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February 28, 2009

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## **Research Group Recommends New Perspective for Smoking Bans**

Iowans for Equal Rights (IER), an advocacy research group based in Des Moines, Iowa has analyzed the economic impact of smoking bans with a focus toward changes in consumer spending based on choice of venues. The group submitted its first economic impact report to the Iowa Administrative Rules Review Committee (ARRC) in December 2008. New research reveals identifiable trends in consumer spending and related taxes paid that are directly associated with smoking bans.

“This research is particularly important at the present time in light of emerging resistance to passing smoking restrictions,” said Norman E. Kjono, a consultant to the group. “Historically, the focus of smoking ban advocacy has been toward expanding smoking bans. However, a strong trend is now emerging where many states are not enacting broader smoking restrictions in light of the current economic downturn.” In recent months, legislation to enact smoking restrictions in Wyoming, Missouri, and Indiana have failed. Legislation is pending in other states, such as Colorado, to reduce previous restrictions on smoking in private businesses. “This new trend requires a shift in thinking that includes the possibility an adjoining state may change or repeal its smoking ban. That approach includes assessing what the implications of the change are for business revenues and state taxes,” Kjono said.

One analysis prepared by the Iowans for Equal Rights examines cross-border casino revenue flows between Iowa and Illinois at Davenport, Iowa and Rock Island Illinois. The analysis reveals a sharp change in previous revenue trends, to where casino revenue and gaming tax dollars flowed out of Illinois and into Iowa. While that current trend benefits Iowa casinos and increases state tax receipts, the opposite would be true if Illinois legislators were to exempt casino gaming floors from the state smoking ban.

Another analysis examined tribal and non-tribal gaming revenues in Washington. The smoking ban that became effective in that state January 2006 effectively capped non-tribal casino revenues and supported strong revenue growth for smoking-ban-exempt tribal casinos. The result was a net transfer of gaming revenues from taxpaying commercial casinos to tax-exempt tribal casinos. Business owners and all taxpayers in that state lost millions per year in gaming revenues and taxes.

“Iowans for Equal Rights believes that Iowa legislators must consider what changes would occur in state revenues if Illinois were to amend its statewide smoking ban and exempt casino gaming floors,” said Randy Stanford, Secretary—Treasurer of the education group. “Removing the current Iowa exemption for casinos would create an immediate outflow of gaming dollars and taxes to Missouri, which has been steadfast in its resistance to statewide prohibitions on smoking in private businesses. Removing the current casino gaming floor exemption would also trigger a migration of gaming patrons to tax-exempt and smoking-ban-exempt tribal casinos in Iowa,” Stanford said. Were Illinois to change its rules to exempt casinos Iowa would not only lose the current positive inflow of gaming dollars from Illinois residents in border areas but an outflow of gaming dollars to Illinois would immediately occur.

“Smoking ban advocates could be setting Iowa taxpayers up for a ‘Triple Crown’ of state gaming revenue and tax losses to smoking-ban-exempt tribal casinos in Iowa and adjoining states, to Missouri with no smoking ban, and also to Illinois, should legislative changes occur to exempt casino gaming floors,” Stanford concluded.

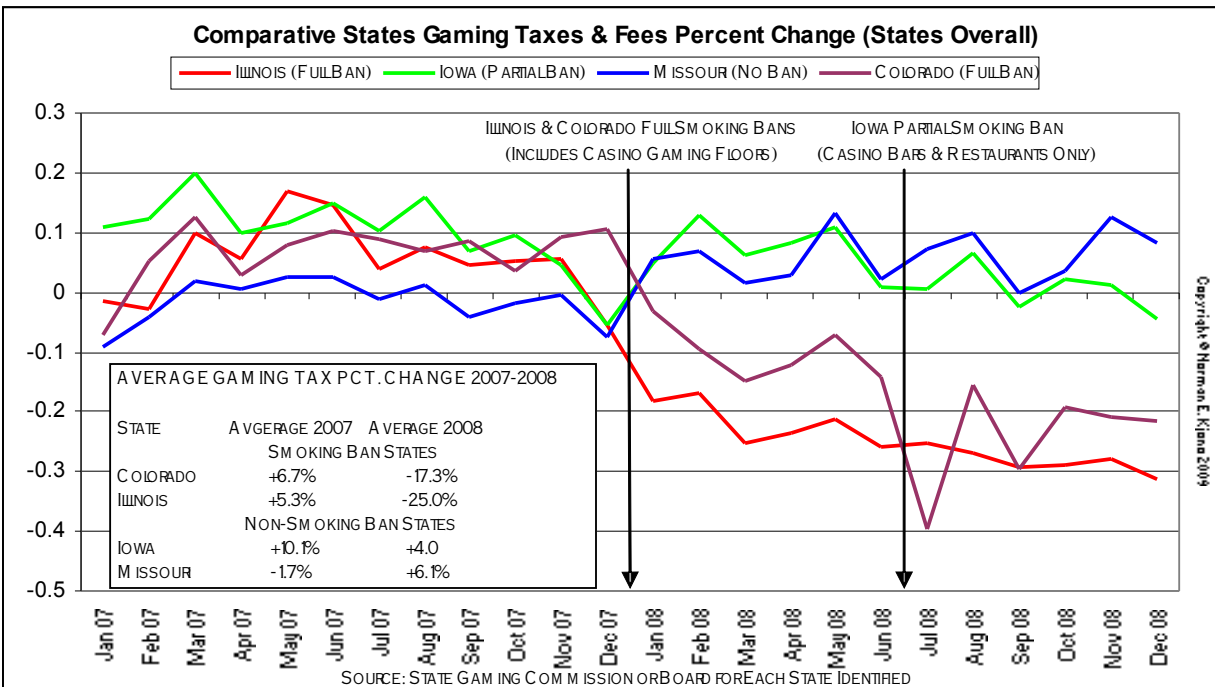
“Changes in tax revenues to the state of Iowa that are caused by new smoking ban regulations is a critically important issue because it ultimately effects all citizens in our state regardless of one’s choice concerning tobacco products,” Stanford said. “We were surprised at the magnitude of tax dollars that are moved due to statewide smoking bans, particularly in the casino gaming trade.”

Casino gaming revenues were selected for detailed study because comprehensive data are readily available on state gaming commission Web sites and the factors influencing choice of casino are similar to those that also influence consumer choice of bar, restaurant or other hospitality trade venues. In addition, all casinos are in compliance with the Clean Indoor Air Act, which became effective July 1, 2008. A significant number of bars and restaurants, particularly in rural areas, are not in compliance with the new regulations, which strongly biases financial calculations. Noncompliance produces higher revenue figures and creates an illusion of reduced economic impact within the hospitality trade.

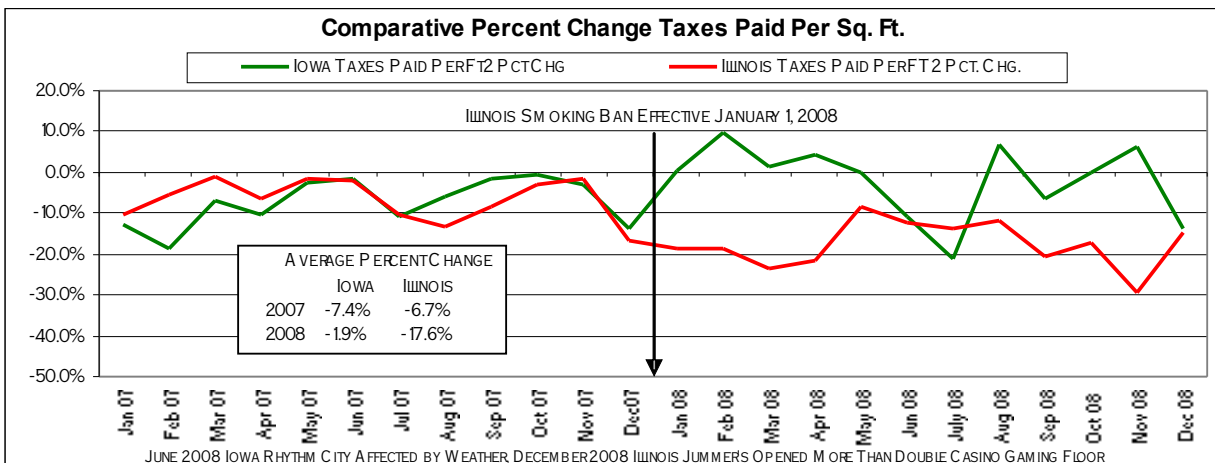
“Gaming revenues and taxes for Iowa and two adjoining states were compared,” Kjono reported. Illinois to the east and Missouri on Iowa’s southern border were included in most recent research. Shifts in revenue between Iowa and Illinois were also examined at points where casinos are located on opposite sides of the Mississippi river. Control group states with and without statewide smoking bans were also included. For control groups, Colorado was selected as a smoking ban state and Indiana was included as the nonsmoking ban state. “Across all states similar revenue and tax trends were identified,” Kjono said, “and the resulting data shows now-predictable declines in gaming revenue and taxes for smoking ban states, while non-smoking ban states enjoy comparative increases.” A graphic presentation of selected data is available on Iowans for Equal Rights’ Web site.

“Just as business owners must be aware of and understand emerging trends to conduct their business, we believe that legislators have a duty to be forward looking in planning future state revenues,” Stanford said. “Perhaps it is time to move beyond patching together the current Web of conflicting enforcement regulations from the past and begin to posture Iowa in a favorable position as current emerging trends develop further.”

### Gaming Tax Trends for Smoking Ban and No Smoking Ban States Show Clear Segregation



### Despite Summer 2008 Weather Related Disruptions Iowa Casinos Produced Superior Tax Revenues



Washington Department of Revenue, May 17, 2007: "... for non-Indian and other gambling both [Gross Business Income] and [Taxable Retail Sales] fell markedly from 2005 to 2006 in comparison with the average for previous years."

