

HOUSE BILL REPORT

HB 1404

As Reported By House Committee On:
Commerce & Labor

Title: An act relating to punch boards and pull-tabs.

Brief Description: Revising provisions for punch boards and pull-tabs.

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

Brief History:

Committee Activity:

Commerce & Labor: 2/5/97, 2/20/97 [DPS].

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives McMorris, Chairman; Honeyford, Vice Chairman; Conway, Ranking Minority Member; Wood, Assistant Ranking Minority Member; Boldt; Clements; Cole and Hatfield.

Staff: Pam Madson (786-7166).

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. With the exception of punchboards, pull tabs, and social card games, the tax is imposed on gross receipts less an amount that is paid out as prizes. 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 Substitute 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 10 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.

All prizes must be described on an information flare or card, and any reference to a cash or merchandise prize with a value over \$20 must be removed from the information flare immediately when won.

Substitute Bill Compared to Original Bill: The maximum percentage rate that local governments may impose on punchboard and pull tab activity conducted by commercial stimulant operators is reduced from 15 percent to 10 percent.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: Charitable gambling activity is feeling the competition from the increase in the overall gambling activity. Charitable and nonprofit organizations help thousands of citizens across the state. This bill will allow the organizations to recover more of the income generated by this activity and allow it to be spent on the services provided by the charitable organization. One organization could have recovered half of the taxes paid to the local jurisdiction from its pull-tab operation under this new formula. Currently the tax is on the gross receipts and the organization must pay tax on games even if the game loses money. (with concerns) For those jurisdictions that have lowered their rates, commercial stimulant operators will actually be penalized by increasing their taxes if the local rate is raised to the maximum and applied to the

gross receipts less prizes paid out. This tax money is supposed to be used for police services but it is used for other local services as well.

Testimony Against: The demand for services from local government continues to increase. This is another impact on the taxing ability of local government to raise money. Administration of this tax may be complicated by the need to verify the value of prizes. Some local jurisdictions have responded to the concerns of the gambling operators and have lowered the tax rates. In many cases, a higher tax on the net rather than the lower tax on gross receipts will result in less money to the local jurisdiction. There is not enough flexibility in the bill to allow local jurisdictions to treat charitable organizations differently from for-profit businesses.

Testified: (pro) Greg Murray, Washington Charitable & Civic Gaming Association; Sylvia Anderson, Big Brothers & Sisters; Bill Fritz, Washington Charitable and Nonprofit Gaming Association; (con) Mike Bailey, City of Everett and Association of Washington Cities; and Dustin Jensen, City of Tacoma; and Dick Dorsett, Pierce County; (concerns) Vito Chiechi, Washington State Licensed Beverage Association; Ron Krause; and Pat Connor.