

November 12, 2024

(DKNG, CZR, FLUT, MGM, PENN) Don't Bet on Louisiana's 51% Tax Hike

We doubt that legislation introduced yesterday by State Rep. Roger Wilder (R) to increase the sports Gross Gaming Revenue (GGR) tax from 15% to 51% in Louisiana will be passed in the special session, which started on November 6 and must finish by November 26.

Much like in New Jersey, where last year a similar tax hike on sports gaming was defeated by industry, casinos hold significant influence in Louisiana. Not surprisingly, we expect the casinos to throw everything they have at killing this measure.

Governor Jeff Landry (R-LA) called a special session of the state legislature to urge them to pass a tax reform measure that would flatten income and corporate taxes. The state is facing an estimated \$700 million budget deficit next year, mostly due to the expiration of a 0.45% sales tax.

To offset revenue losses, the governor has called for making the 0.45% sales tax permanent and extending the sales tax on digital services, like **Netflix** (NFLX), and to other services currently not subject to the tax.

The positive news, in our view, is that we can't find anywhere where the governor has called for a tax hike on sports gaming, and industry will adamantly oppose its being targeted to bear the brunt of the revenue needed to fill the budget gap.

Unfortunately, we believe that investors will likely have to contend with these types of state sports gaming tax issues for years to come, which we have already seen in 2024 from Illinois and New Jersey. This is particularly the case in the event of any future economic slowdown, when we have previously seen states target more behavioral sectors to raise revenues (e.g., alcohol, tobacco).

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DraftKings Inc (DKNG)

Price:	\$42.22
52-Week High:	\$49.57
52-Week Low:	\$28.69

Caesars Entertainment Corporation (CZR)

Price:	\$39.22
52-Week High:	\$50.51
52-Week Low:	\$31.74

Flutter Entertainment plc (FLUT)

Price:	\$245.74
52-Week High:	\$252.84
52-Week Low:	\$148.30

MGM Resorts International (MGM)

Price:	\$35.98
52-Week High:	\$48.24
52-Week Low:	\$33.44

Penn National Gaming Inc (PENN)

Price:	\$20.62
52-Week High:	\$27.20
52-Week Low:	\$13.50

Netflix Inc (NFLX)

Price:	\$809.79
52-Week High:	\$806.82
52-Week Low:	\$442.60

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