

# SENATE BILL REPORT

## SHB 1404

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As Reported By Senate Committee On:  
Commerce & Labor, April 3, 1997  
Ways & Means, April 7, 1997

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

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

**Sponsors:** House Committee on Commerce & Labor (originally sponsored by Representatives McMorris, Honeyford, Robertson, Ballasiotes, Conway, Wood, Cole, Boldt and Delvin).

**Brief History:**

**Committee Activity:** Commerce & Labor: 3/27/97, 4/3/97 [DPA-WM].  
Ways & Means: 4/7/97 [DPA (COL)].

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### SENATE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** Do pass as amended and be referred to Committee on Ways & Means.  
Signed by Senators Schow, Chair; Horn, Vice Chair; Anderson, Franklin, Heavey and Newhouse.

**Staff:** Traci Ratzliff (786-7452)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended by Committee on Commerce & Labor.  
Signed by Senators West, Chair; Strannigan, Vice Chair; Bauer, Brown, Fraser, Kohl, Loveland, Roach, Schow, Sheldon, Snyder, Spanel and Swecker.

**Staff:** David Schumacher (786-7474)

**Background:** 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 Amended 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 are permitted to impose on charitable or nonprofit organizations a tax rate of up to 10 percent on the gross receipts less the amount paid out as prizes, generated from punchboards and pull tabs. Local governments are given the authority to impose on commercial stimulant operators a tax rate of up to 5 percent on the gross receipts from punchboards and pull tabs or a tax rate of up to 10 percent on the gross receipts less the amount paid out as prizes, generated from punchboards and pull tabs.

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.

**Amended Bill Compared to Substitute Bill:** Local governments are permitted to impose on charitable or nonprofit organizations a tax rate of up to 10 percent on the gross receipts less the amount paid out as prizes, generated from punchboards and pull tabs. Local governments are given the authority to impose on commercial stimulant operators a tax rate of up to 5 percent on the gross receipts from punchboards and pull tabs or a tax rate of up to 10 percent on the gross receipts less the amount paid out as prizes, generated from punchboards and pull tabs.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For (Commerce & Labor):** Charitable organizations provide important community services across this state. Many organizations generate a significant amount of their operating funds from gambling activities such as punchboards and pull tabs. This bill will help charitable organizations to continue to generate funds necessary to provide important community services.

**Testimony Against (Commerce & Labor):** A one size fits all tax rate on gambling activities is not required nor appropriate. Operators of punchboards and pull tabs have not

all felt the impact of tribal casinos. Therefore, an across the board reduction in the tax on such activity does not appear justified.

**Testified (Commerce & Labor):** PRO: Bill Fritz, Washington Civic and Charitable Gaming Association; Venicia Magnuson, Big Sisters of King County; Greg Murray, Washington Civic and Charitable Gaming Association; Carrie Tellefson, Gambling Commission; Julie Porter, Rob Saucier, Recreational Gaming Association; Steve Downen, Riverside Inn; CON (on original bill): Connie King, Mayor of Shoreline; Linda Gorton, City of Burien, Doug Levy, City of Everett.

**Testimony For (Ways & Means):** This bill is a good compromise between the cities, charities and the industry.

**Testimony Against (Ways & Means):** None.

**Testified (Ways & Means):** PRO: Jackie White, Association of Cities; Vito Chiechi, WSLBA; Bill Fritz, Washington Civic and Charitable Gaming Association.