

News

Dan Webb: Bars, restaurants should make more off video gambling



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Video gambling machines. File Photo. Rich Hein/Sun-Times

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A Cicero restaurant brought in more than \$845,000 from video gaming machines last year but took home just \$295,000 after taxes and handing over 50 percent of profits to video gaming operators — a small business profit former U.S. Attorney Dan Webb is trying to recoup.

In a lawsuit filed on Wednesday, Webb is representing plaintiffs Illinois Cafe & Services Company and Laredo Hospitality Ventures, which operate businesses such as Dotty's Cafe, Stella's Place and Shelby's — examples of more than 5,800 local establishments in Illinois licensed to host electronic gaming. The two companies own and operate more than 100 Illinois video gaming parlors in 21 counties.

The suit was filed in Cook County Circuit Court against the Illinois Gaming Board. The Illinois Gaming Machine Operators Association on Tuesday in a statement said the suit was without merit.

“We believe the claims in this lawsuit are fully without merit and look forward to addressing them fully as this progresses,” the association said.

Webb is hoping the suit will force the Illinois Gaming Board to go back on provisions that he says are unfairly forcing small businesses to hand over 50 percent of profits from video gaming — equating a 2009 state law to a shakedown that rewards operators who make little investment in Illinois.

Revenues from video gambling are taxed at 30 percent — with 25 percent going to the state and the other 5 percent going to the local municipality, according to the suit. The 70 percent that remains is split evenly between the businesses that host the gambling and the operators of the actual machines.

Seven out of 10 Illinois casinos have an ownership stake in terminal operators, according to Webb, and they own more than 50 percent of all the video gaming machines in Illinois. There are about 24,000 machines statewide in roughly 6,000 businesses.

At issue, Webb says are two provisions of the Video Gaming Act that he said are harmful to local businesses and beneficial to terminal operators: that businesses must hand over 50 percent of their profits after taxes to terminal operators; and that business owners aren't allowed to buy machines on their own. The lawsuit is also seeking a change in a Feb. 2017 decision by the Illinois Gaming Board that prohibited terminal operators from funding promotional efforts at the businesses. The suit claims business owners should be able to negotiate some of the profits with operators, so that they can use that money to promote their video gaming.



Dotly's in Crestwood. | Leslie Adkins/For the Sun-Times

Webb says terminal operators install the games and “very rarely make maintenance calls.”

“I don’t think as a matter of policy the General Assembly or the governor should take an illegal business operation, give it legal status and then reward it with these huge benefits that are not deserved. I don’t see how that would ever be called good policy,” Webb said.

The suit claims handing over 50 percent to video operators violates the due process clause of the Illinois Constitution because they don’t serve “any legitimate interest.”

“These provisions basically make it an illegal shipping of profits from one group to another for no justification whatsoever,” Webb said.

Webb said efforts to change the provisions in the Legislature haven’t worked thus far.

Still, establishments are raking in money from video gaming.

McBride’s Pub & Grille in Joliet reported \$578,000 last year in profits from video gaming, while taking in \$202,609.27, after taxes and handing over profits to video game operator, according to state revenue figures provided by the plaintiffs. The figures shows that if the business could negotiate 10 percent more out of the video operators, it could make an extra \$57,000.

“If these small businesses had several hundred millions in extra revenue, they would do what every other business does in America. They would use it to expand their business, hire more people, pay more money for promotions, make your facility more comfortable for patrons and that’s what businesses do,” Webb said. “And our clients have told us very clearly that they’d like the additional revenue so they can expand their business, just like every other business. And the impact it’s going to have on the economy in Illinois and on revenue is pretty hard to predict, but it would be substantial.”

An analysis by the plaintiffs claim local businesses that host video gaming machines are losing \$150 million annually, or nearly \$25,000 a year for an average bar of restaurant.

The Illinois Gaming Board declined to comment on the lawsuit.