F	Net winning subject to income tax	49.3	D x (1 - E)
G	GET rate	4.00%	Current Law
H	Average income tax rate	5.5%	Estimated from DoTax 2022 Income Tax Report
I	Profit margin	5.0%	Assumption
			Tax rate for middle range of taxable income, \$25,000-\$100,000
J	Corporate income tax rate	5.40%	
K	GET revenue	10.79	A x G
L	Income tax from net winning	2.71	F x H
M	Corporate profit	1.16	C x I
N	Corporate income tax	0.06	P x J
O	Total state taxes	13.57	K + L + N

Scenario 2: State Tax Impact When Legalizing Sports Wagering

Using the Values after 5 years of operation of 12 States in 2024

34

Line	Item	Value (\$M)	Methodology
A	Initial handle, H	269.9	Estimated based on average of 12 states in 2020
B	Handle growth rate	206.9%	Estimated based on average of 12 states 2020-2024
C	Initial hold rate	8.63%	Estimated based on average of 12 states in 2020
D	Hold rate growth (% points)	0.92%	Estimated based on average of 12 states 2020-2024
E	Handle after 5 years	828.2	$A \times (1+B)$
F	Hold rate after 5 years	9.55%	$C + D$
G	Gross gaming revenue (GGR)	79.1	$E \times F$
H	Payout (P)	749.1	$E - G$
I	% of payout deductible	80.0%	Assumption
J	Net winning subject to income tax	149.8	$H \times (1-I)$
K	GET rate	4.00%	Current Law
L	Average income tax rate	5.5%	Estimated from DoTax 2022 Income Tax Report
M	Profit margin	5.0%	Assumption
N	Corporate income tax rate	5.40%	Estimate
O	GET revenue	33.13	$E \times K$
P	Income tax from net winning	8.24	$J \times L$
Q	Corporate profit	3.95	$G \times M$
R	Corporate income tax	0.21	$Q \times N$
S	Total state taxes	41.58	$O + P + R$

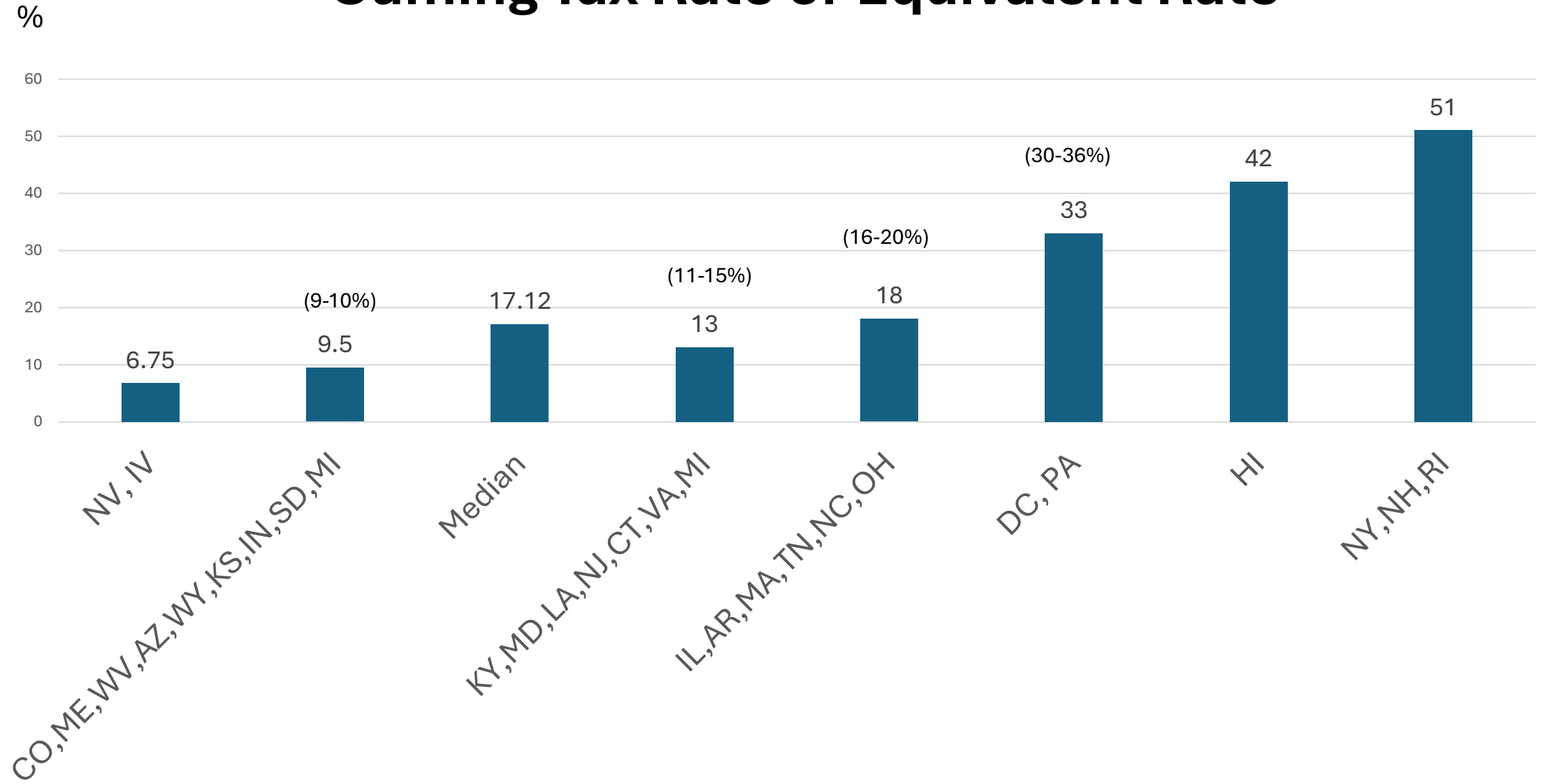
Scenario 3: State Tax Impact When Legalizing Sports Wagering

Using the Values of 3 States with online wagering only in 2024 (TN, ME, VT)

35

Line	Item	Value (\$M)	Methodology
A	Handle, H	556.4	Estimated based on average of 3 states in 2024
B	Hold rate	10.51%	Estimated based on average of 3 states in 2024
C	Gross gaming revenue (GGR)	58.5	A x B
D	Payout (P)	497.9	A - C
E	% of payout deductible	80.0%	Estimated based on IRS 2021 Report
F	Net winning subject to income tax	99.6	D x (1 - E)
G	GET rate	4.00%	Current Law
H	Average income tax rate	5.5%	Estimated from DoTax 2022 Income Tax Report
I	Profit margin	5.0%	Assumption
J	Corporate income tax rate	5.40%	Tax rate for middle range of taxable income, \$25,000-\$100,000
K	GET revenue	22.26	A x G
L	Income tax from net winning	5.48	F x H
M	Corporate profit	2.92	C x I
N	Corporate income tax	0.16	P x J
O	Total state taxes	27.89	K + L + N

Gaming Tax Rate or Equivalent Rate



**Appendix D. DBEDT presentation at the Sports Wagering
Working Group on 02/04/2025.**

SPORTS WAGERING WORKING GROUP MEETING PRESENTATION

Department of Business, Economic Development & Tourism

4th Meeting

February 4, 2025

Comparison of Sports Wagering and Contest Bills

39

Item	SB1572	SB1569 & HB1308	SB373
What	Sports wagering	Sports wagering	Fantasy Sports Contests
Why	1. Regulation and consumer protection; 2. State revenue generation		
Where	Hawaii and other states	Mostly in other states	Hawaii and other states
Who	DBEDT	DBEDT	AG
How	Online and local retail	Online only	Online only
Decisions required or items needing clarification	1. Tax schedule and rates; 2. Deductions; 3. Usage of tax revenue; 4. Regulating agency structure and funding sources; 5. Operator and supplier qualifications; 6. Supplier tax schedule; 7. Fee schedules; 8. Restrictions of patrons.		

Main contents of SB1572

Purpose:

- Legalizing and regulating sports wagering in Hawaii
- Establishing the Hawaii Sports Wagering Commission
- Establishing the responsible gambling program

Sports Wagering Commission: attached to DBEDT, 7 members (3 appointed by Governor, 2 each by the Senate and the House)

Duties:

- Make rules
- Determine application process and fees
- Define prohibited events
- Monitor operators and suppliers
- Enforce penalties, suspension or revocation of licenses
- Establish and administer gaming program
- Collect fees and fines
- Adopt rules
- Submit a report to legislature annually

SB1572 Main contents – cont.

Responsible Gambling Program (under the Sports Wagering Commission)

Duties:

- Raise public awareness of gambling addiction
- Educate the public of gambling addiction dangers and consequences
- Integrate a voluntary self-exclusion program
- Provide a 24-hour support service including a gambling addiction hotline

Sports wagering platforms:

- In person with local sales locations
- Online

Restrictions on patrons: Minimum age to participate – 21 years

License Terms:

- | | | | |
|-------------|---------|-----------------|-------------------------|
| • Operators | 3 years | Fee = \$250,000 | Renewal fee = \$100,000 |
| • Suppliers | 3 years | Fee = TBD | Renewal fee = TBD |

SB1572 Main contents – cont.

42

Taxation:

- Sports wagering tax, 15% on adjusted sports wagering receipts (ASWR)

Use of the Sports Wagering Tax:

- 50% for public education
- 25% for affordable housing
- 15% for responsible gambling program
- 10% for general fund to pay admin costs

Questions:

- What is DBEDT role in the Commission?
- What is the personnel structure of the supporting agency?
- Are Commission members paid?
- How is the director of the Commission going to be selected?
- How is the commission to be funded at the beginning when operations do not exist?
- If both GET and Sports wagering taxes are levied, is it double taxation?
- Are both 10% admin cost and the application fee used to fund the Commission or supporting agency

Main contents of HB1308 and SB1569

Purpose:

- Adding additional chapter to Hawaii Revised Statutes to define, prescribe, and regulate sports wagering
- Assigning DBEDT to regulate sports wagering
- Specifying that sports wagering shall not be considered games of chance or gambling

DBEDT Main Duties:

- Issuing operating licenses to qualified gaming entities; suspending, removing licenses as necessary
- Qualifying operators and suppliers
- Conducting, keeping records of applicant criminal history checks
- Overseeing determination, implementation of emergency rules
- Overseeing approval of house rules imposed by wagering operators

HB1308 and SB1569 Main contents – cont.

Sports wagering platforms:

- Online only

Restrictions on patrons: 21 years of age and physically located in Hawaii

License Terms:

- | | | | |
|-------------|---------|-----------------|-------------------------|
| • Operators | 5 years | Fee = \$250,000 | Renewal fee = \$250,000 |
| • Suppliers | 5 years | Fee = \$100,000 | Renewal fee = \$100,000 |

Taxation:

- Sports wagering tax, 10% on adjusted sports wagering receipts
- No other taxes

Questions:

- Is DBEDT the best agency to regulate the operation? (Best practice on the U.S. mainland is that regulator is done by an independent agency.)
- What are the funding sources and personnel requirements?
- How are tax proceeds to be used?
- The 180-day requirement to qualify a minimum of 4 operators after the bill becomes law seems too short
- What happens if less than 4 operators qualify?
- The system requirements could exclude existing Hawaii firms since there have been no operations in the state

Regulating Agency Organization and Source of Funding

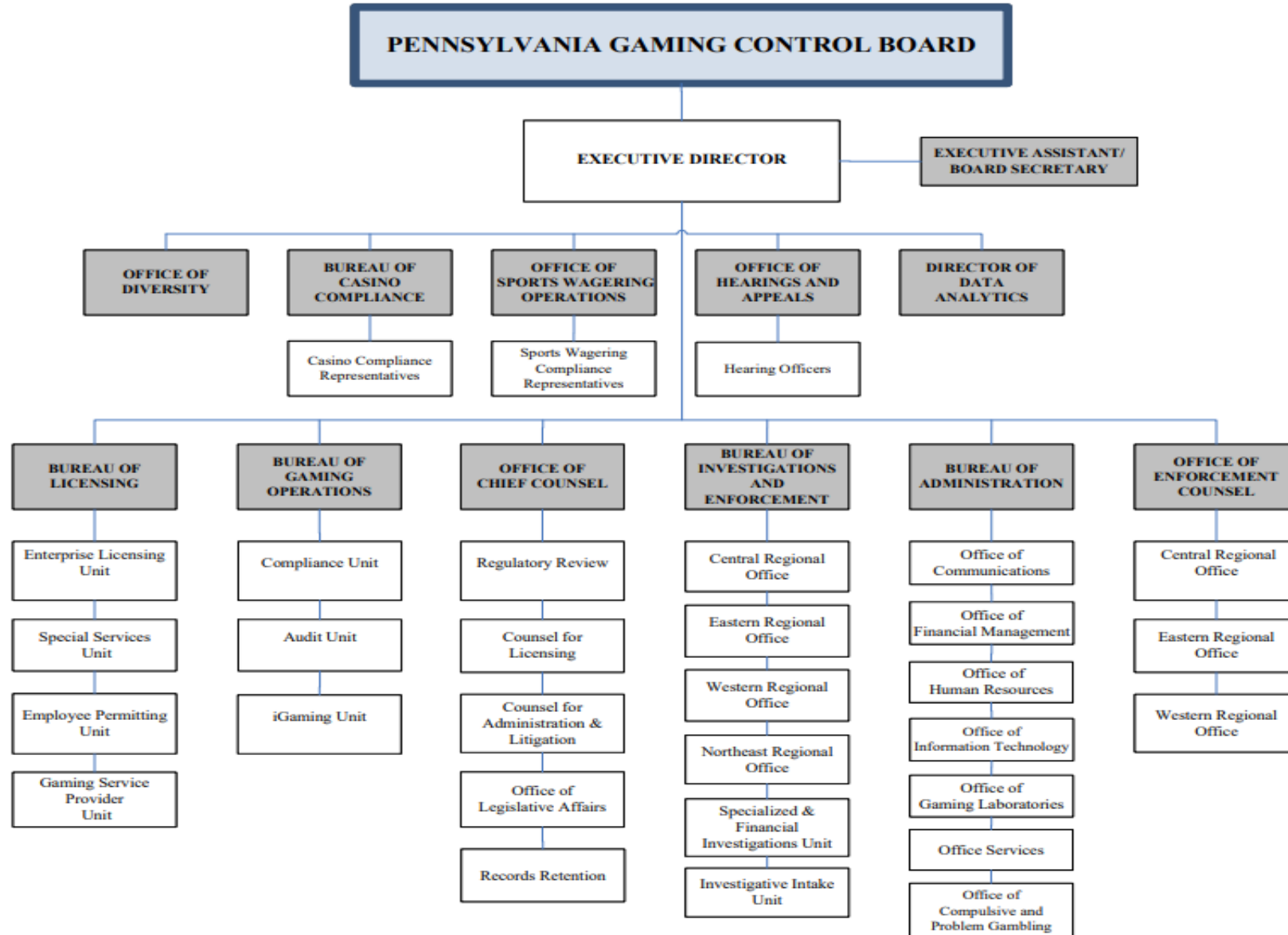
The operation of sports wagering regulatory agencies

- Out of 39 states plus DC, 17 are fully independent agencies. Examples:
 - Pennsylvania Gaming and Control Board (PGCB)
 - Mississippi Gaming Commission (MGC)
- In 13 states, there are agencies within departments/branches of state executives. Examples:
 - State of Maine Gambling Control Unit is a bureau within the Department of Public Safety
 - Delaware Department of Finance/Division of Lottery
 - South Dakota Department of Revenue/Commission on Gaming
 - The executive department is an economic development agency in none of these states.
- In 10 states, Tribal compacts within state regulation.

The operation of sports wagering regulatory agencies is complex

- Compliance
- Operations
- Consumer protection
- Self-exclusion and problem gambling
- Licensing
- Enforcement, hearings and appealing
- Rule-making
- Data-analytics

Pennsylvania

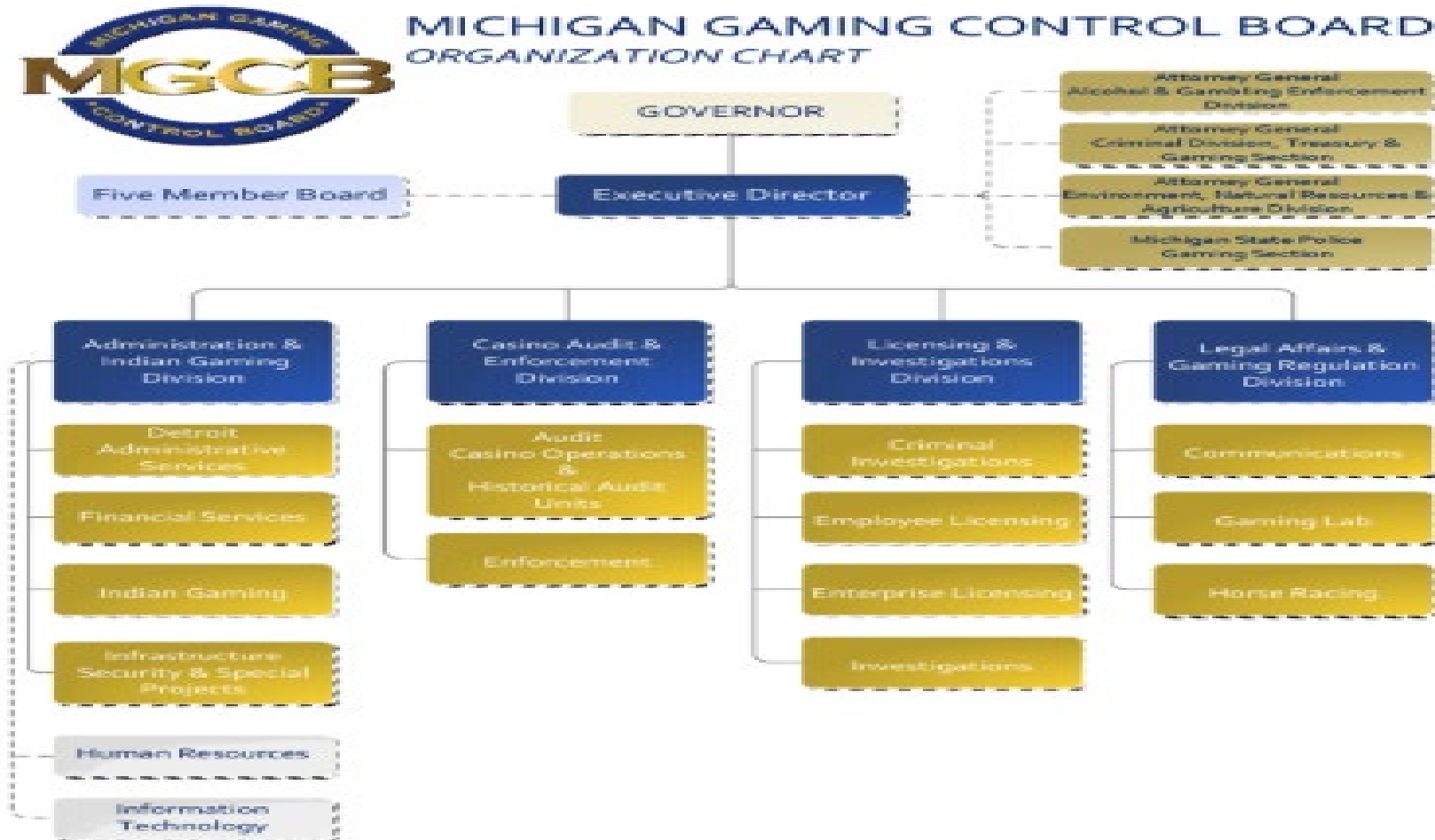


Pennsylvania: number of employees

Employees by Bureau/Office	June 30, 2024
Commissioners	7
Executive Offices	15
Investigations & Enforcement	86
Casino Compliance	151
Licensing	21
Office of Chief Counsel	13
Hearings and Appeals	4
Gaming Operations	25
Administration	37
Total	359

The Michigan Gaming Control Board has 193 employees and 22 vacant positions

50



Illinois Gaming Board administration

Administration



MARCUS D. FRUCHTER
Administrator

Administrator Marcus D. Fruchter was appointed Administrator of the Illinois Gaming Board in May

Senior Staff

Patricia Dominguez - Chief of Staff

Kevin High - Chief Fiscal Officer

Daniel Gerber - General Counsel

Agostino Lorenzini - Senior Advisor

Joe Miller - Policy Director

Robert Burke - Deputy Administrator of Licensing

Lieutenant William Doster - Deputy Administrator of Field Operations

Tammy Compton - Acting Deputy Administrator for Finance & Audit

Jared Smith - Deputy Administrator for Gaming Controls & Technology

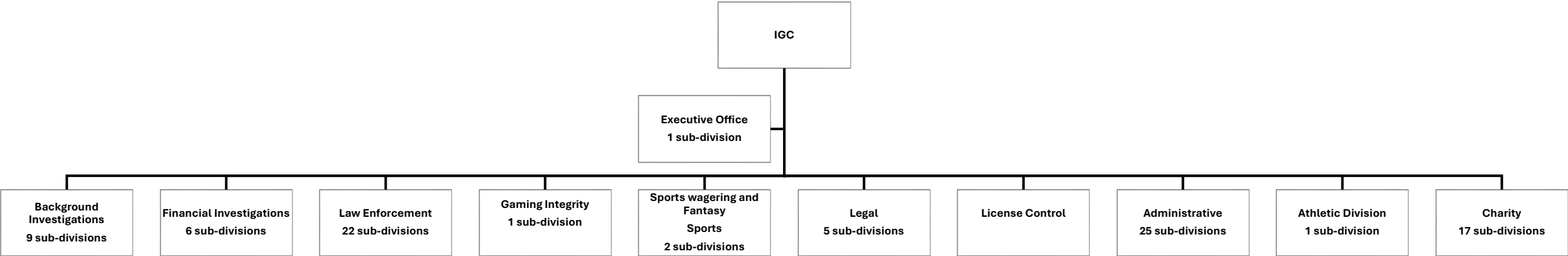
Vernon E. Jakoby - Deputy Administrator, Human Resources

Trudy Curtis - Internal Controls Manager

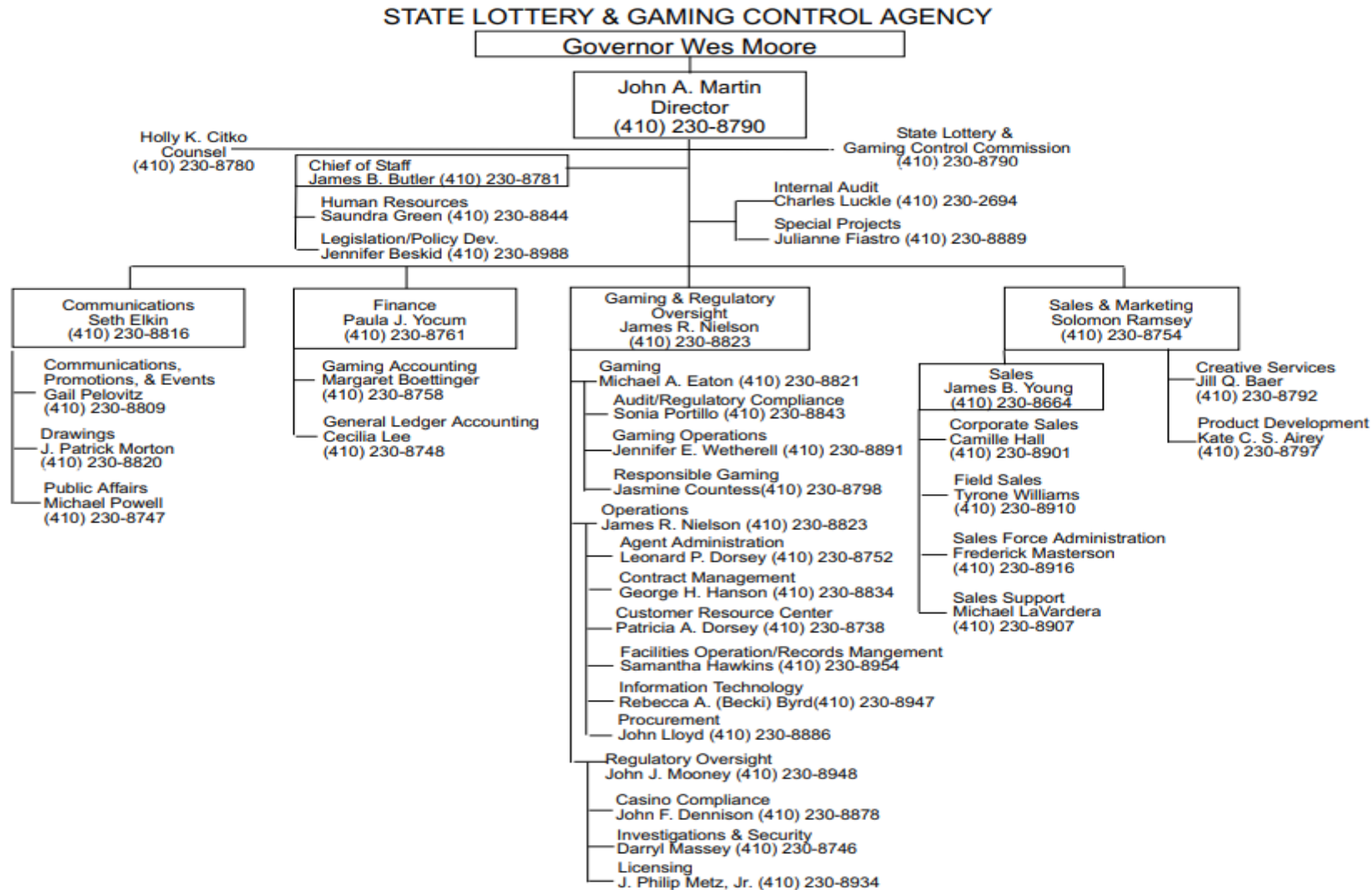
Gene O'Shea - Self-Exclusion Program Director

Elizabeth Kaufman - Director of Communications

Indiana Gaming Commission



Maryland



Mississippi



Divisions

- Executive Division
- Administration Division
- Management Information Systems(MIS)
- Criminal Investigation Division
- Enforcement Division
- Investigations Division
- Charitable Gaming(Bingo) Division
- Gaming Laboratory Division
- Legal Division
- Compliance Division
- Corporate Securities Division
- Work Permits

<https://www.msgamingcommission.com/about/divisions>

Gaming tax revenues do not typically fund agencies

State	Tax revenue funding regulatory oversight agencies
Arizona	Up to 10% to be allocated to the Arizona Department of Gaming for regulating and enforcing sports betting.
Arkansas	0.0%
Colorado	Administration and enforcement of sports wagering , implementation of the state water plan, and other public purposes.
Connecticut	0.0%
Delaware	0.0%
District of Columbia	0.0%
Illinois	0.0%
Iowa	0.0%
Kansas	\$750,000 annually will go into the White Collar Crime Fund, 2% will go to the Problem Gambling and Addiction Grant Fund. Of the remainder, 80% will go to the Attracting Professional Sports to Kansas Fund and 20% to the Lottery Operating
Kentucky	Administration of sports wagering ; 2.5% will go towards education and treatment of alcohol, drug and gambling addiction; remaining will fund state pensions
Louisiana	0.0%
Maine	10% to cover Maine Gambling Control Unit administrative expenses
Maryland	0.0%
Michigan	0.0%
Mississippi	0.0%
Montana	0.0%
Nebraska	0.0%
Nevada	0.0%
New Hampshire	0.0%
New Jersey	0.0%
New York	0.0%
Oregon	0.0%
Pennsylvania	0.0%
Rhode Island	0.0%
Tennessee	0.0%
Wyoming	0.0%
Source: available information from American Gaming Association (https://www.americangaming.org)	

License fees are often used to fund agency operations

Gaming taxes: alternative uses of revenues

State	Revenue allocation
Colorado	Administration and enforcement of sports wagering, implementation of the state water plan, and other public purposes.
Connecticut	General Fund, with an exception for payments to instead be directed to the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund in certain circumstances.
District of Columbia	Violence prevention programs and early childhood development
Illinois	Sports betting tax revenue will go towards infrastructure projects, including schools and recreational facilities
Iowa	The majority of sports betting tax revenue goes to the state general fund, with a set share going to fund solutions for problem gambling
Kansas	\$750,000 annually will go into the White Collar Crime Fund, 2% will go to the Problem Gambling and Addiction Grant Fund. Of the remainder, 80% will go to the Attracting Professional Sports to Kansas Fund and 20% to the Lottery Operating Fund.
Kentucky	Administration of sports wagering; 2.5% will go towards education and treatment of alcohol, drug and gambling addiction; remaining will fund state pensions.
Maryland	Blueprint for Maryland's Future Fund, a 10-year early childhood, and primary and secondary education funding and expansion plan.
Michigan	The majority of sports betting tax revenue supports the School Aid Fund and \$2 million annually goes to helping firefighters undergoing cancer treatments.
Nevada	Gaming tax revenue goes to the state's general fund, with education and health services key recipients
New Hampshire	NH Lottery revenue supports education programming in the state
New Jersey	Tax revenue from casino retail and online operations is applied to the Casino Revenue Fund and Casino Reinvesting Development Authority for marketing and promotion of City of Atlantic City. Tax revenue for racetrack retail and online operations is applied to the General Fund and local municipalities.
New York	Gaming tax revenue is allocated to statewide education programs, local municipal and county governments, and provides property tax relief to New York citizens.
Oregon	Revenue from the Lottery's sportsbook app is specifically dedicated to help pay down the state's public pension liability.
Tennessee	Education, local government, and problem gambling treatment programs.
Source: available information from American Gaming Association (https://www.americangaming.org)	

Revenue Generation Estimates

State Tax Impact when Legalizing Sports Wagering Under Bill SB 1572

Using the Initial Value of 12 States in 2020

Line	Item	Value (\$M)	Methodology
A	Sports Wagering Gross Receipts (Handle)	269.9	Based on average of 12 states in 2020
B	Hold rate	8.63%	Based on average of 12 states in 2021
C	% of deduction for free bets and promotional credits	36%	Average % for LA, MD and VA)
D	Adjusted Sports Wagering Receipts	15.0	$[A \times (1 - C)] \times B$
E	Payouts (P)	246.6	$A \times (1 - B)$
F	% of payout deductible for individual income tax	85.0%	Estimated based on IRS 2021 Report
G	Net winning subject to individual income tax	37.0	$E \times (1 - F)$
H	GET rate	0.00%	Current Law
I	Average individual income tax rate	5.5%	Estimated from DoTax 2022 Income Tax Report
J	Profit margin	5.0%	Assumption
K	Corporate income tax rate	5.40%	Tax rate for taxable income, \$25,000-\$100,000
L	Gaming Tax Rate	15%	
M	GET revenue	0.00	$A \times H$
N	Individual income tax from net winning	2.03	$G \times I$
O	Corporate profit	0.75	$D \times J$
P	Corporate income tax	0.04	$K \times O$
Q	Sports Wagering Tax Revenues	2.25	$D \times L$
R	Total state taxes	4.32	$M + N + P + Q$

State Tax Impact when Legalizing Sports Wagering Under Bills SB 1569 & HB 1308

Using the Initial Value of 12 States in 2020 (operators pay only gaming tax)

	Item	Value (\$M)		
C	% of deduction for free bets and promotional credits	0%		
D	Adjusted Sports Wagering Receipts	23.3		$[A \times (1-C)] \times B$
E	Payouts (P)	246.6		$A \times (1-B)$
F	% of payout deductible for individual income tax	85.0%		Estimated based on IRS 2021 Report
G	Net winning subject to individual income tax	37.0		$E \times (1-F)$
H	GET rate	0.00%		SB1569 and HB1308 specifies
I	Average individual income tax rate	5.5%		Estimated from DoTax 2022 Income Tax Report
J	Profit margin	5.0%		Assumption
K	Corporate income tax rate	0.00%		Tax rate for taxable income, \$25,000-\$100,000
L	Gaming Tax Rate	10%		SB1569 and HB1308 specifies
M	GET revenue	0.00		$A \times H$
N	Individual Income tax from net winning	2.03		$G \times I$
O	Corporate profit	1.16		$D \times J$
P	Corporate income tax	0.00		$K \times O$
Q	Sports Wagering Tax Revenues	2.33		$D \times L$
R	Total state taxes	4.36		$N + P + Q$

State Tax Impact Estimate 5 Years After Legalization: Dynamic Impact Simulation				
	Item	Value (\$M)		
K	% of payout deductible for individual income tax	85.0%	Estimated based on IRS 2021 Report	
L	Net winning subject to individual income tax	75.4	J x (1- K)	
M	Average individual income tax rate	5.5%	Estimated from DoTax 2022 Income Tax Report	
N	Increase in individual income tax	4.1	L x M	
O	% of deduction for free bets and promotional credits	0%	SB1569 and HB1308 specifies	
P	Taxable income of operators	55.8	I x (1-O)	
Q	Gaming tax rate	10%	SB1569 and HB1308 specifies	
R	Gaming tax revenue	5.6	P x Q	
S	Business profit margin	5.0%	Assumption	
T	Corporate income tax rate	0.00%	Tax rate for taxable income, \$25,000-\$100,000	
U	Increase in corporate profit	2.8	I x S	
V	Increase in corporate income tax revenue	0.0	U x T	
W	% loss in household spending	87%	Hawaii household spending to income ratio	
X	Loss in household consumption	48.5	I x W	
Y	GET rate	4.00%	Current Law	
Z	GET loss from reduction in household spending	1.9	X x Y	
AA	Net tax revenue gain after 5 years	7.8	N + R + V -Z	

**Appendix E. SBA presentation at the Sports
Wagering Working Group on 02/18/2025.**

A dark, atmospheric photograph of a person in silhouette, seen from behind, standing in a tunnel or locker room. They are holding a football helmet up with their right hand and have their left arm raised in a celebratory gesture. Through the open doorway behind them, a large, brightly lit stadium filled with spectators is visible. The overall mood is one of triumph and anticipation.

SPORTS WAGERING WORKING GROUP



FEBRUARY
2025

HB 1308 & SB 1569

■ HB 1308

- 10 % tax
- \$250,000 operator fee
- Department rulemaking authority
- Background check and additional licensing requirements
- House rule approval
- Additional integrity and wager acceptance requirements

■ SB 1569

- 10 % tax
- \$250,000 operator fee
- Department rulemaking authority
- Background check and additional licensing requirements
- House rule approval
- Additional integrity and wager acceptance requirements

REGULATING AGENCY

DBEDT

SB 1569

DCCA

HB 1308

Examples of other regulators:

Department of Consumer Protection

Department of Public Safety

Lottery

Gaming Control Board

Gaming Commission

Sports Wagering Commission

DHS - BHA

Problem Gaming

Resources: NCPG

recommends Department
of Health, Behavioral
Health Administration

TAXES & FEES

TAX CALCULATION

Handle (Gross Gaming Receipts): total

money wagered



Hold: money retained by operator after all

payouts



Adjusted Gaming Revenue (AGR): hold minus

federal excise tax

FEE RATE

Sports wagering operator license: \$250,000 every five years

Sports wagering supplier license: \$10,000 every five years

TAX RATE

10 percent of AGR, paid by sports wagering

operator licensees

Suppliers do not pay taxes- they are licensed

under the regulatory authority for the

purposes of industry integrity

USE OF TAX PROCEEDS

The industry doesn't typically take a position on use of proceeds but agrees with NCPG on using a portion of the proceeds towards problem gaming resources.¹ The NCPG recommends between 1 and 10 percent of revenue.

States have chosen to fund important policy priorities such as:

- Water infrastructure (Colorado)
- Education (Maryland, New Hampshire, and others)
- Pensions (Kentucky)
- Attracting professional sports (Kansas)
- HBCUs (North Carolina)
- Outdoor Heritage support (North Carolina)
- Youth Sports and Underserved Youth (North Carolina, New York)
- General Fund

1. NCPG Submitted Testimony, House Judiciary & Hawaiian Affairs Committee:
https://www.capitol.hawaii.gov/sessions/session2025/Testimony/HB1308_HD1_TESTIMONY_JHA_02-12-25_.PDF

OPERATOR & SUPPLIER QUALIFICATIONS

Regulated operators...

Operator

Must operate in a minimum of 3 jurisdictions

Comply with Sec. 1-5 of proposed bills, in addition to approval of house rules, wager acceptance stipulations in Sec. 1-10

Subject to any additional regulatory requirements

Supplier

Comply with Sec. 1-6 of proposed bills

Subject to any additional regulatory requirements

PATRON RESTRICTIONS

Upon account creation, users undergo age and identity verification checks.

Players must be 21+

No employee of an operator may place a wager with their employer

Possible further regulatory prohibitions

Operators make tools available to players:

- Time limits
- Deposit limits
- Wager limits
- Cool off periods

Self Exclusion through regulatory authority

Questions?



Appendix F. Online Sports Wagering Working Group Survey

Online Sports Wagering Working Group Survey Recommendations on Online Sports Wagering in Hawaii

February 2025

This survey is for the Sports Wagering Working Group members. The purpose of the survey is to collect and analyze opinions regarding sports wagering in Hawaii. Please fill out the survey, save the file, and return via email to [Dr. Oscar Carvalho Valencia](#) by March 4, end of the business day. Let us know if you have any questions.

Working Group Participant/Agency: Click or tap here to enter text.

Q1. What type of regulatory agency do you believe is most appropriate for overseeing online sports wagering?

- ☐ **A new independent regulatory body** with full operational, financial, rulemaking, and enforcement autonomy.
- ☐ **A regulatory entity affiliated with an existing state agency** with oversight and rulemaking authority under the executive branch (e.g., an independent board with some state agency oversight, or an entity attached to an existing state agency).
- ☐ **Other (please specify):** (Feel free to elaborate on more specific recommendations, related to the above boxes, or any other choice. You can submit a separate file with your recommendation): Click or tap here to enter text.

Q2. How should the regulatory agency for online sports wagering be funded?
(Select all that apply.)

- ☐ State General Fund (funding allocated from overall state revenues)
- ☐ Gaming tax revenues (a portion of taxes collected from sports wagering operators)
- ☐ Initial and renewal license fees (fees paid by operators for obtaining and maintaining licenses)
- ☐ **Other (please specify):** (Feel free to elaborate on more specific recommendations, related to the above boxes, or any other choice. You can submit a separate file with your recommendation): Click or tap here to enter text.

Q3. What should be the annual dollar amount for initial and renewal license fees for online sports wagering stakeholders?

a. For Operators (e.g., sportsbooks):

- ☐ Less than \$100,000
- ☐ \$100,000 – \$500,000
- ☐ \$500,001 – \$1,000,000
- ☐ More than \$1,000,000
- ☐ Other (please specify): (Feel free to elaborate on more specific recommendations, related to the above boxes, or any other choice. You can submit a separate file with your recommendation): [Click or tap here to enter text.](#)

b. For Suppliers (e.g., software providers, data services):

- ☐ Less than \$10,000
- ☐ \$10,000 – \$50,000
- ☐ \$50,001 – \$100,000
- ☐ More than \$100,000
- ☐ Other (please specify) : (Feel free to elaborate on more specific recommendations, related to the above boxes, or any other choice. You can submit a separate file with your recommendation): [Click or tap here to enter text.](#)

Q4. What tax structure should apply to online sports wagering operations?

a. Tax Rate: What should be the gaming tax rate on gross gaming revenue (GGR) or adjusted gaming receipts?

- ☐ Less than 10%
- ☐ 10% – 15%
- ☐ 16% – 25%
- ☐ More than 25%
- ☐ Other (please specify): (Feel free to elaborate on more specific recommendations, related to the above boxes, or any other choice. You can submit a separate file with your recommendation): [Click or tap here to enter text.](#)

b. Tax Treatment: Should the gaming tax be applied in addition to or in lieu of other existing taxes (e.g., general excise tax, corporate income tax)?

- ☐ In addition to existing business taxes under current law
- ☐ In lieu of other applicable business taxes, replacing them with a single gaming tax
- ☐ Other (please specify): Feel free to elaborate on more specific recommendations, related to the above boxes, or any other choice. You can submit a separate file with your recommendation): [Click or tap here to enter text.](#)

Q5. How should promotional bets be treated for tax purposes?

Promotional bets are a widely used tool to attract and retain customers. However, their tax treatment can impact both market competitiveness and state tax revenue. What approach do you believe is most appropriate?

- ☐ Fully deductible – Allowing full deduction supports market growth and promotional flexibility.
- ☐ Partially deductible – Capping deductions balances operator incentives with tax revenue considerations.
- ☐ Not deductible – Excluding deductions ensures maximum gaming tax revenue for the state.
- ☐ Other (please specify): (Feel free to elaborate on more specific recommendations, related to the above boxes, or any other choice. You can submit a separate file with your recommendation): [Click or tap here to enter text.](#)

Q6. How should tax revenues from online sports wagering be utilized?

Tax revenues can be directed to various public programs. Which approach do you believe is most appropriate? (Select one)

- ☒ Single-use – Direct all revenues to one primary purpose (please specify): [Click or tap here to enter text.](#)
- ☐ Multiple-use with fixed percentages – Allocate revenues across multiple categories with predetermined shares.
- ☐ Multiple-use with flexible distribution – Revenue is allocated to various categories based on annual budget priorities.
- ☐ Other (please specify): Feel free to elaborate on more specific recommendations, related to the above boxes, or any other choice. You can submit a separate file with your recommendation): [Click or tap here to enter text.](#)

a. If you select multiple-use option, how should the funds be distributed? (Select all that apply.)

- ☐ State general fund
- ☐ Education funding
- ☐ Problem gambling programs
- ☐ Sports and recreation development
- ☐ Infrastructure and public services
- ☐ Affordable housing
- ☐ Tax relief (please specify): [Click or tap here to enter text.](#)
- ☐ Other (please specify): (Feel free to elaborate on more specific recommendations, related to the above boxes, or any other choice. You can submit a separate file with your recommendation): [Click or tap here to enter text.](#)

Q7. Additional Comments and Suggestions

Please provide any additional comments or suggestions to be included in the working group's final report (expand on your response as needed): None

Additional question:**Q8. What should the optimal number of operators for the Hawai'i online sports wagering market?**

☐ 2 – 4

☐ 5 – 7

☐ More than 7