

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 575 (Senator Della)
Finance

Referred to Ways and Means

State Lottery - Cash Prizes and Prohibited Actions

This enrolled bill allows lottery agents to pay cash prizes of up to \$5,000. Agents currently are not allowed to pay cash prizes over \$600. Prizes over \$600 may not be paid if the winner owes child support or is delinquent in paying restitution for crimes. In addition, agents must report income tax information relating to holders of winning lottery tickets as required by the Internal Revenue Service or the Lottery Agency.

Fiscal Summary

State Effect: Indeterminate decrease in general fund revenues, as discussed below. Expenditures are not affected.

Local Effect: None.

Fiscal Analysis

State Revenues: The bill allows agents to pay cash prizes up to \$5,000. Currently, agents may only pay prizes up to \$600. Since agents earn a 3% cashing fee for each prize that they pay, agents' earnings would increase to the extent they pay prizes over \$600. These cashing fees are paid directly from sales receipts before money is deposited into the State's general fund and the Maryland Stadium Facilities Fund. As a result, the increase in agents' earnings would lead to a corresponding decrease in State revenues. However, to the extent that the additional cashing fees provide incentive for agents to increase ticket sales, this loss could be mitigated.

For illustrative purposes, a \$5,000 cash payment would result in additional cashing fees of \$132 for the agent and a general fund revenue loss of \$132. Since net revenue to the general fund of lottery games is about 34% of sales, an additional \$388 worth of non-winning lottery

tickets would have to be sold to offset the general fund loss from each \$5,000 prize paid out under this bill.

Information Source(s): State Lottery Agency, Department of Fiscal Services

Fiscal Note History: First Reader - February 15, 1996

ncs Revised - Senate Third Reader - March 18, 1996

Revised - Enrolled Bill - May 24, 1996

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