

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1139 (Senators Conway and Ferguson)
Budget and Taxation

Baltimore City - Commercial Bingo - Permits

This bill establishes a commercial instant bingo permit in Baltimore City. The Baltimore City Bureau of Revenue Collections may issue a commercial instant bingo permit to a qualified organization that was authorized to offer instant bingo on July 1, 1995. A qualified organization is a volunteer fire company or a bona fide religious, fraternal, civic, war veterans', or charitable organization. For commercial purposes, the permit holder may resume operating instant bingo games in the same manner using electronic machines if the machines were in operation for a one-year period ending on June 30, 1996; the entity does not operate more than the number of electronic machines in operation on June 30, 1996; and the conduct of the gaming and operation of the machines are consistent with all other provisions of the Criminal Law Article. The Baltimore City Bureau of Revenue Collections must adopt regulations to implement the bill.

Fiscal Summary

State Effect: Special fund revenues to the Maryland E-Innovation Initiative Fund and the Special Fund for Preservation of Cultural Arts in Maryland increase minimally beginning in FY 2017 from admissions and amusement (A&A) tax revenues from electronic bingo machines. General fund expenditures increase by \$33,100 in FY 2017 for the Comptroller's Office to audit electronic bingo machines in Baltimore City. Out-year expenditures reflect annualization, the elimination of one-time start-up costs, and inflation.

Local Effect: Baltimore City revenues increase from local A&A tax revenues and if regulations adopted under the bill specify a fee for commercial instant bingo permits. The Baltimore City Bureau of Revenue Collections can issue permits with existing resources.

Small Business Effect: Minimal. A qualified organization in Baltimore City that receives a commercial instant bingo permit would benefit.

Analysis

Current Law: In Baltimore City, a qualified organization must be a bona fide religious, fraternal, patriotic, educational, or charitable organization to conduct bingo, including games of instant bingo. After reviewing the character of the organization, the Baltimore City Police Commissioner may issue a one-day permit or a permit for a period of over one day but not more than 12 months. The permit fee is \$10 for each day bingo is permitted to be conducted, \$750 for a three-month period, or \$3,000 for a 12-month period. The qualified organization may not offer or award in any game a cash or merchandise prize of more than \$45, and the proceeds must be used for charitable purposes or to further the purposes of a qualified organization.

The commissioner may issue a special annual permit for a fee of \$5 to a nonprofit organization or nonprofit corporation that conducts bingo games in which the value of any prize is not more than \$5 and not more than 100 individuals play.

An organization that is devoted exclusively to religious, charitable, or educational purposes, or is a service, fraternal, or a veterans' organization, may conduct bingo, including games of instant bingo, in Baltimore City if the net proceeds do not benefit a stockholder or member of the organization and the net proceeds are used solely for charitable purposes or to further the purposes of the organization. Prize money or merchandise may not exceed specified values depending on the type of prize or game.

A bingo permit holder may not conduct bingo in a restaurant or tavern where alcoholic beverages are sold, in a permanent amusement or entertainment place, or on Sunday, except by a bona fide religious organization that conducts bingo on property owned or leased by the organization.

Commercial Electronic Bingo and Tip Jar Machines

An entity licensed to offer instant bingo under a commercial bingo license on July 1, 2007, or a qualified nonprofit organization, may continue to operate a game of instant bingo in the same manner using electronic machines, provided that:

- the machines were in operation for a one-year period ending December 31, 2007, or under a commercial bingo license on December 31, 2007;
- the entity does not operate more than the number of machines in operation on February 28, 2008; and
- the conduct of the gaming and operation of the machines are consistent with all other provisions of the Criminal Law Article.

A State A&A tax is imposed on the net proceeds derived from any charge for the operation of an electronic bingo machine permitted under a commercial bingo license or an electronic tip jar machine that is operated for commercial purposes. The State tax rate may not exceed a rate that when combined with the rate of any local tax will exceed 35%.

For fiscal 2016 through 2021, revenues attributable to a State A&A tax rate of 20% imposed on electronic bingo and electronic tip jars are distributed to the Maryland E-Innovation Initiative Fund, and revenues attributable to a rate of 5% are distributed to the Special Fund for Preservation of Cultural Arts in Maryland. After fiscal 2021, revenues attributable to a State A&A tax rate of 20% imposed on electronic bingo and electronic tip jars are distributed to the general fund, and revenues attributable to a rate of 5% are distributed to the Special Fund for Preservation of Cultural Arts in Maryland.

The tax rate in Anne Arundel County is 25%, distributed as described above because Anne Arundel County has a 10% local A&A tax, and the combined State and local A&A rate cannot exceed 35%. In Calvert County, the total State A&A rate on specified machines is 33%. In fiscal 2014 through 2019, revenues attributable to the additional State A&A tax rate in Calvert County are distributed as follows:

- 1.5% to the Boys and Girls Club of the Town of North Beach in the amount of \$50,000, with the remainder to the Town of North Beach;
- 2.5% to the Town of Chesapeake Beach; and
- 4.0% to the Calvert County Youth Recreational Opportunities Fund (CCYROF).

Beginning in fiscal 2020, distributions are unaltered, except that the revenues attributable to a State A&A rate of 4.0% no longer go to CCYROF but are instead distributed to the Calvert County Board of Education for school renovation and renewal projects.

State Revenues: Baltimore City has a 10% A&A tax rate, so the State A&A tax rate on the net proceeds from electronic bingo machines in Baltimore City would be 25%. Thus, beginning in fiscal 2017, Maryland E-Innovation Initiative Fund revenues attributable to a State A&A tax rate of 20% increase minimally, and Special Fund for Preservation of Cultural Arts in Maryland revenues attributable to a tax rate of 5% also increase minimally.

While the bill may draw some gaming revenues away from the State lottery and casino facilities, the impact is small enough that overall gaming revenues are not affected.

State Expenditures: The Comptroller will need one part-time field auditor to audit the electronic bingo machines. While Baltimore City assumes approximately 100 organizations have commercial bingo machines that were in operation prior to 1996, the State Lottery and Gaming Control Agency estimates that only a small number of organizations would be eligible. It is unknown how many commercial instant bingo

permits would be issued, but the Comptroller's Office estimates having to audit at least 20 to 25 organizations.

Thus, general fund expenditures increase by \$33,122 in fiscal 2017, which accounts for the bill's October 1, 2016 effective date. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	0.5
Salary and Fringe Benefits	\$28,533
Operating Expenses	<u>4,589</u>
Total FY 2017 Expenditures	\$33,122

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Local Fiscal Effect: Baltimore City estimates issuing 100 commercial instant bingo permits with an annual permit fee of \$100. Thus, Baltimore City revenues increase by \$10,000 annually from permit fees beginning in fiscal 2017. However, Baltimore City estimates between \$5,000 and \$6,000 of expenditures annually beginning in fiscal 2017 to issue permits, inspect machines, and ensure compliance, so the net revenue increase is between \$4,000 and \$5,000 annually. Additionally, Baltimore City charges a 10% A&A tax rate, so revenues increase minimally from A&A revenues on the net proceeds of electronic bingo machines.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City, Comptroller's Office, Maryland State Lottery and Gaming Control Agency, Department of Legislative Services

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