

HOUSE BILL ANALYSIS

HB 1404

Brief Description: Revising provisions for punchboards and pull tabs.

Sponsors: Representatives McMorris, Honeyford, Robertson, Ballasiotes, Conway, Wood, cole, Boldt and Delvin

Hearing: February 5, 1997

BACKGROUND:

Punchboards and pull tabs were authorized as legal forms of gambling in 1973. Punchboards and pull tabs are used as a commercial stimulant to increase revenue for businesses that sell food and beverages for consumption on the premises. Charitable and nonprofit organizations may use these forms of legal gambling to raise money for the organizations' charitable purposes.

When first authorized, the maximum price of each chance to play punchboards and pull tabs was limited to 25 cents. That amount was increased to 50 cents in 1985.

Counties, cities, and towns may tax punchboards and pull tabs, social card games, bingo, amusement games, and raffles within their jurisdictions. The tax is imposed on gross receipts less an amount that is paid out as prizes, except for punchboards, pull tabs and social card games. Punchboard and pull tabs are taxed based on gross receipts only and the tax rate may not exceed 5 percent. Not all jurisdictions that allow this activity, impose a tax at the maximum rate.

All punchboard and pull tab prizes must be on display in the area where the game is located. When a prize is won, it must immediately be removed so that players know what prizes remain to be won.

SUMMARY OF BILL:

The maximum limit on the cost of a single chance for punchboards or pull tabs is increased from 50 cents to \$1.00.

The practice of taxing the gross receipts from punchboards and pull tabs is changed. Local governments may impose the tax on gross receipts less the amount awarded as prizes

by the licensee, which may reduce the amount of revenue to which the tax applies. The maximum tax rate that may be imposed on revenue from punchboards and pull tabs increases from 5 percent to 10 percent for charitable or nonprofit organizations and 15 percent for commercial stimulant operators.

Consistent language is used to describe the portion of receipts that may be taxed by a local jurisdiction for punchboards, pull tabs, bingo, amusement games and raffles. The tax is imposed on gross receipts less the amount award as cash or merchandise prizes.

RULES AUTHORITY: The bill does not contain provisions addressing the rule-making powers of an agency.

FISCAL NOTE: Requested on January 28, 1997.

EFFECTIVE DATE: Ninety days after adjournment of session in which bill is passed.