



November 30, 2022

The Honorable Glenn Youngkin
Governor
Commonwealth of Virginia
Patrick Henry Building, 3rd floor
1111 E. Broad Street
Richmond, VA 23219

Re: FY22 Annual Report – Sports Betting

Dear Governor Youngkin:

I am pleased to provide our annual report of legal sports betting activity for the 2022 Fiscal Year, as required in Virginia Code § 58.1-4031. This annual report summarizes the monthly activity reporting, and any additional recommendations or particular items of note for the period.

Sports betting activity, legalized as of July 1, 2020, began in Virginia with the first operators accepting wagers for the Super Bowl in January 2021. By the end of FY22, 14 permits had been issued and all operators had activity for at least a portion of the year:

Permit Holder	Approval Date	Start Accepting Wagers
Betfair Interactive US LLC (FanDuel)	January 20, 2021	January 20, 2021
Crown Virginia Gaming, LLC (Draft Kings)	January 24, 2021	January 24, 2021
BetMGM, LLC	January 24, 2021	January 27, 2021
Rivers Portsmouth Gaming, LLC (Rivers Casino Portsmouth)	January 26, 2021	January 27, 2021
Caesars Virginia, LLC	January 27, 2021	January 27, 2021
WSI US, LLC	March 4, 2021	March 9, 2021
Golden Nugget Online Gaming VA, LLC	March 15, 2021 (Temporary)	September 29, 2021
Twin River Management Group, LLC	March 15, 2021	November 24, 2021
Penn Sports Interactive, LLC	March 15, 2021	August 10, 2021
Unibet Interactive, Inc	April 21, 2021	April 28, 2021
Colonial Downs Group, LLC	November 22, 2021	December 12, 2021
Digital Gaming Corporation VA, LLC	November 24, 2021	May 17, 2022
VHL, VA LLC	November 25, 2021	May 9, 2022
HR Bristol, LLC	March 31, 2022	March 31, 2022

Sports betting activity is taxed based on a permit holder's adjusted gross revenue. Adjusted gross revenue is calculated as wagers **minus** cash and noncash winnings, voided and cancelled wagers, Federal excise taxes, and certain allowable adjustments. Virginia's sports betting statute defines noncash winnings to include the value of bonuses and promotions used to attract and retain registered account holders. That means the adjusted gross revenue for operators may be negative for a month, and if so, that negative balance is carried forward to the following month. These calculations adhere to the statutory provisions in Virginia Code §58.1-4030 et seq., as enacted by the General Assembly in the 2020 Regular Session.

Individual tax reports and payments are filed by each active permit holder by the 20th of the month following the previous month's wagering activity. The chart below details wagering activity reported by the permit holders during the 2022 fiscal year:

Virginia aggregate numbers:

Wagering Activity July 1, 2021 – June 30, 2022	Fiscal Year 2022 Totals
Total wagers	\$4,297.8 Million
Cash and noncash winnings	(\$4,066.2 Million)
Void and Cancelled wagers	(\$31.6 Million)
Federal excise taxes	(\$10.3 Million)
Adjustments	(\$6.4 Million)
Total, Virginia Adjusted Gross Revenues	\$183.3 Million

Virginia tax collections:

For the fiscal year, monthly tax payments were received based on the tax reports filed by the permit holders. During the year, five operators made at least one monthly tax payment. At the 15% statutory tax rate (Virginia Code § 58.1-4037), total sports betting tax collections in FY22 were \$28,118,742.54. From these taxes, the required 2.5% was apportioned to the Problem Gambling Treatment and Support Fund, with the remaining 97.5% directed to the general fund as required by Virginia Code § 58.1-4038.

	Fiscal Year 2022 Totals
General Fund	\$27,415,773.96
Problem Gambling Treatment and Support Fund	\$702,968.58
Total Taxes	\$28,118,742.54

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Violations

If a permit holder violates a provision of the Sports Betting Law, a regulation promulgated by the Board, or a directive of the Lottery, the Director is authorized to take action after a hearing.

There was one settlement agreement with a permit holder during the fiscal year, related to an operator's compliance with responsible gaming requirements.

Responsible Gaming

Regulations provide for individuals to request placement on a self-exclusion list for a period of two years, five years, or a lifetime. This self-exclusion listing is shared with permitted operators, who are required to prevent any individual on the self-exclusion list from opening a new account, and to suspend any existing account and refund any remaining balance to the individual. Permit holders are also required to ensure that no marketing materials are distributed to the individual. During fiscal year 2022, 240 individuals submitted voluntary requests for self-exclusion, and the program has a total of 314 individuals participating as of June 30, 2022.

Items of Note

The General Assembly included provisions in the Appropriation Act (Item 494, Chapter 2, 2022 Special Session I) that limits the deductibility of allowable bonuses or promotions provided to bettors as an incentive to the first twelve months of a sports betting permit holder's operations. This change became effective on July 1, 2022, and next year's report will provide an update on the status of taxes collected and permit holders' tax payments.

Also, the first operators' permits will be eligible for renewal next fiscal year, with the first three-year terms expiring in January 2024. The first program renewals will occur in FY24, but the renewal processes will begin in the second half of FY23.

Please let me know if you have any questions, or if you would like more information.

Respectfully,



Kelly T. Gee

c: The Honorable Janet D. Howell, Chairwoman, Senate Finance & Appropriations Committee
 The Honorable Barry D. Knight, Chairman, House Appropriations Committee
 The Honorable Roxann L. Robinson, Chairwoman, House Finance Committee
 The Honorable Jeff Goettman, Chief of Staff, Office of the Governor
 The Honorable Stephen E. Cummings, Secretary of Finance
 Michael Maul, Director, Department of Planning & Budget
 Lewis R. McCabe, State Comptroller
 April Kees, Director, Senate Finance & Appropriations Committee
 Anne E. Oman, Staff Director, House Appropriations Committee
 Ferhan Hamid, Chairman, Virginia Lottery Board