

Department of Legislative Services
Maryland General Assembly
2007 Special Session

FISCAL AND POLICY NOTE

House Bill 47
Ways and Means

(Delegate Impallaria, *et al.*)

Video Lottery Terminals - Gaming Card

This bill provides that if legislation is enacted providing for the operation and licensing of video lottery facilities in the State, the designated State licensing entity must require that each video lottery terminal (VLT) be operated only by the insertion of a video lottery gaming card.

Operators of video lottery facilities must use video lottery gaming cards to • identify individuals addicted to gambling and prevent them from operating VLTs; and • facilitate the collection of any taxes imposed on winnings.

An individual must provide proof of identification to the operator of a video lottery facility to obtain a video lottery gaming card.

The bill does not apply to slot machines operated by certain eligible nonprofit organizations in Eastern Shore counties.

Fiscal Summary

State Effect: To the extent legislation authorizes the operation and licensing of video lottery facilities, the bill could have a minimal positive impact on the collection of State income tax revenues on VLT winnings. The State regulatory entity designated to license and regulate video lottery facilities could face potentially significant expenditures to enforce the requirements of the bill. These expenditures cannot be determined at this time. If legislation is not enacted to authorize video lottery facilities, the bill would have no fiscal effect.

Local Effect To the extent legislation authorizes the operation and licensing of video lottery facilities, the bill could have a minimal positive impact on the collection of local income tax revenues on VLT winnings.

Small Business Effect: None.

Analysis

Bill Summary: The bill defines a VLT as a machine or device that • is available to play or simulate the play of any game of chance in which the results, including the options available to the player, are randomly and immediately determined by the machine or other device; and • by the element of chance, may deliver or entitle the player who operates the machine to receive something of value. VLTs include machines and devices that do not directly dispense winnings and those that use an electronic credit system.

Current Law: Specified types of gambling are allowed in Maryland. This includes the State Lottery and wagering on horse racing. Bingo, bazaars, and gaming nights are allowed for some nonprofit organizations on a county-by-county basis. Several counties permit for-profit bingo. In addition, some nonprofit organizations in Eastern Shore counties are allowed to operate up to five slot machines, provided that at least 50% of the proceeds go to charity. VLTs are not authorized for operation in the State. For more information on gambling and horse racing in Maryland, consult the *Legislators' Guide to Video Lottery Terminal Gambling*.

Under federal tax law, the State Lottery must provide individuals with \$600 or more in lottery winnings with a federal income tax Form W-2G to report gambling winnings. This form must also be provided to individuals with more than \$1,200 in winnings from bingo or slot machines. The Comptroller typically collects income tax owed on wagering through withholding. Each employer or payor of winnings must withhold a rate equal to • 2.5% and the top marginal State income tax rate for State residents; and • the top marginal State income tax rate for nonresidents.

State Fiscal Effect: The Comptroller's Office interprets the provision of the bill that requires video lottery gaming cards to be used to facilitate the collection of any taxes imposed on winnings to authorize the Comptroller to withhold income tax on wagering on VLTs (as is authorized for lottery and horse racing winnings under current law). In any event, the bill could minimize or make negligible any potential income tax loss to the State from future VLT winnings.

The State Lottery indicates that the State regulatory entity designated to license and regulate video lottery facilities could face potentially significant expenditures to monitor compliance with the bill including the hiring of security personnel. Furthermore, use of video lottery gaming cards to facilitate the collection of any taxes imposed on winnings could require the entity to enforce other tax provisions, such as withholding of unpaid taxes and child support from winnings.

Legislative Services assumes that any expenditure necessary to issue and maintain video lottery gaming cards would be paid by operators of video lottery facilities and not by the State entity designated to license and regulate video lottery facilities.

Additional Information

Prior Introductions: HB 1013 of 2004 would have required an individual to obtain a gaming card, including the individual's legal name, photo, birth date, and address, in order to gamble at a facility with more than 1,000 controlled games. The gaming card would have been used for entrance to licensed gaming facilities and specifically to exclude certain individuals from entrance. Under HB 1013, individuals with gaming problems would have had the option to voluntarily exclude themselves from gaming facilities. No action was taken on the bill by the House Ways and Means Committee.

Cross File: None.

Information Source(s): Maryland State Lottery Agency, Comptroller's Office, Department of Legislative Services

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