WYOMING LEGISLATIVE SERVICE OFFICE

Short Report

GAMING REVENUE DISTRIBUTION AND TAXATION RATES IN OTHER STATES

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EXECUTIVE SUMMARY

This short report was prepared for the Select Committee on Gaming to provide the Select Committee with information regarding other states' gaming revenue distribution and tax rates. For the purposes of this report, "gaming revenue" refers to the receipts, or financial gain, received by the state from gaming transactions, while "tax" refers to the financial liability required to be paid by the gaming operators or businesses to the state, generally excluding licensure and other fees. This short report surveys revenue distribution and taxation rates in other states for the following types of gaming:

- Pari-mutuel wagering;
- Online sports wagering;
- Skill-based amusement gaming:
- iGaming;
- Sweepstakes casinos; and
- Prediction markets.

Gaming regulation in the United States differs significantly from state to state. This report analyzes different states' gaming revenue and taxation models based on comparability to Wyoming's gaming makeup. Kentucky and Virginia conduct pari-mutuel wagering for live horse racing, historic horse racing, simulcast racing, and advance deposit wagering. Maine and Vermont regulate and tax online sports wagering operators. Arkansas and Nebraska have legalized skill-based amusement gaming, and tax operators using similar methodology to Wyoming.

This report also highlights certain gaming types that are currently illegal in Wyoming, such as iGaming. While not legal or regulated in Wyoming, other states like West Virginia and Michigan regulate and collect tax revenue from iGaming.

Finally, this report provides information and background on sweepstakes casinos and prediction markets. Sweepstakes casinos operate in a legal gray area where online casino games are offered to players using free play and are not currently taxable by state gaming regulatory agencies.[1] Prediction markets allow individuals to buy and sell futures contracts and are currently regulated by the federal government, making them legal in all 50 states but states cannot benefit from imposing taxes on platforms.

[1] Free play is a form of credit that allows a patron to play games without using money.

PART I. PARI-MUTUEL WAGERING

Pari-mutuel wagering is wagering on the outcome of pari-mutuel events where all wagers are pooled together, called a handle, and after deduction of the takeout, the pool is divided proportionally among winners. Wagers can be single, such as a win-place-show wager; multiple, or betting on two entries; and exotic, meaning betting on three or more entries. Pari-mutuel wagering regulated at the state level results in significant variation in licensing and taxation treatments.

Wyoming

Wyoming's pari-mutuel wagering includes live horse racing, historic horse racing, simulcasting, and advanced deposit wagering. Pari-mutuel wagering in Wyoming is regulated by the Wyoming Gaming Commission.

Pari-mutuel permittees are authorized to take a commission, or a takeout, of up to 19.4 percent of the handle and an additional 5.0 percent on multiple or exotic wagers.[2] The handle is the total amount wagered for a pari-mutuel event. Additionally, permittees retain breakage of not more than ten cents on each broken dollar, plus any year-old unclaimed tickets to finance race expenses and purses.[3] After the permittee's takeout, the remainder is the net pool, which is distributed to bettors in the form of winnings.

The permittee pays applicable taxes from its retainage based on the handle amount. The gaming revenues collected on pari-mutuel wagers are distributed to the state, local governments, and the Breeder Award Fund. Wyoming collects gaming taxes on the different types of pari-mutuel events, as follows:

- Live horse racing at 1.9 percent;
- Historic horse racing at 1.9 percent;
- Simulcasting at 2.0 percent; and
- Advanced deposit wagering at 3.0 percent.

Figure 1 provides an overview of live horse racing gaming taxes and revenue distribution in Wyoming.

[2] W.S. 11-25-201(c), provides: "The permittee may retain an amount equal to nineteen and four-tenths percent (19.40%) of the total amount wagered shown by the report and may retain up to an additional five percent (5%) of the amount wagered on multiple or exotic wagers. The permittee shall retain the breakage on not more than ten cents ($.10) and retain unclaimed tickets not claimed within one (1) year following the event for the expenses of the race meet and purses and for the promotion of the racing industry."

[3] *Id.* Breakage is the rounded off amount from profit per dollar broken. In pari-mutuel payoffs, which are rounded down to a nickel or dime, the breakage is the pennies that are left over. This amount along with takeout goes back to operators. Breakage may be used for any of several purposes, depending on a state's rules of racing.

Figure 1. Wyoming Live Horse Racing Revenue Distribution.

Percent of Total Amount Wagered (Handle)	Distribution	Statute
1.5%	Pari-Mutuel Account; on a quarterly basis, funds exceeding $1.5M are transferred to the Legislative Stabilization Reserve Account (LSRA)	W.S. 11-25-201(b)(ii) & (d)
0.40%	Breeders Award Fund (plus 20% of the permittee's retainage on multiple or exotic wagers)	W.S. 11-25-201(j)

Source: Information compiled by LSO staff from W.S. 11-25-201 (April 2026).

Figure 2 provides an overview of historic horse racing gaming taxes and revenue distribution in Wyoming.

Figure 2. Wyoming Historic Horse Racing Gaming Revenue Distribution.

Percent of Total Amount Wagered (Handle)	Distribution	Statute
0.25%	LSRA	W.S. 11-25-201(iv)
0.25%	Pari-Mutuel Account; on a quarterly basis, funds exceeding $1.5M are transferred to LSRA	W.S. 11-25-201(b)(ii) & (d)
1.0%	City or town and county where permittee is located	W.S. 11-25-201(b)(iii)
0.40%	Breeders Award Fund (plus 20% of the permittee's retainage on multiple or exotic wagers)	W.S. 11-25-201(j)

Source: Information compiled by LSO staff from W.S. 11-25-201 (April 2026).

Figure 3 provides an overview of gaming taxes and revenue distribution for in-state simulcast operators and simulcast and advance deposit wagering for out-of-state operators.

Figure 3. Wyoming Simulcast and Out-of-State Advance Deposit Wagering Gaming Revenue Distribution.

Percent of Total Amount Wagered (Handle)	Distribution	Statute
0.25%	Pari-Mutuel Account; on a quarterly basis, funds exceeding $1.5M are transferred to LSRA	W.S. 11-25-201(b)(ii) & (d)
0.40%	Breeders Award Fund (plus 20% of the permittee's retainage on multiple or exotic wagers)	W.S. 11-25-201(j)
Simulcast Source Market Annual Fee for Out-of-State Simulcast Facilities: Up to 10% of Gross Receipts (Includes Out-of-State Advance Deposit Wagering)		**Statute**
75% of up to 10% of gross receipts	Live flat track permittees to enhance purse	W.S. 11-25-201(m)(i)
10% of up to 10% of gross receipts	In-state simulcast permittees	W.S. 11-25-201(m)(ii)
10% of up to 10% of gross receipts	Breeder Award Fund	W.S. 11-25-201(m)(iii)
5% of up to 10% of gross receipts	Wyoming Gaming Commission administrative costs	W.S. 11-25-201(m)(iv)

Source: Information compiled by LSO staff from W.S. 11-25-201 (April 2026).

Kentucky

Pari-mutuel wagering in Kentucky is regulated by the Kentucky Horse Racing and Gaming Corporation. In addition to licensing fees and racetrack admission tax, Kentucky collects pari-mutuel taxes on wagering as follows:

- Live horse racing at 1.5 percent;
- Historic horse racing at 1.5 percent;
- Intertrack and simulcast racing at 1.0 percent; and
- Advance deposit wagering at 1.5 percent.

In Kentucky, associations licensed to operate racetracks and pari-mutual wagering are authorized to deduct a takeout on thoroughbred racing not to exceed 17.5 percent for straight wagers, where patrons select one horse, and 22 percent for multiple or exotic wagers, where patrons select two or more horses.[4]

Licensed racing associations that race thoroughbred horses agree to pay 0.5 percent of their on-track pari-mutuel wagers to the Kentucky Horse Racing and Gaming Corporation. The funding is allocated to the Backside Improvement Fund, which is used to promote and improve conditions of the backside, or the area where horses are stabled, of eligible racing associations.[5]

[4] KY. Rev. Stat. Ann. §§ 230.3615(1) & (2).
[5] KY. Rev. Stat. Ann. § 230.3615; K.R.S. § 230.218.

Standardbred racing authorizes a takeout of 18 percent for straight wagers and 25 percent for multiple or exotic wagers at a harness horse track.[6] Licensed associations agree to allocate 3 percent of the handle to the host track for capital improvements, purses, promotions, and to the Kentucky Standardbred Development Fund.[7]

The excise tax on live and historic horse racing that does not include international race hosting or harness racing totals 1.5 percent. **Figure 4** describes the treatment and distribution depending on the type of horse racing.

Figure 4. Kentucky Live & Historic Horse Racing Gaming Revenue Distribution by Racing Type.

Horse Racing Type	Percent of Total Amount Wagered (Handle)	Distribution
Thoroughbred	0.75%	Thoroughbred Development Fund; until the fund exceeds \$45M in a fiscal year, then the amount reduces to 0.40% until the next fiscal year
Harness, except at county fairs	1.0%	Kentucky Standardbred Development Fund; to be distributed as specified in contracts approved by the Kentucky Horse Racing and Gaming Corporation until the fund exceeds \$20M in a fiscal year, then the amount reduces to 0.40% until the next fiscal year
Paint Horse; Appaloosa; Arabian	1.0%	Kentuck Paint Horse, Appaloosa, and Arabian Development Fund
Quarter Horse	1.0%	Kentucky Quarter Horse Development Fund

Source: Information compiled by LSO staff from KY. Rev. Stat. Ann. § 138.510(1)(d) (April 2026).

Figure 5 summarizes distributions not dependent on horse racing type.

[6] KY. Rev. Stat. Ann. § 230.750.
[7] *Id.*

Figure 5. Kentucky Live & Historic Horse Racing Gaming Revenue Distribution.

Percent of Total Amount Wagered (Handle)	Distribution	Not to Exceed Amounts
0.75% to 1.0%	See **Figure 4** above	
0.2%	In equal amounts:	
	• Equine Industry Program Trust and Revolving Fund to support the Equine Industry Program at the University of Louisville	$850,000
	• University of Kentucky for equine and industry programs	$400,000
	• Bluegrass Community and Technical College for equine and industry programs	$250,000
	Amounts remaining after all other payments:	
	• Kentucky Horse Racing and Gaming Corporation for the benefit of thoroughbred, standardbred, and American quarter horse aftercare facilities in Kentucky	$250,000
	• Kentucky Equine Management Internship Program	$250,000
	• General Fund	N/A
0.1%	Equine Industry Program Trust and Revolving Fund for state universities and Bluegrass Community and Technical College for equine programs	$320,000
0.1%	Kentucky Horse Racing and Gaming Corporation to support equine drug testing	$320,000

Source: Information compiled by LSO staff from KY. Rev. Stat. Ann. § 138.510(1)(d) (April 2026).

Simulcast racing gaming revenues equate to 1 percent of all money wagered and are distributed for economic development as follows:

- If a simulcast facility is in an incorporated area:
    - 75 percent to the city; and
    - 25 percent to the county.
- If a simulcast facility is in an unincorporated area:
    - 100 percent to the county.[8]

After the economic development deduction, the simulcast facility shall deduct the appropriate takeout depending on the race type(s). The takeout will then be distributed as shown in **Figure 6**:

[8] KY. Rev. Stat. Ann. § 230.380(8).

Figure 6. Kentucky Simulcast Gaming Revenue Distribution.

Percentage of Takeout	Distribution
30%	Host track
46.5%	Host track purse program
13.5%	Retained by track(s) owning the simulcast facility
6%	Kentucky Thoroughbred Owners and Breeders (for specified purposes)
4%	Kentucky Horse Racing and Gaming Corporation (for specified purposes)

Source: Information compiled by LSO staff from KY. Rev. Stat. Ann. § 230.380(9) (April 2026).

Advance deposit wagering is taxed at 1.5 percent of all amounts wagered through the licensee by Kentucky residents.[9]

Virginia

Pari-mutuel wagering in Virginia is regulated by the Virginia Racing Commission. In addition to taxes imposed on pari-mutuel wagering, Virginia cities and counties may impose an admission tax on racetrack licensees of 25 cents per race day attendee.[10] In Virginia, the takeout rate for live racing and simulcast racing is 18 percent for win-place-show bets and 22 percent for exotic wagers.[11]

Virginia pari-mutuel wagering for live racing and simulcast racing taxes range from 1.25 percent to 2.75 percent depending on the type of wager placed, whether the wager is placed at a racetrack or a simulcasting facility, and whether the race is in-state or out-of-state (**Figures 7 through 10**).[12] Historic horse racing is taxed at 1.3 percent. Virginia also taxes advance deposit wagering at a total rate of 11.5 percent.[13]

Figure 7 summarizes treatment and distributions for live and simulcast racing for Virigina-based win-place-show wagers.

[9] KY. Rev. Stat. Ann. § 138.513(1)(b).
[10] VA. Code Ann. § 59.1-393.
[11] VA. Code Ann. § 59.1-392.
[12] VA. Code Ann. § 59.1-392.
[13] VA. Code Ann. § 59.1-392.1

Figure 7. Virginia Live and Simulcast Racing Revenue Distribution for Win-Place-Show, In-State.

Percentage of Total Amount Wagered (Handle)	Distribution
Racetrack Wagering: 1.25%	
1.0%	License tax
0.25%	Locality where racetrack is located
Simulcast Facility Wagering: 1.25%	
0.75%	License tax
0.25%	Locality where racetrack is located
0.25%	Locality where simulcast facility is located
Remainder of Takeout Distribution of 18%	
8.0%	Purse
7.5% plus breakage and year-old unclaimed tickets	Operator
1.0%	Virgina Breeders Fund
0.15%	Virginia-Maryland Regional College of Veterinary Medicine
0.05%	Virginia Horse Center Foundation
0.05%	Virginia Horse Industry Board

Source: Information compiled by LSO staff from VA. Code Ann. § 59.1-392 (April 2026).

Figure 8 summarizes treatment and distributions for live and simulcast racing for Virigina-based exotic wagers.

Figure 8. Virginia Live and Simulcast Racing Revenue Distribution for Exotic Wagers, In-State.

Percentage of Total Amount Wagered (Handle)	Distribution
Racetrack Wagering: 2.75%	
2.25%	License tax
0.5%	Locality where racetrack is located
Simulcast Facility Wagering: 2.75%	
1.75%	License tax
0.5%	Locality where racetrack is located
0.5%	Locality where simulcast facility is located
Remainder of Takeout Distribution of 22%	
9.0%	Purse
9% plus breakage and year-old unclaimed tickets	Operator
1.0%	Virgina Breeders Fund
0.15%	Virginia-Maryland Regional College of Veterinary Medicine
0.05%	Virginia Horse Center Foundation
0.05%	Virginia Horse Industry Board

Source: Information compiled by LSO staff from VA. Code Ann. § 59.1-392 (April 2026).

Figure 9 summarizes treatment and distributions for live and simulcast racing for win-place-show wagers placed outside of Virginia.

Figure 9. Virginia Live and Simulcast Racing Revenue Distribution for Win-Place-Show, Out-of-State.

Percentage of Total Amount Wagered (Handle)	Distribution
Racetrack Wagering: 1.25%	
0.75%	License tax
0.5%	Locality where racetrack is located
Simulcast Facility Wagering: 1.25%	
0.75%	License tax
0.25%	Locality where racetrack is located
0.25%	Locality where simulcast facility is located
Licensee Retains 1.3% to be Distributed as Follows:	
1.0%	Virgina Breeders Fund
0.15%	Virginia-Maryland Regional College of Veterinary Medicine
0.05%	Virginia Horse Center Foundation
0.05%	Virginia Horse Industry Board
0.05%	Virginia Thoroughbred Association for the promotion of breeding

Source: Information compiled by LSO staff from VA. Code Ann. § 59.1-392 (April 2026).

Figure 10 summarizes treatment and distributions for live and simulcast racing for exotic wagers placed outside of Virginia.

Figure 10. Virginia Live and Simulcast Racing Revenue Distribution for Exotic Wagers, Out-of-State.

Percentage of Total Amount Wagered (Handle)	Distribution
Racetrack Wagering: 2.75%	
1.75%	License tax
1.0%	Locality where racetrack is located
Simulcast Facility Wagering: 2.75%	
1.75%	License tax
0.5%	Locality where racetrack is located
0.5%	Locality where simulcast facility is located
Licensee Retains 1.3% to be Distributed as Follows:	
1.0%	Virgina Breeders Fund
0.15%	Virginia-Maryland Regional College of Veterinary Medicine
0.05%	Virginia Horse Center Foundation
0.05%	Virginia Horse Industry Board
0.05%	Virginia Thoroughbred Association for the promotion of breeding

Source: Information compiled by LSO staff from VA. Code Ann. § 59.1-392 (April 2026).

Historic horse racing is taxed at 1.3 percent. **Figure 11** depicts the tax treatment and distribution for historic horse racing.

Figure 11. Virginia Historic Horse Racing Revenue Distribution.

Percentage of Total Amount Wagered (Handle)	Distribution
1.3% to be Distributed as Follows:	
0.56%*	Locality where racetrack is located *If generated at a racetrack
0.56%*	Locality where simulcast facility is located *If generated at a simulcast facility
0.01%	Problem Gambling Treatment and Support Fund
0.025%	Virgina Breeders Fund
0.025%	Virginia-Maryland Regional College of Veterinary Medicine
0.025%	Virginia Horse Center Foundation
0.025%	Virginia Horse Industry Board
Remainder	License tax

Source: Information compiled by LSO staff from VA. Code Ann. § 59.1-392 (April 2026).

Advance deposit wagering is taxed at 11.5 percent of all amounts wagered, as shown in **Figure 12**.

Figure 12. Virginia Advance Deposit Wagering Revenue Distribution.

Percentage of Total Amount Wagered (Handle)	Distribution
1.5%	License Fee; Virginia Racing Commission
1.0%	Virginia Breeders Fund
9.0%	4% to a nonprofit industry stakeholder organization recognized by the Virginia Racing Commission, to include a recognized majority horseman's group, a breeder's organization, or a licensed track operator to promote racing
	5% to a recognized majority horseman's group by breed to be used for purse funds at races

Source: Information compiled by LSO staff from VA. Code Ann. § 59.1-392.1 (April 2026).

From breakage for each pari-mutuel handle for **live, simulcast, and historic horse racing** is distributed at:

- 70 percent is retained by the licensee for capital improvements; and
- 30 percent is deposited in the Racing Benevolence Fund, which is administered jointly by the licensee and the recognized majority horseman's group for gambling addiction, substance use counseling, and related programs.[14]

[14] VA. Code Ann. § 59.1-392(T).

PART II. ONLINE SPORTS WAGERING

There are 35 states with some form of legal commercial sports wagering, whether it be in-person retail-based, online only, or both.[15] In addition to gaming revenues collected from sports wagering operators, the Internal Revenue Code currently requires operators to pay a 0.25 percent federal excise tax on the total wagered.[16] State tax rates on online sports wagering revenue range from 10 percent to 33 percent in surveyed states.

Wyoming

Online sports wagering has been legal in Wyoming since 2021.[17] There are currently six major licensed online sports wagering operators in Wyoming.[18] Operators are required to remit payment to the Wyoming Gaming Commission for operator permit fees, sports wagering vendor permit fees, and licensing fees. On a quarterly basis, the Wyoming Gaming Commission transfers amounts exceeding $500,000 in the Sports Wagering Account to the General Fund.[19]

On a monthly basis, licensed online sports wagering operators pay a tax of 10 percent of online sports wagering revenue to the Wyoming Gaming Commission, unless the operator's revenue is a negative figure.[20]

The first $300,000 in gaming revenue received by the state generated by online sports wagering operators for each fiscal year is distributed to the Department of Health for funding county health programs to prevent and treat problem gambling. The remainder of online sports wagering tax revenue is deposited into the General Fund.[21]

Maine

Maine licenses online sports wagering operators through the Department of Public Safety, Gambling Control Unit.[22] Operators are required to collect 10 percent of adjusted gross sports wagering receipts and remit payment to the Gambling Control Unit for distribution.[23] Adjusted

[15] American Gaming Association, *State of the States 2025* (May 2025), **https://www.americangaming.org/wp-content/uploads/2025/05/AGA-State-of-the-States-2025.pdf**.
[16] 26 U.S.C. § 4401.
[17] 2021 Wyo. Sess. Laws, ch. 100.
[18] Wyoming Gaming Commission, **https://gaming.wyo.gov/OSW/permit-holders** (last visited April 27, 2026).
[19] W.S. 9-24-103(f).
[20] W.S. 9-24-104. W.S. 9-24-101(a)(vii) defines "online sports wagering revenue" as "the total of all wagers placed by patrons with an online sports wagering operator, excluding the actual dollar value of free wagers and promotional play provided, minus all payments to patrons and minus any applicable federal excise taxes. Payments to patrons include all payments of cash, cash equivalents, merchandise and any other thing of value".
[21] *Id.*
[22] 8 ME. Rev. Stat. § 1207.
[23] 8 ME. Rev. Stat. § 1218.

gross sports wagering receipts are defined as an operator's gross receipts from sports wagering minus the total of all winnings paid to patrons, which includes the cash equivalent of any merchandise or thing of value awarded as a prize, and minus excise tax payments remitted to the federal government.[24]

Figure 13 provides a breakdown of Maine's online sports wagering tax distribution model.

Figure 13. Maine Online Sports Wagering Gross Receipts Revenue Distribution.

Percent of Adjusted Gross Receipts	Distribution
1.0%	General Fund for Gambling Control Unit administrative expenses
1.0%	Gambling Addiction Prevention and Treatment Fund
0.55%	State Harness Racing Commission to be divided among live racing licensees
0.55%	Sire Stakes Fund
0.40%	Agricultural Fair Promotion Fund
6.5%	General Fund

Source: Information compiled by LSO staff from 8 ME. Rev. Stat. § 1218 (April 2026).

Vermont

The Vermont Department of Liquor and Lottery is authorized to contract with a minimum of two to a maximum of six online sports wagering platforms to operate in the state at any given time.[25] Operators in Vermont agree to pay no less than 20 percent of adjusted gross sports wagering revenue when being selected to operate through a competitive bidding process. Vermont defines adjusted gross sports wagering revenue as gross sports wagering receipts, excluding voided bets, less winnings paid to authorized participants and any federal excise tax.[26]

After a competitive bidding process, Vermont selected three major sports wagering operators to execute contracts with and negotiated different tax rates with each.[27] As of May 2025, DraftKings and Fanatics pay 31 percent of adjusted gross sports wagering revenue and FanDuel pays 33 percent.[28] All revenues and fees received by the Department of Liquor and Lottery through online sports wagering is deposited into the Sports Wagering Enterprise Fund to be used for Department

[24] 8 ME. Rev. Stat. § 1202.
[25] 31 VT. Stat. Ann. § 1302(b)(1).
[26] 31 VT. Stat. Ann. § 1301.
[27] Vermont Department of Liquor and Lottery, *Sports Betting Evaluation Criteria* (June 2023), **https://liquorandlottery.vermont.gov/sites/liqlot/files/doc_library/VT%20Sports%20Wagering%20RFP%20Evaluation%20Criteria%2006-14-2023%20Approved.pdf**.
[28] American Gaming Association, *State of the States 2025* (May 2025), **https://www.americangaming.org/wp-content/uploads/2025/05/AGA-State-of-the-States-2025.pdf**.

of Liquor and Lottery administration and the Department of Mental Health's responsible gaming programming.[29]

[29] 31 VT. Stat. Ann. § 1304; Vermont Legislature, *Fiscal Year 2027 Department of Liquor and Lottery Budget Proposal* (February 2026), **https://legislature.vermont.gov/Documents/2026/Workgroups/Senate%20Appropriations/FY%202027%20Budget/Protection%20to%20Persons%20and%20Property/W~Wendy%20Knight~DLL%20FY27%20Budget%20Presentation~2-19-2026.pdf**.

PART III. SKILL-BASED AMUSEMENT GAMING

Wyoming defines skill-based amusement games as games played in exchange for consideration of cash, credit, or other thing of value on a fixed, commercial electrical gaming device using the player's skill, rather than chance, to determine the outcome where the player is awarded a prize or other thing of value if that outcome is successful.[30] Other states may use a similar definition or employ something differing from Wyoming's definition, such as including skill-based amusement games in the larger electronic casino game definition. This analysis focuses on states with similar definitions to ensure taxation and revenue are comparable.

Wyoming

Wyoming operators of skill-based amusement games are required to pay application and annual renewal fees to obtain permits. Fees obtained through application and permit renewal fees are deposited in the Commission Gaming Account for the Wyoming Gaming Commission to administer skill-based amusement game oversight.[31]

Skill-based amusement game vendors remit taxes on a weekly basis from net proceeds.[32] Net proceeds are all revenue except payments to the player.[33] Vendors remit 20 percent of net proceeds to the state, which are distributed as follows:

- 45 percent to the city or town and county where the skill-based amusement game is located;
- 45 percent to the state School Foundation Program Account; and
- 10 percent to the Commission Gaming Account.[34]

Arkansas

Arkansas defines electronic games of skill as games played through any electronic device or machine that afford an opportunity for the exercise of skill or judgment when the outcome is not completely controlled by chance.[35] In order to operate an electronic game of skill, an operator must be a franchise holder of a horse racing or greyhound racing operation.[36]

A total 20 percent privilege tax is imposed on operators' net wagering revenues on a monthly basis.[37] Net wagering revenues are the gross wagering revenues received by a franchise holder

[30] W.S. 11-25-102(a)(xix).
[31] W.S. 11-25-304(c).
[32] W.S. 11-25-304(d).
[33] W.S. 11-25-102(a)(xv).
[34] W.S. 11-25-304(d).
[35] Ark. Code Ann. § 23-113-103(5).
[36] Ark. Code Ann. § 23-113-103(7).
[37] Ark. Code Ann. § 23-113-501.

from wagers placed by patrons, minus the amount paid out or reserved by law for future payout to patrons on the wagers.[38] The 20 percent privilege tax is made up of and distributed as follows:

- 18 percent to the Secretary of the Department of Finance and Administration to deposit into the state's general fund;[39]
- 0.5 percent to the county where the franchise holder operates electronic games of skill; and
- 1.5 percent to the city or town where the franchise holder operates electronic games of skill.[40]

In addition to the privilege tax, franchise holders are required to set aside 14 percent of net wagering revenues in a separate account to be used for live horse or greyhound racing purses.[41] Depending on whether the franchise holder conducts live horse or greyhound racing, an additional 1 percent of net wagering revenues is paid to the Arkansas Racing Commission to be used for purse supplements, breeders' awards, and to promote thoroughbred horse or greyhound breeding activities in Arkansas.[42]

Nebraska

Nebraska enacted the Mechanical Amusement Device Tax Act in 2025, which defines a mechanical amusement device as any machine which, upon insertion of currency, may be operated for an electronic game of skill.[43] Taxes to operate devices are imposed on net operating revenue for each device. Net operating revenue means the dollar amount collected by a distributor or operator, minus the total cash awards paid out to players.[44]

On a quarterly basis, 10 percent of net operating revenue is imposed for each device and distributed as provided in **Figure 14**.

[38] Ark. Code Ann. § 23-113-103(7).
[39] Ark. Code Ann. § 23-113-604.
[40] Ark. Code Ann. § 23-113-501.
[41] Ark. Code Ann. § 23-113-401.
[42] *Id.*
[43] Nebraska 2025 Legislative Bill 177, **https://nebraskalegislature.gov/FloorDocs/109/PDF/Final/LB177.pdf**.
[44] Neb. Rev. Stat. § 77-3001(6).

Figure 14. Nebraska Mechanical Amusement Device Revenue Distribution.

Percent of 10% Net Operating Revenue Tax	Distribution
46.75%	General Fund
20.0%	Property Tax Credit Cash Fund
12.5%	County Treasurer in the county where the device is located, to be further distributed to the city where the device is located in equal amounts, if applicable
9.75%	Department of Revenue Enforcement Fund
5.0%	Nebraska Tourism Commission Promotional Cash Fund
3.75%	Behavioral Health Services Fund
2.25%	Compulsive Gamblers Assistance Fund

Source: Information compiled by LSO staff from Neb. Rev. Stat. § 77-3012(April 2026).

PART IV. IGAMING

iGaming is currently legal in eight states: Connecticut, Delaware, Maine, Michigan, Nevada, New Jersey, Pennsylvania, and Rhode Island.[45] Nevada restricts iGaming to online poker games only and Maine iGaming is exclusively governed by Maine's four Wabanaki tribes. Delaware, Pennsylvania, and Rhode Island tax online casino games and online slot games differently.[46] This analysis focuses on tax rates of iGaming operators at a low tax rate and a high tax rate. Those states, West Virginia and Michigan, range from 15 percent to 28 percent, respectively.

Wyoming

iGaming is currently illegal in Wyoming and is not licensed or regulated by the Wyoming Gaming Commission. The Wyoming Gaming Commission issued a press release in May 2025 to inform residents and visitors about using iGaming platforms, including sweepstakes or social casinos, due to the Wyoming Gaming Commission's inability to offer assistance or intervention if disputes arise.[47]

West Virginia

West Virginia licenses and regulates interactive gaming through its State Lottery Commission. Gaming revenues are collected on iGaming operators from the operator's adjusted gross interactive wagering receipts, which are the operator's gross interactive wagering receipts from West Virginia Lottery interactive wagering, minus any winnings paid to players.[48]

The taxation rate imposed on iGaming operators is 15 percent of adjusted gross receipts on a weekly basis.[49] All money collected is deposited into the interest-bearing West Virginia Lottery Interactive Wagering Fund.[50] From there, the State Lottery Commission deducts enough funds to reimburse actual costs and expenses to administer iGaming programming and is also given an administrative allowance of up to 15 percent of gross deposits with specific parameters.[51]

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[45] American Gaming Association, *State of the States 2025* (May 2025), **https://www.americangaming.org/wp-content/uploads/2025/05/AGA-State-of-the-States-2025.pdf**; Maine 2025 Legislative Document 1164 (HP 769), An Act to Create Economic Opportunity for the Wabanaki Nations Through Internet Gaming, **https://www.mainelegislature.org/legis/bills/getPDF.asp?paper=HP0769&item=3&snum=132**.
[46] American Gaming Association, *State of the States 2025* (May 2025), **https://www.americangaming.org/wp-content/uploads/2025/05/AGA-State-of-the-States-2025.pdf**.
[47] Wyoming Gaming Commission, *Wyoming Gaming Commission Warns Against Illegal iGaming Operations; Unable to Assist with Unlicensed Winnings* (May 22, 2025), **https://gaming.wyo.gov/news-press-releases**.
[48] W. VA. Code § 29-22E-3(1).
[49] W. VA. Code § 29-22E-16(a).
[50] W. VA. Code § 29-22E-17(a).
[51] W. VA. Code § 29-22E-17(b) and (1).

Once administrative expenses are deducted from the Fund, the remainder is considered net profit. Each fiscal year, 0.25 percent of the net profit is distributed to the pension plan for racing association employees, and the remaining net profit is deposited into the State Lottery Fund.[52]

Michigan

Michigan's Lawful Internet Gaming Act calls for a tiered system of gaming taxation based on an operator's annual amount of adjusted gross receipts. Michigan defines iGaming adjusted gross receipts as the gross receipt, minus the amount of free play provided and wagered by authorized participants.[53] Specified deduction amounts stemming from free play are as follows:

- For years one to three of operation, a deduction not to exceed 10 percent of gross receipts;
- For year four of operation, a deduction not to exceed 6 percent of gross receipts;
- For year five of operation, a deduction not to exceed 4 percent of gross receipts; and
- For years six and thereafter, no deduction of free play is permitted.[54]

Figure 15 provides an overview of the graduated tax treatment for iGaming operators in Michigan.

Figure 15. Michigan iGaming Operator Graduated Gross Receipts Tax Rates.

Amount of Annual Adjusted Gross Receipts	Percent of Adjusted Gross Receipts Taxed
Less than $4,000,000	20%
$4,000,000 to $7,999,999	22%
$8,000,000 to $9,999,999	24%
$10,000,000 to $11,999,999	26%
$12,000,000 or more	28%

Source: Information compiled by LSO staff from Mich. Comp. Laws § 432.314 (April 2026).

Taxes imposed are then distributed as follows:

- 30 percent to the city where the iGaming operator licensee's casino is located, to be used for the city's street patrol officers, neighborhood development, public safety programs, capital improvements, road repairs, and associated programming;
- 65 percent to the state's Internet Gaming Fund; and
- 5 percent to the Michigan Agriculture Equine Industry Development Fund.[55]

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[52] W. VA. Code § 29-22E-17(2) and (3).
[53] Free play is a form of credit that allows a patron to play games without using money.
[54] Mich. Comp. Laws § 432.303(a).
[55] Mich. Comp. Laws § 432.315.

PART V. SWEEPSTAKES CASINOS

Modeled to look like traditional iGaming platforms, sweepstakes casinos are online platforms that offer traditional casino games like roulette or blackjack and allow players to play for free through player activities like daily log-in rewards or offer in-game currency purchases to continue gameplay.[56] Because sweepstakes casinos do not require players to use actual money for gameplay like iGaming platforms, sweepstakes casino operators may be interpreted in some states to be exempt from state gaming regulations or state taxation mandates.[57]

A review of Wyoming statutes for use of the term "sweepstakes" yielded one result governing promotional advertising of prizes. Under W.S. 40-12-202, no payment may be requested or accepted by a solicitor (i.e., sweepstakes casino operator) to win a prize. Prize notices are required and must include information on the terms and conditions of winning or accepting a prize, whether there are shipping or handling fees associated with obtaining the prize, and any restrictions on eligibility.[58] A prize is a gift, award, or other item or service of value.[59] Since no purchase is required to win prizes on a sweepstakes casino platform, platform operators may be interpreted as entities that are not subject to state gaming regulations.

Some states have taken action to restrict or ban sweepstakes casinos by considering "free play" as gambling activity, including Montana and Connecticut in 2025, which will either trigger regulatory authority or incorporate sweepstakes casinos into the definition of illegal gambling.[60]

The Wyoming Gaming Commission issued a press release in 2025 informing consumers to carefully choose legitimate, licensed online sports wagering platforms and avoid online gaming platforms claiming to offer casino games in Wyoming. The Wyoming Gaming Commission routinely receives complaints from sweepstakes casino players across the country due to players attempting to cash out and then not receiving their winnings.[61]

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[56] American Gaming Association, Regulatory Vigilance Critical to Ensure "Sweepstakes" Don't Threaten Consumers and Undermine Gaming Regulation (February 2025), **https://www.americangaming.org/wp-content/uploads/2025/02/Sweepstakes-Memo-Final.pdf**.
[57] *Id.*
[58] W.S. 40-12-203.
[59] W.S. 40-12-201(a)(i).
[60] 2025 Montana Senate Bill 555, **https://docs.legmt.gov/download-ticket?ticketId=95192056-25a6-4826-918b-eceea22d0c55**;
2025 Connecticut Substitute Senate Bill 1235, **https://www.cga.ct.gov/2025/ACT/PA/PDF/2025PA-00112-R00SB-01235-PA.PDF**.
[61] Phone Interview with Nick Larramendy, Wyoming Gaming Commission Executive Director, with Jessie Schaeffer, Research Analyst. Legislative Service Office (April 27, 2026); Wyoming Gaming Commission, *Wyoming Gaming Commission Warns Against Illegal iGaming Operations; Unable to Assist with Unlicensed Winnings* (May 22, 2025), **https://gaming.wyo.gov/news-press-releases**.

In Wyoming specifically, many sweepstakes casinos are offshore-based companies with Wyoming LLCs and addresses within the state, so they appear to be Wyoming-based. When accepting complaints, the Wyoming Gaming Commission explains to complainants that because platforms are offshore, there is not much that can be done to enforce Wyoming law and that the players themselves are committing misdemeanor gambling offenses.[62]

Because sweepstakes casinos are not currently regulated by the Wyoming Gaming Commission and because Wyoming does not have a state income tax, neither the operators nor players are taxed by the state.

[62] *Id.*

PART VI. PREDICTION MARKETS

Prediction markets are a form of wagering on the outcome of future events and are regulated by the federal Commodity Futures Trading Commission (CFTC).[63] Products traded on CFTC-regulated prediction markets allow customers to take a financial position on the yes-or-no outcome of a future event, multiple choice outcomes, or a range of outcomes through "event contracts."[64]

Prediction markets can operate in all 50 states.[65] Because prediction market platforms are regulated at the federal level, platform operators are generally not subject to state-level regulations and restrictions. Some states have made efforts to challenge operations by claiming prediction markets fall under the jurisdiction of state gambling regulators.

A New Jersey appeals court recently ruled that the State of New Jersey, by attempting to enforce its gambling laws against a sports-related event contract, would obstruct federal CFTC objectives and must cease. Costs were taxed against New Jersey as the appellant.[66] According to a recent CFTC press release, CFTC filed a lawsuit in April 2026 to halt the State of New York's efforts to apply state gambling laws against CFTC-registered entities. The CFTC has filed similar lawsuits in Arizona, Connecticut, and Illinois.[67]

To date, prediction market tax treatment remains unsettled and no Internal Revenue Service guidance has been issued, meaning prediction market platform operators must rely on existing tax guidance.[68]

If you have any further questions, please do not hesitate to contact LSO Research at 777-7881.

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[63] Commodity Futures Trading Commission, **https://www.cftc.gov/LearnandProtect/PredictionMarkets** (last visited April 27, 2026).
[64] Commodity Futures Trading Commission, *Prediction Markets: You've Got Options*, **https://www.cftc.gov/sites/default/files/2026/04/PredictionMarketFactSheet.pdf**.
[65] *Id.*
[66] Kalshiex LLC v. Flaherty, No. 25-1922 (3d Cir. 2026).
[67] Commodity Futures Trading Commission, **https://www.cftc.gov/PressRoom/PressReleases/9218-26** (last visited April 27, 2026).
[68] Green Tax Trader, Prediction Market Taxes: *Capital Gains, Gambling, or Something Else* (April 23, 2026), **https://greentradertax.com/prediction-market-taxes-capital-gains-gambling-or-something-else/**.