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States Learn to Bet on Sports: The Prospects and Limitations of Taxing Legal Sports Gambling

Abstract

One year after the Supreme Court overturned the federal restriction on state authorization of legal sports gambling, seven states allow and tax sports wagers and several others are close to joining them. But despite sports betting's ostensible popularity, the resulting state tax revenue is and will always be relatively small and volatile because of how sports betting operates and is taxed. This brief explains why sports betting emerged as a state finance issue in 2018, how state taxes on sports betting work, which states allow legal sports betting (both online and in person), and how much money states stand to gain from these taxes.

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The Urban Institute

Richard C. Auxier

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