

Blackjack players normally cheer when the dealer busts, but they could be griping in Massachusetts casinos if the high roller at a table wins a big hand and the game screeches to a stop for a 10-minute paperwork break.

Under one interpretation of the state casino law, table games could be covered by the state tax reporting and withholding requirements that have bedeviled the local racing and simulcast industries for a year, potentially causing delays every time a player collects a payout of \$600 or greater — which is practically every hand in a casino's high-stakes gambling room.

Slot machines would almost certainly be affected by the law, which requires tax filings and a 5 percent withholding for each jackpot above that amount, a low threshold compared with other states and federal reporting requirements.

With the state's first casino licenses due to be awarded in the next few months, some of the biggest names in the industry are raising concerns that the stringent reporting requirements will annoy slot players, destroy high-end play by "whales" who make large individual wagers, and drive potential customers out of state where requirements are less cumbersome.

"The machine will literally lock up and the customer will have to fill out paperwork," said Eric Schippers, a senior vice president at Penn National Gaming, one of three companies competing for Massachusetts' sole slot parlor license.

The Massachusetts rules differ from federal requirements, which call for tax reporting paperwork to be filled out on slot payouts of \$1,200 or more, and for some other forms of gambling when the payout is both \$600 or more and the winnings are at least 300 times the original wager — long-shot bets with at least 300-to-1 odds, according to the IRS. Such long-shot bets could include, for instance, a racing trifecta, when a gambler tries to pick the order of the first three finishers of a horse race.

Table games are generally not affected by the federal reporting rules because most do not involve wagers with at least 300-to-1 odds, according to state officials.

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Written by Administrator
Sunday, 19 January 2014 08:05 -

It is an open question whether the Massachusetts rules, which do not include the 300-to-1 requirement, would apply to table games such as blackjack, said gambling commission member Enrique Zuniga, who has studied the issue.

“There is a possibility, an interpretation, that any payment of \$600 or more could trigger a taxable event in Massachusetts,” Zuniga said.

Joe Weinberg, a managing partner at Cordish Cos., also a Massachusetts slot parlor applicant, said that the state reporting requirements would result in “ten times” as much paperwork for slot players than under federal rules.

“You have exponentially more jackpots at \$600 than at \$1,200,” said Weinberg. “You’d end up with real customer experience issues.”

Filling out the tax forms takes about 10 minutes in each instance, he said. During that time, the machine makes no revenue for the operator and generates no taxes for the state. Compounded across hundreds or thousands of slot machines on a casino floor, the administrative requirements could also create a burden for regulators and for operators, he said.

“It’s not in anyone’s interest — the state, the property owner, or the customer — to set the threshold at an artificially low level,” Weinberg said.

Two industry giants, Wynn Resorts, which is proposing a casino in Everett, and MGM, planning a gambling resort in downtown Springfield, are among the companies that have raised the issue with Massachusetts officials, according to the state gambling commission.

Complaints about the law have resonated with the commission, which is studying the issue and plans to address it in an upcoming public session, said Stephen Crosby, the panel’s chairman.

“It’s going to be hard to repatriate our high rollers back to Massachusetts under these

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circumstances,” Crosby said in an interview.

Zuniga said the law should be changed: “We should try to make this a competitive environment.”

The full commission has not yet taken a formal position.

State Senator Stanley Rosenberg, an Amherst Democrat and an architect of the 2011 casino law, said through a spokesperson that the Legislature expects the gambling commission to make a recommendation for changing the law, and that lawmakers are looking forward to studying what the panel proposes.

The withholding requirement, intended to ensure tax payments on gambling income, dates back to the passage of the casino law.

The new rules went into effect for last year’s racing season, bringing “tremendous pushback from the operators that it would be onerous,” said Crosby.

The New England Horsemen’s Benevolent and Protective Association wrote to the commission shortly after the new procedures went into effect, saying the rules “made no sense,” and warning that upscale gamblers would likely take their business elsewhere. Industry experts predicted bettors would avoid the reporting requirements by splitting large wagers into several smaller bets, so that no single win would top \$600.

The state’s parimutuel betting outlets — Suffolk Downs, Plainridge Racecourse, and Raynham Park — saw a roughly 60 percent rise over 2012 in the number of winning tickets that required tax reporting, said Jennifer Durenberger, the commission’s director of racing.

Chip Tuttle, chief operating officer for Suffolk Downs, said “the new withholding provision certainly hasn’t helped” the state’s flagging racing and simulcast industry, and may be hurting

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the bottom line.

“Based on the comparisons from 2012 to 2013, there seems to have been a negative effect,” Tuttle said in a statement. “Our customers were clearly upset by it, and it may very well be encouraging them to go to simulcast facilities in New Hampshire and Rhode Island.”

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