

# SENATE BILL REPORT

## SHB 2543

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As Reported By Senate Committee On:  
Labor, Commerce & Trade, February 22, 1996

**Title:** An act relating to taxation of gambling activities.

**Brief Description:** Changing taxation of punch boards and pull-tabs.

**Sponsors:** House Committee on Commerce & Labor (originally sponsored by Representatives Cairnes, Sheldon, Cody, Thompson, Romero, Conway, Fuhrman, Radcliff, Chappell, Crouse, Mastin, Schoesler, Huff, Hymes, Wolfe, D. Schmidt, Morris, Grant, Kessler, Brown, Quall, Benton, Costa and Patterson).

**Brief History:**

**Committee Activity:** Labor, Commerce & Trade: 2/21/96, 2/22/96 [DPA].

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### SENATE COMMITTEE ON LABOR, COMMERCE & TRADE

**Majority Report:** Do pass as amended.

Signed by Senators Pelz, Chair; A. Anderson, Deccio, Franklin, Fraser and Newhouse.

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

**Background:** Punchboards and pull tabs were authorized as legal forms of gambling in 1973. A year later, social card games were also authorized. These forms of legal gambling can be used to stimulate retail businesses that sell food and beverages for consumption on the premises of the business. Bona fide 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 gambling activity within their jurisdictions. For revenue from punchboards, pull tabs, and social card rooms, the tax is imposed on gross receipts. The tax rate on punchboard and pull tab revenue may not exceed 5 percent, and the tax rate on social card room revenue may not exceed 20 percent.

For a social card game to be a legal form of gambling, the game must involve two or more participants as players. Current law does not allow a social card room licensee to participate in a card game as a banker or otherwise.

**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 revenue or receipts from punchboards, pull tabs, and card rooms is changed. Local governments are given the authority to approve the taxation of

punchboards and pull tabs at a rate of either: up to 5 percent of gross receipts or up to 10 percent of gross receipts less the amount paid out as prizes. The maximum tax rate that local governments may impose on revenue calculated in this manner for social card rooms is decreased from 20 percent to 10 percent.

**Amended Bill Compared to Substitute Bill:** Local governments are not required to make a change to the taxation rate on punchboards and pull tabs but are given the authority to decide whether to make such a change.

The provision establishing a new taxation rate on housebanked card games is deleted.

**Appropriation:** None.

**Fiscal Note:** Requested on January 17, 1996.

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

**Testimony For:** This bill will help us to compete more effectively with the tribal casinos by reducing our taxes and allowing us to pay more in the way of prizes to our customers.

**Testimony Against:** The bill will significantly reduce local government taxes at a time when many are seeing a reduction in revenues but no reduction in the demand for services.

**Testified:** PRO: Rob Saucier, Mars Hotel, WA State Licensed Beverage Assn.; Ken Koski, citizen; Ron Porter, WA Gaming Assn.; Bill Fritz, Rick Neuard, WA Charitable and Civic Gaming Assn.; Katie Casey, Whatcom Crisis Services; Venetia Magnuson, Big Sisters of King County; CON: Maureen Morris, Assoc. of WA Cities; Dick Dorsett, Pierce County Government.