



OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

S.B. 197
136th General Assembly

Fiscal Note & Local Impact Statement

[Click here for S.B. 197's Bill Analysis](#)

Version: As Introduced

Primary Sponsor: Sen. Manning

Local Impact Statement Procedure Required: No

Craig Kerr, Senior Economist

Highlights

- The bill authorizes three new types of online gambling: internet gambling, internet lottery gaming (iLottery), and online pari-mutuel wagering on horse racing.
- The bill abolishes the Ohio State Racing Commission (RAC) and consolidates the regulation of gambling in Ohio under the authority of the Ohio Casino Control Commission (CAC) as of March 31, 2026.
- The bill consolidates multiple RAC, Ohio Lottery Commission (LOT), and CAC employee licenses into two licenses issued by CAC and extends the term of currently held licenses for 180 days.
- The bill transfers authority over charitable bingo and games of chance conducted at charitable organizations' festivals from the Attorney General to CAC as of January 1, 2027.

Detailed Analysis

The bill makes numerous changes to state gambling laws and the associated state agencies that have oversight over gambling. Gambling winnings are taxable income under continuing law. The bill requires amounts to be deducted and withheld from the expanded gambling options authorized by the bill.

The fiscal effects of the bill's provisions are described in the following sections.

Internet gambling

License fees

The bill legalizes internet gambling and requires operators to pay a license application fee set by rule and a license fee of \$50 million (as well as \$5 million for a renewal license). Licenses

are valid for five years unless the operator also holds a sports gaming license. In that case, the initial internet gambling license extends to five years after the expiration of the sports gaming license. If an operator contracts with a management company to operate the internet gambling platform that is not at least 50% owned by the operator, the management company must also pay a separate \$50 million license fee (and \$5 million renewal fee).

The bill requires internet gambling operators to be either an Ohio casino operator or a horse racetrack owner, limiting the number of operators to 11. The license fees generated from internet gambling could be as much as \$1.1 billion in FY 2026 and up to \$110 million thereafter, depending on the ownership structure of the internet gambling platforms.¹

Suppliers of internet gaming equipment are required to pay a \$50,000 license application fee and a license fee of \$100,000 for an initial or renewed license, both of which are valid for three years unless the supplier holds a sports gaming supplier license. In that case, the initial license is extended to expire three years after the supplier's sports gaming supplier license expires. Annual collections of license fees from internet gaming equipment suppliers could range from the hundreds of thousands of dollars to the millions of dollars depending on the number of suppliers and timing of license renewals.

Tax rate

The bill imposes a tax on the internet gambling receipts of an internet gambling operator or internet gambling management company. That tax rate equals 36% of internet gambling receipts received by the operator or management company from the operation of internet gambling in this state. However, the tax rate is 40% if the internet gambling operator contracts with an internet gambling management company and the same person does not own or control at least 50% of both the internet gambling operator and the internet gambling management company.

Internet gambling is legal in neighboring states Pennsylvania and Michigan. The tax base in those two states on a per-capita basis is \$167 and \$217, respectively.² Assuming Ohio's per-capita tax base is similar to Pennsylvania's or Michigan's, annual tax receipts in a fully matured market could be in the hundreds of millions of dollars depending on the ownership structure of the management companies. These revenues would be partially offset by any reduction in related gaming tax revenues from substitute services such as from in-person casino gaming, online sports gaming, etc. as consumers have a limited budget with which to gamble.

Tax receipts must be distributed as described in Table 1. The Director of the Office and Budget and Management (OBM) must make a series of transfers to first provide for applicable

¹ The bill requires the Executive Director of the Ohio Casino Control Commission (CAC) to designate a launch date for internet gambling no later than March 31, 2026. The estimates provided here assume all 11 potential operators and their associated management companies apply for licenses in FY 2026. In the case that initial applications for licenses do not all occur in FY 2026, the fiscal effects of licensure will be spread out over multiple years.

² These figures represent the per-capita tax base for 2024, the latest complete calendar year with available data.

tax refunds and tax administration costs. The GRF will receive the vast majority of the revenue from the tax via transfer by the OBM Director.

Table 1. Internet Gambling – Disposition of Revenue	
Fund	Receipts
Internet Gambling Revenue Fund (IGRF)	All revenue collected from the tax.
Tax Refund Fund (Fund 4250)	OBM Director must transfer amounts certified by Tax Commissioner from IGRF to Fund 4250.
Internet Gambling Tax Administration Fund (IGTAF)	No later than the 15 th day of the month, the OBM Director must transfer the amount necessary from IGRF to IGTAF to reimburse the Department of Taxation’s actual expenses incurred in administering the tax.
GRF	99% of remaining IGRF receipts (net of transfers to Fund 4250 and IGTAF) must be transferred by the OBM Director from IGRF to GRF on or before the 15 th day of the month following the close of a calendar quarter.
Problem Gambling Fund (Fund 5YR0)	1% of remaining IGRF receipts (net of transfers to Fund 4250 and IGTAF) must be transferred by the OBM Director from IGRF to Fund 5YR0 on or before the 15 th day of the month following the close of a calendar quarter.

Sports gaming receipts tax

Tax rate

The bill reduces the sports gaming receipts tax from 20% to 10% for a type B (physical facility) proprietor. The tax rate change applies to sports gaming receipts received on and after the first day of January after the effective date of the bill. Assuming the effective date is January 1, 2026, the provision could reduce tax receipts by roughly \$0.7 million in FY 2026 and \$1.7 million per fiscal year afterwards, if prior trends continue into future years.

Tax base

The bill expands the tax base in future years by including any promotional gaming credit as “sports gaming receipts.” Under current law, sports gaming proprietors may deduct 10% of promotional gaming credits wagered by patrons beginning January 1, 2027. Then, beginning January 1, 2032, taxpayers may deduct 20% of promotional gaming credits wagered by patrons. The bill therefore increases tax receipts beginning in FY 2027. Table 2 displays the expected revenues from the sports gaming receipts tax through the following biennium assuming the bill takes effect prior to January 1, 2026.

Table 2. Estimated Sports Gaming Receipts (in millions), FY 2025-FY 2027

Taxpayer	FY 2025	FY 2026	FY 2027
From the operation of a sports gaming facility	\$3.5	\$2.9	\$1.8
All other taxpayers	\$173	\$173	\$173
Total	\$176.5	\$175.9	\$174.8

Note: The figures in Table 2 assume the effective date of the bill is January 1, 2026.

The bill also removes the restriction on types of wagers allowed for type C (lottery sports gaming) proprietors. Under current law, only spread, over-under, moneyline, and parlay wagers based on four or less events are allowed. Although the expansion of wager types may increase tax collections from type C proprietors, the fiscal effect is likely negligible as only 0.1% of all wagers are placed through type C proprietors. Sports gaming receipts at type C proprietors are deposited into the State Lottery Gross Revenue Fund (Fund 7044) established under R.C. 3770.06 and are not subject to the sports gaming tax.

Internet pari-mutuel wagering

The bill legalizes persons holding a permit, other than a person who holds only a permit issued for a racing meeting at a fair, to accept pari-mutuel wagers over the internet. The legalization of online wagering may increase the tax revenues received from the horse racing tax. However, the industry has been in secular decline nationwide for decades, and annual tax collections were less than \$4 million in recent years and declining in the state. Any increase in tax collections from internet wagers may come, at least partially, at the expense of collections from wagers placed at facilities.

The disposition of tax collections after allowable reductions in tax liability for capital improvements are listed in Table 3. The collections net of reductions and payments to the Nursing Home Franchise Permit Fee Fund are usually insufficient to pay the percentage of pari-mutuel wagering allocations described in the table. When such insufficiency exists, distributions to each are prorated on a proportional basis. Wagers placed over the internet are not considered “off-track” wagers and so do not have 100% of their associated tax collections allocated to the Nursing Home Franchise Permit Fee Fund.

Table 3. Horse Racing Tax – Disposition of Revenue under Continuing Law

Recipient	Receipts
Nursing Home Franchise Permit Fund (Fund 5R20)	25% of gross tax revenue from taxpayers other than county and independent fairs and agricultural societies plus all tax revenue from off-track betting parlors.
Ohio Racing Commission Operating Fund (Fund 5650)	0.25% of total pari-mutuel wagering on all races not held by county and independent agricultural societies, plus the final 0.5% of the 3.5% tax on exotic wagering, plus 16.7% of the base 3% tax on exotic wagering.

Table 3. Horse Racing Tax – Disposition of Revenue under Continuing Law

Recipient	Receipts
County Agriculture Societies	25% of gross tax revenue from wagers at an agricultural experience or fair.
Ohio Fairs Fund (Fund 7083)	0.5% of total pari-mutuel wagering plus 8.3% of the revenues derived from the base 3% tax on exotic wagering.
Ohio Thoroughbred Race Fund (Fund 5620)	0.625% of total pari-mutuel wagering plus 8.3% of the revenues derived from the base 3% tax on exotic wagering on quarter horse racing, plus 0.28%* of total pari-mutuel wagering on harness racing not occurring at county and independent agricultural societies events, and 1.125% of total pari-mutuel wagering plus 8.3% of the revenues derived from the base 3% tax on exotic wagering on thoroughbred racing.
Ohio Standardbred Development Fund (Fund 5630)	0.625% of total pari-mutuel wagering and 8.3% of the revenues derived from the base 3% tax on exotic wagering on harness racing plus an additional 0.5% of total pari-mutuel wagering on harness racing not occurring at county and independent agricultural societies events.

*This percentage is for calendar year 2023 and changes annually based on a calculation performed at the beginning of each year.

Internet lottery gaming

The bill legalizes “internet lottery gaming,” defined as an internet-based version of lottery gaming in which lots are drawn to determine a winner by chance among those who have purchased a lottery ticket. Internet lottery gaming does not include video lottery terminal gaming. The bill prohibits internet lottery gaming from including electronic versions of many classic lottery games, such as Pick 3 or Classic Lotto, and prohibits electronic versions of statewide joint lottery games such as Powerball or Mega millions for the first year after the bill takes effect.

Pennsylvania legalized iLottery games in May 2018. Since then, sales from iLottery games have been between 14% and 17% of total lottery sales. It is not clear how much of these sales are additional sales and how much are sales attributable to new demand. Assuming Ohio’s experience will be similar to Pennsylvania’s, all iLottery revenue is new revenue, and that the net revenues (sales minus direct gaming costs) from iLottery are similar to that of traditional lottery games, the legalization of iLottery in Ohio could generate hundreds of millions of dollars in additional net revenue. This amount will be less if any iLottery sales replace traditional sales, iLottery costs are greater than traditional lottery game costs, or Ohio lottery customers’ preference for iLottery gaming is not as strong as customers in Pennsylvania.

The bill increases the base commission rate paid to retail lottery sales agents by 0.25% during the first year in which the Lottery Commission (LOT) conducts iLottery and by 0.5% thereafter. Base rates are determined by the Director of LOT and are currently listed on the Commission’s website as being 5.5% plus an additional 1.0%-1.5% for retailers that provide prize

cash.³ Lottery sales agents will also receive 3.5% of the state's iLottery gaming sales under the bill, split equally among all agents.

If consumers substitute iLottery gaming for lottery products at retail locations, LOT may reduce the proportion of sales paid to sales agents as commissions depending on the magnitude of the shift in consumption. Additionally, it is possible for some sales agents to collect a larger commission overall under the bill, depending on the amount of revenue generated by iLottery products and the amount of retail lottery revenue lost. This would be more likely to happen with agents that sell relatively fewer lottery products. Such agents have less revenue to lose from consumers substituting iLottery for physical lottery tickets, but gain the same commission from iLottery as all other agents.

All fees associated with iLottery under Chapter 3770 of the Revised Code, as amended by this act, will be deposited in the state treasury to the credit of Fund 7044.

Charitable bingo

The bill expands the hours during which a veteran's, fraternal, or sporting organization may offer instant bingo other than at a bingo session and during which a veteran's or fraternal or sporting organization may offer electronic instant bingo other than at a bingo session, allowing those games to be offered up to 16 hours a day, instead of up to 12, and to begin as early as 8:00 a.m. instead of 10:00 a.m. The bill increases the threshold that determines the percentage of the annual net profit that must be given to a 501(C)(3) or government entity to match what is currently set by rule. The threshold is increased from \$200,000 to \$350,000. The bill also applies the threshold separately to instant bingo and electronic instant bingo so that organizations that offer both types of bingo may keep a larger percentage of their annual net profit.

State agency responsibilities

Ohio Casino Control Commission

The bill consolidates the regulation of gambling in Ohio under the authority of the Ohio Casino Control Commission (CAC). CAC must oversee online gambling, similar to how it currently oversees sports gaming. The bill transfers the regulation of charitable gaming (such as bingo) and sweepstakes terminal devices from the Attorney General (AGO) to CAC as of January 1, 2027. The bill also transfers the regulation of video lottery terminal (VLT) gaming from the LOT to CAC as of March 31, 2026, while leaving the operation of VLTs under the Ohio Lottery Commission. The bill directs the 0.5% of each VLT agent's commission that is, under current law, used by LOT to provide funding support to appropriate state agencies for gambling addiction services, to the Problem Gambling Fund (Fund 5YR0).

The bill also consolidates multiple RAC, LOT, and CAC employee licenses into one of two CAC licenses, either a "gaming employee" license or a "key gaming employee" license. Both new licenses have the same application and license fees of \$100 and \$50, respectively. The recategorized licenses are listed in Table 4 along with their associated application and license fees, both under current law and under the bill.

³ Ohio Administrative Code 3770-4-09 gives discretion to the director of LOT to determine Commission rates. The current rates are listed on the Lottery Commission's [website](#).

Some licenses available under current law will have their application or license fees increased under the bill while others will have one or both reduced. License and application fee revenue from those currently issued by RAC and LOT will likely be greater than under current law in total. On the other hand, the total application and license fee revenue received from recategorized CAC licenses will be reduced under the bill. The recategorization allows employees who must hold multiple licenses under current law to hold a single license, which will reduce application and license fee revenue.

Table 4. Licenses Recategorized as Key Gaming Employee Licenses (CAC)					
	Current Law			S.B. 197	
Employee License	Agency	Application Fee (renewal)	License Fee (renewal)	Application Fee	License Fee
Totalizator Company Management Supervisory	RAC	\$0	\$100	\$100	\$50
Totalizator Company	RAC	\$0	\$50	\$100	\$50
Mutuel	RAC	\$0	\$15	\$100	\$50
Video Lottery Sales Agent Key Gaming	LOT	\$0	\$250	\$100	\$50
Video Lottery Sales Agent Gaming	LOT	\$0	\$100	\$100	\$50
Video Lottery Sales Agent Temporary	LOT	\$0	\$0	\$100	\$50
Key Casino	CAC	\$2,000	\$500	\$100	\$50
Casino	CAC	\$250 (\$100)	\$250 (\$50)	\$100	\$50
Sports Gaming (Key)	CAC	\$100	\$50	\$100	\$50

The bill extends the term of all licenses listed in Table 4 that have expiration dates that occur between 90 days prior to the effective date of the bill and 180 days after the effective date for an additional 180 days. The provision will decrease license and application fees received for 180 days after the effective date of the bill.

The bill doubles the annual salaries of the seven CAC commissioners from \$30,000 to \$60,000, beginning with a member's new term that begins on or after the effective date of the bill. The annual cost of salaries will therefore increase from \$210,000 to \$420,000 once all members have begun new terms.

Ohio State Racing Commission

The bill abolishes the Racing Commission and consolidates the regulation of gambling in Ohio under the authority of CAC as of March 31, 2026. The bill requires that all money in the Racing Commission Operating Fund (Fund 5650) be transferred to the Casino Control Commission Operating Expenses Fund (Fund 5HS0). OBM is granted authority to make fund transfers and appropriation transfers as needed to implement the bill and all RAC's other funds shall be transferred to CAC on March 31, 2026.

The abolishment of the Commission will reduce the number of commissioners exclusively supervising horse racing to zero as no new commissioners will be appointed to CAC. The Commission is comprised of five members who earn fixed salaries pursuant to Chapter 124 of the Revised Code.

Attorney General's Office

The bill transfers authority over charitable bingo (traditional bingo, raffles, instant bingo, and electronic instant bingo), games of chance conducted at charitable organizations' festivals, and skill-based amusement machines from the AGO to CAC as of January 1, 2027. License fees CAC collects under the Charitable Gaming Law will be deposited in a new Charitable Gaming Fund and that money may be transferred from the fund as authorized to benefit both AGO's Charitable Law Fund and CAC's operating fund. The amount of license fees generated under the Charitable Gaming Law are expected to be between \$5 million and \$6 million in FY 2026 and FY 2027 according to AGO's projections.