

Department of Legislative Services  
Maryland General Assembly  
2022 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 759 (Frederick County Delegation)  
Ways and Means

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Frederick County - Electronic Tip Jar Machines - Authorization and Regulation

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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 license for each electronic tip jar machine from the State Lottery and Gaming Control Commission (SLGCC). SLGCC must adopt regulations for the operation and licensing of electronic tip jar machines in Frederick County. **The bill takes effect July 1, 2022.**

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Fiscal Summary

**State Effect:** General fund revenues and expenditures for the State Lottery and Gaming Control Agency (SLGCA) may increase beginning in FY 2023 for licensing electronic tip jar machines in Frederick County.

**Local Effect:** Frederick County finances are not materially affected.

**Small Business Effect:** Minimal.

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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-Nnovation 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.

**State Fiscal Effect:** 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.

SLGCA does not know the number of entities who will operate electronic tip jar machines under the bill or the number of machines that will be licensed. To the extent that existing SLGCA staff are unable to license electronic tip jar machines in Frederick County, SLGCA may establish license fees sufficient to cover the costs of additional staff. Thus, general fund revenues and expenditures may increase correspondingly beginning in fiscal 2023.

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.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** SB 647 (Senators Young and Hough) - Budget and Taxation.

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

**Fiscal Note History:** First Reader - February 20, 2022  
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