

Department of Legislative Services  
Maryland General Assembly  
2008 Session

FISCAL AND POLICY NOTE

House Bill 635  
Ways and Means

(Allegany County Delegation)

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Taxes - Admission and Amusement Tax - Tip Jar Exemption

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This bill defines an “electronic tip jar” to mean a game played in an electronic or electro-mechanical device that contains a predetermined winning and losing games and signals the issuance of a winning play. An electronic tip jar does not include a device that dispenses tip jar tickets but does not alert the customer to a winning or losing ticket.

The bill takes effect July 1, 2008.

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Fiscal Summary

**State Effect:** None. The bill codifies current State regulations pertaining to the definition of an electronic tip jar.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Current Law:** The State imposes a 20% admissions and amusement tax on the net receipts generated from the operation of specified electronic bingo and electronic tip jars. On January 18, 2008, the Comptroller of Maryland updated regulations to address concerns regarding the terms “electronic bingo” and “electronic tip jars.” Pursuant to State regulations, an electronic bingo or electronic tip jar is a game played in an electronic or electro-mechanical device that contains predetermined winning and losing

games and signals the issuance of a winning play. Examples include (but are not limited to):

- electronic devices utilizing paper bingo or tip jar tickets; and
- electronic devices utilizing computer chips that simulate paper bingo or tip jar tickets that, when played by a customer, determine the outcome of winning or losing that is not random or subject to change, but is based on a predetermined set of winning or losing numbers.

Previous regulations were promulgated December 12, 2007 and provided examples of electronic tip jars. The examples presented included...“pull tabs that are sold from a dispensing machine or any electronic game card that contains a circuit boards/micro processor; game software and a power source.”

**Background:** At the 2007 special session, the General Assembly approved legislation (Chapter 6) that imposed a 20% State admissions and amusement tax on the net receipts generated from the operation of specified electronic bingo and electronic tip jars. This provision took effect January 3, 2008 and is projected to generate \$2.5 million in fiscal 2008 and \$5.0 million annually thereafter.

Paper gaming is a game of chance in which prizes are awarded, and the devices used to play the game are constructed of paper. The most common forms of paper gaming are punchboards and tip jars. A punchboard is a square piece of wood or cardboard with dozens or hundreds of holes punched in it, each filled with a piece of paper with numbers or symbols printed on it. The holes are covered with foil or paper, and players pay for the right to punch one or more holes. If the numbers or symbols on their slips of paper match a winning combination, they receive a prize, either cash or another item. Tip jars dispense a sealed piece of paper that contain within several folded pieces of paper. The sealed piece of paper is opened by a purchaser and the numbers or symbols printed on the folded paper are compared to a board that identifies winning combinations.

An electronic tip jar is an electrically operated machine that dispenses paper tickets inserted into the machine by an employee. Washington County recently limited electronic tip jar machines to only those machines in which a roll of preprinted paper tips is inserted into the machine; thereby, making tip machines that have a computer server that prints tickets illegal. Washington County’s concern was tip machines that print their own ticket may be controlled by a remote server that is difficult to audit or inspect. Allegany County has approved electronic tips with a computer server. The machines are preprogrammed to provide a predetermined payout rate of winning tickets in a deck.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 370 (Senator Edwards) – Budget and Taxation.

**Information Source(s):** Allegany County, Carroll County, Cecil County, Garrett County, Harford County, Montgomery County, Prince George's County, St. Mary's County, Department of Legislative Services

**Fiscal Note History:** First Reader - February 5, 2008  
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