

Department of Legislative Services  
Maryland General Assembly  
2020 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 135  
Ways and Means

(Delegate Lierman, *et al.*)

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Admissions and Amusement Tax - Electronic Bingo and Tip Jars - Distribution  
to Maryland State Arts Council

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This bill alters the distribution of State admissions and amusement (A&A) tax revenues by maintaining the required \$1 million distribution to the Maryland State Arts Council (MSAC) beyond fiscal 2021. Under current law, this distribution would have been provided to the Special Fund for the Preservation of Cultural Arts in Maryland (POCA). **The bill takes effect July 1, 2020.**

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Fiscal Summary

**State Effect:** None. The bill continues the current distribution of State A&A tax revenue and has no net effect on special fund revenues or expenditures.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Current Law:** The 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 combined State and local tax rate may not exceed 35%. The tax is only imposed in Anne Arundel and Calvert counties.

In 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 Maryland E-Innovation

Initiative Fund and revenues attributable to a 5% tax rate are distributed to MSAC (\$1.0 million) and POCA (remaining revenues). After fiscal 2021, revenues attributable to the 20% tax rate are distributed to the general fund and revenues attributable to a 5% tax rate are distributed to POCA.

**Background:** The State generated \$13.7 million from the A&A tax on electronic bingo and electronic tip jars in fiscal 2019. **Exhibit 1** shows the revenue distribution from the tax in fiscal 2019.

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**Exhibit 1**  
**State A&A Tax Distributions**  
**Fiscal 2019**

<u>Organization</u>	<u>Amount</u>
Preservation of Cultural Arts in Maryland	\$1,032,156
Maryland State Arts Council	1,000,000
Boys & Girls Club (Town of North Beach)	50,000
Calvert County Youth Recreational Opportunities Fund	1,150,207
Town of North Beach	381,328
Town of Chesapeake Beach	718,879
Maryland E-Nnovation Initiative Fund	9,128,623
Arts Council of Anne Arundel County	250,000
<b>Total</b>	<b>\$13,711,193</b>

A&A: admissions and amusement

Source: Department of Legislative Services

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*MSAC and POCA*

MSAC supports the visual, literary, and performing arts by providing grants, technical assistance, and other support services to arts organizations and presenters, county art councils, schools, Arts and Entertainment Districts, and individual artists. MSAC also manages the Maryland Public Art Initiative, Maryland Traditions, and other programs that advance the arts across the State. The proposed fiscal 2021 State budget includes \$27.6 million in funding for MSAC, including \$1 million from the State A&A tax. MSAC is administered by the Department of Commerce.

POCA provides emergency grants to eligible cultural arts organizations, including museums or similar entities to prevent the closure or termination of a cultural arts

organization. The Department of Commerce administers the allocation of funding under the program. The proposed fiscal 2021 State budget includes \$1 million in funding for the program.

**State Fiscal Effect:** While overall special fund revenues and expenditures are unchanged, the bill alters the distribution of State A&A tax revenue beginning in fiscal 2022. By maintaining the current \$1 million distribution to MSAC beyond fiscal 2021, the bill will reduce the funding amount available to POCA. Under current law, POCA is scheduled to receive all of the revenues attributable from the 5% tax rate on electronic bingo and tip jars beginning in fiscal 2022. Under the bill, funding for POCA will decrease by \$1 million while MSAC funding will increase by the same amount.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** SB 465 (Senator Guzzone, *et al.*) - Budget and Taxation.

**Information Source(s):** Department of Commerce; Comptroller's Office; Department of Budget and Management; Department of Legislative Services

**Fiscal Note History:** First Reader - January 28, 2020  
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