

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 623 (Senator Zucker)
 Budget and Taxation

Gaming - Electronic Instant Bingo Machines - Maximum Number of Machines

This bill increases the maximum number of electronic instant bingo machines that an entity licensed to offer instant bingo under a commercial bingo license may operate, based upon the number of electronic instant bingo machines the entity operated on February 28, 2008. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: Under one set of assumptions, special fund revenues and expenditures increase by \$3.2 million annually beginning in FY 2024 from admissions and amusement (A&A) tax revenues from electronic instant bingo machines. General fund revenues increase by \$57,600 annually beginning in FY 2024. The State Lottery and Gaming Control Agency (SLGCA) can implement the bill with existing resources.

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GF Revenue	\$57,600	\$57,600	\$57,600	\$57,600	\$57,600
SF Revenue	\$3,192,000	\$3,192,000	\$3,192,000	\$3,192,000	\$3,192,000
SF Expenditure	\$3,192,000	\$3,192,000	\$3,192,000	\$3,192,000	\$3,192,000
Net Effect	\$57,600	\$57,600	\$57,600	\$57,600	\$57,600

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Under one set of assumptions, Anne Arundel County revenues increase by \$977,500 annually and Calvert County revenues increase by \$269,300 annually from additional A&A tax revenues beginning in FY 2024.

Small Business Effect: Minimal.

Analysis

Bill Summary: This bill increases the maximum number of electronic instant bingo machines that an entity licensed to offer instant bingo under a commercial bingo license may operate as follows:

- 100 electronic machines if the entity operated 85 or 87 electronic machines on February 28, 2008;
- 150 electronic machines if the entity operated 100 or 103 electronic machines on February 28, 2008;
- 250 electronic machines if the entity operated 200 electronic machines on February 28, 2008; and
- 295 electronic machines if the entity operated 278 electronic machines on February 28, 2008.

Exhibit 1 shows the maximum number of machines authorized under the bill and current law for the impacted entities.

Exhibit 1 Commercial Instant Bingo Machines

<u>County</u>	<u>Location</u>	<u>Current Law</u>	<u>Under the Bill</u>	<u>Increase</u>
Anne Arundel County	Delta Bingo	103	150	47
Anne Arundel County	Delta Wayson's Bingo	100	150	50
Anne Arundel County	Bingo World	200	250	50
Calvert County	Abner's Crab House & Restaurant	85	100	15
Calvert County	Trader's Steak & Ale	87	100	13
Calvert County	Rod 'N' Reel Resort	278	295	17

Source: Department of Legislative Services

Current Law: 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 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%.

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 (MEIF), 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 State 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%. Calvert County imposes a 1% A&A tax rate. 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 (CCYROF).

State Fiscal Effect:

Licensing

The bill authorizes an additional 192 machines (147 in Anne Arundel County and 45 in Calvert County). Application and license fees for instant bingo machines are established in regulations. The annual license fee paid by the facility is \$150 per machine, and there is also a manufacturer's annual license fee of \$150 per machine, so each new machine

generates license fee revenues of \$300 annually. Assuming an increase of 192 licensed instant bingo machines, general fund revenues for SLGCA increase by \$57,600 annually. License fees may minimally increase further to the extent additional employees, such as instant bingo managers, at commercial instant bingo facilities are hired and required to be licensed.

SLGCA licenses the bingo facilities and certain key employees, certifies the machines, and performs an annual compliance audit. SLGCA can certify additional machines and license any additional employees with existing resources.

Admissions and Amusement Tax Revenues

This analysis assumes there are 192 additional machines, and each machine generates \$66,500 of net proceeds. Beginning in fiscal 2024, MEIF revenues attributable to a State A&A tax rate of 20% increase by \$2.6 million annually, and Special Fund for Preservation of Cultural Arts in Maryland revenues attributable to a tax rate of 5% increase by \$638,400 annually. These programs are within the Department of Commerce, so special fund revenues and expenditures for Commerce increase. Commerce can administer the additional funds utilizing existing resources.

Impact on Other Gaming Revenues

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 Fiscal Effect: Revenues for Anne Arundel and Calvert counties increase from local A&A tax revenues. Under the assumptions above, Anne Arundel County revenues increase by \$977,500 annually beginning in fiscal 2024. Calvert County revenues increase by \$269,300 annually beginning in fiscal 2024, of which \$44,900 is distributed to the Town of North Beach, \$74,800 is distributed to the Town of Chesapeake Beach, and \$119,700 is distributed to CCYROF.

Additional Information

Prior Introductions: Similar legislation has been introduced within the last three years. See HB 1316 and SB 858 of 2022.

Designated Cross File: HB 257 (Delegate Ebersole) - Ways and Means.

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

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Analysis by: Scott P. Gates

Direct Inquiries to:
(410) 946-5510
(301) 970-5510