

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 418 (Allegany County Delegation)
Ways and Means

Allegany County - Paper Gaming - Taxes

This bill authorizes Allegany County to impose paper gaming tax rates within a certain range of gross profits minus the costs of paper gaming products, instead of at rates that are fixed by State law. Specifically, paper gaming taxes of up to 10% for certain qualified organizations and up to 40% on certain for-profit businesses may be imposed on gross profits minus the costs of paper gaming products.

Fiscal Summary

State Effect: None.

Local Effect: The bill authorizes, but does not require, reduced paper gaming tax rates in Allegany County, therefore, Allegany County revenues will only be affected if the county reduces the tax rates below the current rates. Allegany County expenditures are not affected.

Small Business Effect: To the extent that Allegany County chooses to decrease the tax rate on for-profit businesses that are licensed, or may become licensed, to offer paper gaming, these Allegany County businesses will retain more profit from paper gaming. Paper gaming wholesalers may benefit marginally from increased demand for paper gaming products.

Analysis

Current Law: In Allegany County, paper gaming is a game of chance in which prizes are awarded and the devices used to play the game are constructed out of paper or cardboard. Paper gaming includes tip jar and punchboard gaming, but does not include

bingo. Allegany County may issue a paper gaming license to a for-profit business that holds a Class A, C, or D retail alcoholic beverages license. Qualified organizations that do not have an alcoholic beverages license (including a volunteer fire company or bona fide religious, fraternal, civic, war veterans', or charitable organization) and fire and rescue departments may engage in paper gaming without a paper gaming license. Wholesale vendors of paper gaming devices must also be licensed in Allegany County. Allegany County may impose the following paper gaming taxes:

- on licensees that are qualified organizations, 10% of gross profits minus the costs of paper gaming products; and
- on licensees that are for-profit businesses, 40% of gross profits minus the costs of paper gaming products.

Allegany County may not impose a paper gaming tax on qualified organizations that do not have an alcoholic beverages license or fire and rescue departments that buy paper gaming devices from a licensed wholesale vendor. Allegany County has a Special Gaming Fund that may be used only to benefit fire and rescue departments and to pay for specified school costs, after paying administrative costs to the county associated with regulation of paper gaming.

Background: Allegany County advises that in fiscal 2011, tax revenues from paper gaming totaled \$179,400 from 27 qualified organizations and \$227,700 from 61 for-profit businesses.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Allegany County, Maryland State Lottery Agency, Department of Legislative Services

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mc/jrb

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