

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1565 (Delegate Costa)
Ways and Means

Gaming - Commercial Bingo Licenses

This bill extends the deadline after which a county is prohibited from issuing a commercial license to an entity that was not licensed to conduct commercial bingo to June 30, 2011.

The bill does not apply to slot machines authorized for use on the Eastern Shore by eligible organizations.

Fiscal Summary

State Effect: None.

Local Effect: Potential increase in local admissions and amusement tax revenues for Anne Arundel and Calvert counties beginning in FY 2010. Local expenditures are not affected.

Small Business Effect: Overall minimal; however, to the extent that additional licenses allowed under the bill provide revenues to a local small business establishment, revenues will increase beginning in FY 2010.

Analysis

Current Law/Background: Chapter 474 of 2008 prohibited certain gaming machines licensed by local jurisdictions, primarily electronic bingo and tip jar machines, from operating after July 1, 2009. A county may not issue a commercial bingo license to an entity that was not licensed to conduct commercial bingo on or before June 30, 2008. The law altered the definition of “slot machine” to include a machine that reads a game of

chance and a machine that delivers a game of chance. The law also provided for exceptions for certain machines that are not considered slot machines:

- machines that award the user additional free games;
- machines that are arcade-type games that provide noncash prizes of minimal value; and
- paper pull tab tip jars and paper pull tab instant bingo tickets that must be opened manually as long as the machine does not electronically read the ticket, does not alert the user to winnings, or does not tabulate the winnings.

Personal electronic bingo machines are also excluded as long as the machine does not allow a person to play more than 54 cards at one time. State Lottery Commission machines that dispense lottery tickets and video lottery terminals (VLTs) are also excluded.

To remain in operation until July 1, 2009, the electronic bingo machines must have been in operation for a one-year period ending December 31, 2007. In addition, no more than the number of electronic machines operated as of February 28, 2008, may be in operation by the qualified organization or commercial bingo licensee.

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 electronic bingo and electronic tip jars operated for commercial purposes. The revenues accrue to the general fund. This provision took effect January 3, 2008.

Local Gaming

Commercial bingo principally operates in Anne Arundel and Calvert counties. It is common for commercial bingo operations to offer both electronic and traditional bingo. In Washington County, there is one commercial bingo licensee, and the county may not issue any new commercial bingo licenses. The bill will not alter this prohibition. **Exhibit 1** shows local fiscal 2008 admissions and amusement tax revenues for selected counties from bingo, an undetermined portion of which is from electronic bingo.

Exhibit 1
Bingo-related County Admissions and Amusement Tax Revenues
Fiscal 2008 Actuals

<u>County</u>	<u>Revenues</u>
Anne Arundel	\$1,589,523
Calvert	683,276
Washington	<u>19,817</u>
Total	\$2,292,616

Source: Comptroller's Office

Each county is responsible for regulating gaming activities conducted by civic and charitable organizations. There is no statewide reporting of gaming activities by civic and charitable organizations. Gaming licensees may use the proceeds of gaming activities for the benefit of their own organizations, but do not need to share them with other organizations. However, slot machine operators must use half of the proceeds from slot machines to benefit a charity.

Facilities operating electronic bingo are located primarily in Allegany, Anne Arundel, and Calvert counties. Tip jar gaming, predominantly paper based, is conducted in several Western Maryland counties including Allegany, Garrett, and Washington. There are approximately 987 electronic bingo, tip jar, and other machines in Allegany, Anne Arundel, Calvert, St. Mary's, and Washington counties.

Admissions and Amusement Tax

All counties (with the exception of Caroline County), Baltimore City, and most municipalities impose a local admissions and amusement tax. Each unit of local government sets its own single tax rate or range of rates. This rate is expressed as a percentage of gross receipts, up to a maximum rate of 10%.

Each unit of local government is authorized to classify different types of activities, and the tax rate need not be the same for each type. An admissions and amusement tax may not be imposed in a municipality by a county if the municipality already imposes a similar tax or specifically exempts any gross receipts from the admissions and amusement tax. However, if a municipality does not levy a tax, the county tax, if any, applies within the municipality. The local admissions and amusement tax is further limited by the State sales and use tax.

The maximum tax rate on the gross receipts subject to admissions and amusement tax may not exceed 10%, except if the 6% State sales and use tax also applies to these receipts. In

these cases, the total tax rate may not exceed 11%, thus the local admissions and amusement tax may not exceed 5%. This limitation on the local tax arises primarily on performances accompanied by some type of food service (dinner theaters, *etc.*).

The Comptroller collects the local (*i.e.*, county or municipal) admissions and amusement tax and remits payment back to the local jurisdictions on a quarterly basis. The Comptroller also collects the 20% State admissions and amusement tax, which is levied on net proceeds (*i.e.*, after cash and prizes are paid out). In general, the admissions and amusement tax applied by the local jurisdictions is a gross receipts tax. The notable exception is Anne Arundel County, which allows for the prizes and cash awards from the electronic bingo parlors to be subtracted out.

Local Fiscal Effect: The State Lottery Agency conducted a study of local gaming in Maryland required by Chapter 474 of 2008. The report indicates that less than half of gross receipts from commercial bingo derive from traditional bingo, but a more precise figure is not available. Local admissions and amusement tax revenues will increase in Anne Arundel and Calvert counties beginning in fiscal 2010, to the extent that counties issue commercial bingo licenses to new entities during the period between the bills effective date of October 1, 2009, and June 30, 2011, and to the extent these entities generate a net increase in local commercial bingo gross receipts.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Maryland State Lottery Agency, Department of State Police, Department of Legislative Services

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ncs/rhh

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