

HOUSE BILL REPORT

SB 6357

As Reported by House Committee On:
Commerce & Gaming

Title: An act relating to increasing the dollar limit of pull-tabs.

Brief Description: Increasing the dollar limit of pull-tabs.

Sponsors: Senators Conway and King.

Brief History:

Committee Activity:

Commerce & Gaming: 2/20/20 [DP].

Brief Summary of Bill

- Increases the limit on the price of a single-chance punchboard or pull-tab to \$5.

HOUSE COMMITTEE ON COMMERCE & GAMING

Majority Report: Do pass. Signed by 10 members: Representatives Peterson, Chair; Kloba, Vice Chair; MacEwen, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Blake, Jenkin, Kirby, Ramel, Vick and Young.

Staff: Kyle Raymond (786-7190).

Background:

Punchboards and Pull-Tabs.

The Legislature authorizes any person, association, or organization operating an established business primarily engaged in selling food or drink for consumption on the premises to conduct social card games and use punchboards and pull-tabs as a commercial stimulant to the business when licensed, used, or operated pursuant to the statutes and rules.

Conditions. Punchboards and pull-tab operations are subject to certain conditions, including:

- chances may only be sold to adults;
- the price of a single chance may not exceed \$1; and

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- no punchboard or pull-tab license may award as a prize, upon a winning number or symbol being drawn, the opportunity of taking a chance upon any other punchboard or pull-tab.

In addition, all available prizes must be described on an information flare, while all merchandise prizes must be on display within the immediate area of the premises in which any such punchboard or pull-tab is located. Upon a winning number or symbol being drawn, a merchandise prize must be immediately removed from the display and awarded to the winner. All references to cash or merchandise prizes valued over \$20 must be removed immediately from the information flare when won, or such omission will be deemed fraud. A flare, also known as a "face sheet" for punchboards, means an advertising poster or card listing all the prizes, costs to play, number of pull-tabs, and required manufacturer information for pull-tab series.

When any person wins money or merchandise from any punchboard or pull-tab over an amount determined by the Washington State Gambling Commission (Commission), every licensee must keep a public record of the award for at least 90 days, containing information required by the Commission.

State Taxes on Contests of Chance. There is a 1.5 percent tax on gross income of the business derived from contests of chance. An additional 0.013 percent tax is imposed to the gross income of the business derived from the contests of chance multiplied by the rate of 0.13 percent. During any time the additional 0.13 percent tax is in effect, the Commission may not increase fees payable by licensees under its jurisdiction for the purpose of funding services for problem and pathological gambling.

Revenue from the additional 0.13 percent tax is deposited in the Problem Gambling Account (an appropriated account). Expenditures from the Problem Gambling Account may be used only for the purposes of programs under the Health Care Authority's jurisdiction that relate to preventing and treating problem and pathological gambling and training professionals in the identification and treatment of problem and pathological gambling.

The additional tax does not apply to businesses operating contests of chance when the gross income from the operation of contests of chance is less than \$50,000 per year. Contests of chance include, along with other games, punchboard games and pull-tabs. Gross income of the business does not include the monetary value or actual cost of any prizes awarded.

Local Taxes on Gambling Activity. Any county, city-county, city, or town, by local law and ordinance, may tax any authorized gambling activity, subject to certain exceptions. Taxation of punchboards and pull-tabs for bona fide charitable or nonprofit organizations is based on gross receipts from the operation of the games, less the amount awarded as cash or merchandise prizes, and may not exceed 10 percent.

The county, city-county, city, or town may base the taxation of punchboards and pull-tabs for commercial stimulant operators on the gross receipts from the operation of the games and may not exceed 5 percent. Alternatively, the county, city-county, city, or town may base the taxation of punchboards and pull-tabs for commercial stimulant operators on gross receipts

from the operation of the games, less the amount awarded as cash or merchandise prizes, and may not exceed 10 percent.

Summary of Bill:

The limit on the price of a single chance punchboard or pull-tab is increased from \$1 to \$5.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill had strong support in the Senate. The bill would be a big help to members of the Washington Hospitality Association through providing members additional opportunities for revenue.

(Opposed) None.

(Other) The Washington State Gambling Commission (Commission) is neutral on the bill, but the Commission does not have any concerns on the bill from a regulatory perspective. For reference, the Commission has about 1,000 pull-tab licensees. Most licensees are commercial entities, and about 180 licensees are held by nonprofit organizations. This bill would give licensees an increase in pull-tabs dollar amounts.

Persons Testifying: (In support) Katie Doyle, Washington Hospitality Association.

(Other) Brian Considine, Washington State Gambling Commission.

Persons Signed In To Testify But Not Testifying: None.