

High tax rate, competition thwart Chicago's casino plan

By [Richard N. Velotta](#) Las Vegas Review-Journal

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If everything had gone according to plan, we would all be buzzing this week about which company would have the best opportunity to build a [casino resort in Chicago](#).

But it hasn't gone according to plan.

When Chicago started hearing crickets in response to its request for proposals, the city's leadership hit the brakes and pushed back the deadline for responses. Proposals now must be submitted to the city by Oct. 29.

Back in April, when the [original Aug. 23 deadline was set](#), Chicago Mayor Lori Lightfoot said she was hopeful that casino proposals would come from companies with Las Vegas addresses.

"It's not just building a box, but building a real world-class entertainment destination," Lightfoot said at the time. "We want to make sure that who we partner with is serious about Chicago and understands the unique opportunities that are here. As I said before, we're excited that we've attracted the interest of very serious and accomplished gaming interests from Las Vegas. Come one, come all."

But some companies have stated that they won't be bidding. Four of the largest Strip operators — MGM Resorts International, Las Vegas Sands Corp., Wynn Resorts Ltd. and Caesars Entertainment Inc. — have indicated they have no plans to bid on Chicago.

Some analysts surmised that Caesars wouldn't be in the hunt because it already has properties it either owns or leases in Elgin, Joliet and Metropolis in Illinois and in Anderson, Shelbyville, Elizabeth and Hammond in Indiana.

There's also more competition on the horizon. The city of Waukegan, Illinois, some 35 miles from downtown Chicago, is considering bids for its own casino, thanks to gaming expansion legislation approved in 2019.

The Waukegan competitors include North Point Casino, a group assembled by former Illinois state Sen. Michael Bond, CEO of Tap Room Gaming, teaming with Warner Gaming, a onetime operator of the Hard Rock Hotel hotel-casino in Las Vegas; Midwest Gaming & Entertainment of Des Plaines, Iowa; and Las Vegas-based Full House Resorts, which operates properties in rural Nevada and in Cripple Creek, Colorado, and is headed by CEO Dan Lee.

Big tax rate

The biggest issue for Las Vegas operators looking at Chicago is the tax rate Illinois would impose on gross gaming revenue from the Chicago resort — 40 percent. By comparison, the maximum rate in Nevada is 6.75 percent

MGM, Sands and Wynn tolerate the roughly 39 percent tax rate in Macao because the volume is so great.

At one time, Illinois floated a tax rate of around 70 percent, but gaming companies persuaded the Illinois Legislature to modify that.

“They’ve adjusted the tax rate so it’s more manageable because when they first passed this in 2019 it was a complete nonstarter with a tax rate basically totaling 70 percent,” said Brendan Bussmann, director of government affairs for Las Vegas-based Global Market Advisors. “So you’ve made the tax rate chokeable, but that’s it. It’s chokeable. You just can’t operate table games at a 40 percent tax rate, it doesn’t make sense.”

With the high tax rate, Chicago has a high level of investment required for the project. The city is definitely [looking for a showcase resort](#) with convention amenities and high-profile restaurants.

Those factors combined seem to be keeping Las Vegas companies away.

“It’s a market with a lot of uncertainty for what product is going to be to the north and south of you,” Bussmann said. “A high tax rate and a high threshold for investment makes it really difficult to have any major operator interested because they want to maximize resources for their investors and their shareholders.

“Chicago would be a great place for a casino,” Bussman added, “if you could adjust some of those factors.”

Another adjustment?

But would Chicago make adjustments again? Bussmann doesn’t think so.

“It’ll never happen in Illinois because Illinois is one of those states that a lot of their gaming legislation is driven by how we fill the budget, not what’s best for the market,” he said.

There are other companies, including some in Las Vegas, that could be interested, especially if they know they won’t be competing with MGM, Sands, Wynn and Caesars.

The Seminole Tribe’s Hard Rock International in Florida could bid. So could Las Vegas-based Boyd Gaming Corp.; fast-growing Bally’s Corp., which recently announced it is buying the Tropicana in Las Vegas; Malaysia’s Genting Group, which opened Resorts World Las Vegas in June; Mohegan Gaming and Entertainment, which operates the casino at Virgin Hotels Las Vegas; Tilman Fertitta’s Landry’s Inc., which owns a chain of Golden Nugget casinos nationwide; and the Chicago hometown favorite, Rush Street Gaming.

Lightfoot insisted that Rush Street “won’t have a home-court advantage” when it comes time to decide who gets the contract.

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Contact Richard N. Velotta at rvelotta@reviewjournal.com or 702-477-3893.

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