

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 647

(Senators Young and Hough)

Budget and Taxation

Ways and Means

Frederick County - Electronic Tip Jar Machines - Authorization and Regulation

This bill authorizes a person authorized to operate a tip jar in Frederick County to operate an electronic tip jar machine in the county if the person obtains a gaming permit for each electronic tip jar machine from the county. The Frederick County Commissioners may adopt regulations for the operation and licensing of electronic tip jar machines in Frederick County. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: While the bill may draw some gaming revenues away from the State lottery and casino facilities, the impact is likely small enough that overall gaming revenues are not materially affected.

Local Effect: Frederick County can issue permits with existing resources and county finances are not materially affected.

Small Business Effect: Minimal.

Analysis

Current Law: To operate a tip jar or punchboard in Frederick County, an establishment or proprietor must be licensed to serve food and alcoholic beverages for consumption on the premises. A person may operate a tip jar or punchboard only for the benefit of an eligible organization. Eligible organizations include *bona fide* hospitals and religious, fraternal, civic, war veterans', amateur athletic, patriotic, charitable, and educational

organizations as well as volunteer fire, rescue, and ambulance companies and their auxiliary organizations in Frederick County. The beneficiary of a tip jar may not hold more than three permits to operate tip jars or punchboards outside of the beneficiary's premises and must receive at least 70% of the gross proceeds of the tip jar or punchboard after paying winning players and reimbursing the operator for operating expenses.

Commercial Electronic Bingo and Tip Jar Machines

An entity licensed to offer instant bingo under a commercial bingo license on July 1, 2007, or a qualified nonprofit organization, may continue to operate a game of instant bingo in the same manner using electronic machines, provided that:

- the machines were in operation for a one-year period ending December 31, 2007, or under a commercial bingo license on December 31, 2007;
- the entity does not operate more than the number of machines in operation on February 28, 2008; and
- the conduct of the gaming and operation of the machines are consistent with all other provisions of the Criminal Law Article.

A county may not issue a commercial bingo license under Title 13 of the Criminal Law Article or under any public local law to an entity that was not licensed to conduct commercial bingo on or before June 30, 2008.

A State admissions and amusement (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 authorized under Title 13 of the Criminal Law Article that is operated for commercial purposes. The combined State and local tax rate may not exceed 35%. Generally, the State tax rate imposed on electronic bingo or electronic tip jar machines is 30%.

The tax is currently only imposed in Anne Arundel and Calvert counties. 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 the Maryland State Arts Council (\$1.0 million), the Town of Chesapeake Beach (\$300,000), the Michael Erin Busch Sports Fund (\$500,000), and the Special Fund for Preservation of Cultural Arts in Maryland (remaining revenues).

The tax rate in Anne Arundel County is 25%, distributed as described above because Anne Arundel County has a 10% local A&A tax, and the combined State and local tax rate cannot exceed 35%. In Calvert County, the total State A&A tax rate on specified machines

is 33%. Revenues attributable to the additional State A&A tax rate in Calvert County are distributed as follows:

- 1.5% to the Boys and Girls Club of the Town of North Beach in the amount of \$50,000, with the remainder to the Town of North Beach;
- 2.5% to the Town of Chesapeake Beach; and
- 4.0% to the Calvert County Youth Recreational Opportunities Fund.

Additional Comments: The State A&A tax does not apply to electronic tip jar machines authorized under the bill because the bill authorizes electronic tip jar machines under Title 12 of the Criminal Law Article, and the State A&A tax is only imposed on machines authorized under Title 13 of the Criminal Law Article that are operated for commercial purposes.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 759 (Frederick County Delegation) - Ways and Means.

Information Source(s): Frederick County; Maryland State Lottery and Gaming Control Agency; Department of Legislative Services

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