

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1277
Ways and Means

(Frederick County Delegation)

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 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, 2023.**

Fiscal Summary

State Effect: General fund revenues and expenditures for the State Lottery and Gaming Control Agency (SLGCA) may increase beginning in FY 2024 for licensing electronic tip jar machines in Frederick County.

Local Effect: Frederick 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%. The tax is currently only imposed in Anne Arundel and Calvert counties.

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 anticipate a significant effect on its administrative costs. To the extent that existing SLGCA costs do increase, SLGCA may establish license fees sufficient to cover the additional costs. Thus, general fund revenues and expenditures may increase correspondingly beginning in fiscal 2024.

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.

Additional Information

Prior Introductions: Similar legislation has been introduced within the last three years. See HB 759 and SB 647 of 2022.

Designated Cross File: SB 953 (Frederick County Senators) - Rules.

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

Fiscal Note History: First Reader - March 9, 2023
km/jrb

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