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Ohio needs to rework one-sided casino deal: Thomas Suddes

By Thomas Suddes

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The 2009 casino ballot issue -- authorizing casinos in Cleveland, Columbus, Cincinnati and Toledo -- was a colossal rip-off of Ohio taxpayers.

Contrary to common belief, the state treasury really won't benefit much more from the casinos -- with constitutionally conferred monopolies worth bazillions of dollars -- than it would from a new widget factory.

And no widget factory in human history has enjoyed or ever will enjoy casino-scale profits or an Ohio-wide monopoly.

Cleveland Cavaliers owner Dan Gilbert's Rock Ventures and its partner, Caesars Entertainment, back casinos being developed in Cleveland and Cincinnati. Penn National Gaming backs the other two, in Columbus and Toledo.

Issue 3, as it was known, subjects the casinos to a new 33 percent tax on gross casino revenues, but 90 cents of every $1 of that goes to counties, school boards and the casino cities.

Of the remaining 10 cents, at most 6 cents go to state government, and even that money is earmarked not for general state expenses but for two state agencies: the Casino Control Commission and the State Racing Commission.

That is, claims that Ohio's tax rate on gross casino revenues is among the highest in the United States are meaningless if a) casino lobbyists twist the words "gross" and "revenues" like Play-Doh and b) little of whatever tax is charged ever reaches Ohio's treasury.

Using the midpoint (about $560 million) of an official pre-election estimate of annual gross casino tax collections once casinos get going, the tax would produce $286 million for counties; $190 million for school boards; $28 million for host cities; $17 million each for the Casino and Racing commissions; and $11 million each -- about 97 cents a year per Ohioan -- for problem gambling and police training. For those last items, a statewide raffle would probably produce more money.

Yes, the four casinos must each buy a $50 million license, but that's a one-time fee, which, in the words of an analysis by the Budget Office and Taxation Department, "is specifically designated" -- i.e., limited -- to supporting "regional job training programs." And $200 million, once and only once, is $17.34 per Ohioan. What a joke.

Like a widget factory, sure, or any other Ohio business, the four casinos will pay Ohio's commercial activity tax -- a tax on a business's gross receipts. But a fight's brewing over whether Penn National and Gilbert-Caesars must pay the CAT tax on gross receipts (the total amount of money casino customers gamble) or net receipts (what the casinos win from gamblers).

As an example, The Plain Dealer's Dave Davis, applying the CAT rate to a Hammond, Ind., casino's receipts vs. net, reported last week that if CAT "were applied to total revenue, it would [cost that casino] about $1.4 million. Applied to total bets . . . [CAT] jumps to $13 million."

The Legislative Service Commission, in a study requested by Sen. Eric Kearney, a Cincinnati Democrat, found that the wording of the casinos' self-written ballot measure means CAT should apply to the total amount customers gamble, not a casino's net. (Kearney fears the tax dispute could delay the casinos' openings. "I am greatly concerned that a slowdown . . . will hurt economic development and small businesses in downtown Cincinnati," he said.)

In 2009, when casinos' one-sided deal confronted Ohio voters, then-Gov. Ted Strickland, a Democrat, seemed to develop laryngitis. But last week, Republican Gov. John Kasich said, "I think the taxpayers of Ohio got a bad deal."

He's right. They did. And though Kasich didn't create this mess, he's duty-bound to clean it up.

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