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## Analysis: Casino tax relief falls short of expectations



Guy Wathen | TRIB TOTAL MEDIA

A dealer waits for players at a Let it Ride table inside Rivers Casino on Monday, July 21, 2014.



By [Mike Wereschagin](#)  
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Ten years after Pennsylvania legislators legalized casinos, the “historic” property tax cuts promised by gambling’s supporters have not materialized for most homeowners, a Tribune-Review analysis of state data found.

In almost all of the state’s 501 school districts, the average homeowner pays more today than he or she did in the 2003-04 school year, just before lawmakers legalized casinos, the Trib’s analysis of property tax rates and gambling-funded rebates showed.

“If there was relief, buddy, I didn’t see it,” said Scott Wilson, 46, a grocery store butcher who lives in Hopewell in Beaver County.

Lawmakers promised homeowners an average of \$300 a year in property tax relief when they passed the law legalizing 14 casinos statewide on July 4, 2004. The average turned out to be about \$180, according to state Department of Education data.

At the same time, property taxes for an average

### How we did it

The Tribune-Review analyzed the effect of gambling-funded property tax relief by comparing school district property taxes in the 2003-04 school year — the year before the casinos law passed — and 10 years later.

To calculate the taxes, the Trib used Pennsylvania median home values of about \$104,000 in 2003 and \$164,900 in 2013, as determined by the census. Using State Tax Equalization Board data, the Trib converted those market values to assessed values for each county, then applied the assessed value to each school district’s tax rate.

After determining how much taxes increased or decreased in each district, the Trib subtracted each district’s casino gambling-funded property tax relief to gauge the effect on homeowners.

Pennsylvania home increased more than \$1,000, according to a Trib analysis that incorporated data from the census, the state Tax Equalization Board and the departments of Education and Revenue. Taxes on the average Pennsylvania home — worth about \$104,000 in 2003 and \$164,900 in 2013, records show — declined in 15 school districts since the casino law took effect.

Part of the reason lawmakers' estimates were so far off was that they initially wrote the law to boost horse racing in Pennsylvania, not to lower taxes, Gov. Tom Corbett said in a recent interview.

"It was never about property tax" relief, Corbett said. "It started out with the horsemen, to save the racing industry.

... But in order to get votes, then they had to go, 'Well, we need some stand-alones.' "

Those stand-alone casinos to which Corbett referred, including Rivers Casino in Pittsburgh, pushed the total number of allowed facilities to 14.

One of the law's chief supporters, Sen. Tommy Tomlinson, R-Bucks County, predicted the state would hit \$1 billion a year in property tax relief by 2010. It reached \$778 million in 2013, according to the Department of Revenue. Tomlinson did not return calls seeking further comment.

Two casinos — one designated for Philadelphia and another at a racetrack, possibly in Lawrence County — remain unbuilt.

#### Billions in tax dollars

Although the optimism of 2004 overshadows the reality of 2014, casino taxes quickly became one of the state's largest revenue sources. The \$1.3 billion casino operators paid last year makes gambling money the fourth-largest source of tax revenue collected.

More than half of the billions of dollars that gamblers lose every year goes to the Department of Revenue. For slot machines, casinos pay an effective tax rate of more than 56 percent. The slots tax was supposed to be closer to 54 percent, including a share for host municipalities that is 2 percent or \$10 million (whichever is larger). Because no casino makes close to \$500 million, they pay the higher \$10 million flat rate.

Property tax cuts make up the largest single piece of the \$9 billion casinos have paid in taxes, but billions more flow to county and municipal governments, subsidize horse racing, pay down Pittsburgh International Airport's debt, and cover the operating deficit at the David L. Lawrence Convention Center, Downtown, among other projects. Tens of millions of dollars goes to volunteer fire and EMS departments, police agencies, and drug and alcohol programs.

But the biggest effect legal gambling has on Guy Mahaffey's life is the manicured riverwalk between Rivers Casino and the Ohio River where he gets some exercise.

Mahaffey, 68, of Pittsburgh's Manchester neighborhood returned here in 2009 after living in Washington for about 20 years. He noticed the transformation of the Strip District and Lawrenceville, but Rivers Casino seems to fade into the scenery.

"I can't say that I think that it has made a big difference, in terms of making the city either more livable or less livable," said Mahaffey, who lives five blocks from the building.

Lawmakers might have missed an opportunity in 2004 when they decided to send the tax relief money to school districts, rather than cut checks directly to homeowners, Senate Minority Leader Jay Costa said. Someone with a mortgage, whose property tax bill is paid by a bank, might not notice the line on their bill noting how much more they would pay without casinos, he said.

"In hindsight, it probably would've been best every year to make people come in and pick up their check," said Costa, D-Forest Hills. "... We would have a different perception of it."

#### Winners and losers

To see just how well the industry has done in Pennsylvania, a person need only look to the East.

"One way you could gauge the success, unfortunately for our neighbors, is just how devastated Atlantic City has been," said Matthew Rousu, associate professor of economics at Susquehanna University. "There used to be a number of people in Pennsylvania — tens of thousands — who, when they wanted to go to a casino, would make the drive."

The state has 501 districts, many of which cross borders of its 67 counties.

Because of missing data from several school districts and counties, the Trib could not calculate tax rates for about 7 percent of districts.



The New Jersey gambling hub tapped the Philadelphia market, in particular, for patrons, said Robert Shore, an industry analyst at Union Gaming Group in Las Vegas.

Atlantic City casinos grossed \$9.3 billion in 2004, according to the New Jersey Casino Control Commission. In 2013, the casinos grossed less than \$4.1 billion. Four casinos closed or announced plans to close this year.

Maryland and Ohio legalized casinos in 2008 and 2009, respectively. New York voters legalized casinos in 2013. With casinos in Delaware, New Jersey and West Virginia, Pennsylvania casinos soon will face competition on every border.

“Properties that offer, essentially, slot machines — they're like grocery stores,” Shore said. “You just go to the one that's closest.”

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