

LOCAL GAMBLING TAXES
RCW 9.46.110

Tax Base Gross receipts derived by operators of gambling activities, including punchboards, pulltabs, bingo, raffles, amusement games, and social card games. Also, fund-raising activities of charitable and nonprofit organizations pursuant to RCW 9.46.0233 that involve games of chance are subject to local taxes. Taxable receipts from bingo, raffles, and amusement games are net of the amount paid as prizes.

Tax Rate Maximum rates:

- Amusement games - 2 percent of gross receipts minus amounts paid out as prizes

- Punchboards and pulltabs:
 - by nonprofit organizations - 10 percent, net of prizes
 - as commercial stimulant:
 - based on gross receipts - 5 percent
 - net of prizes - 10 percent

- Bingo and raffles - 5 percent of gross receipts minus amounts paid out as prizes

- Social card games - 20 percent of gross revenue*

*For card rooms offering house-banked games, gross receipts are defined as the house's win after collecting all losing wagers from players and paying players with winning hands.

NOTE: Maximum rates for taxes on fund-raising events are not specified in statute, but several jurisdictions tax such events at rates ranging from 1 to 10 percent.

Levied by Cities, towns, and counties. The county tax may apply only in the unincorporated area, regardless of whether or not cities or towns in the same county levy the tax.

Administration Collection of these taxes is by local officials, e.g., the City Clerk and County Treasurer. Licensing and overall regulation of gambling activities are the responsibility of the State Gambling Commission. Upon a referral from a local taxing authority, the Commission may initiate license revocation actions for failure to pay gambling taxes. The Commission will seek reimbursement for costs incurred in pursuing gambling tax actions from the delinquent licensee (WAC 230.04.400 and .405).

Recent Collections

According to data reported to the State Auditor by local governments, local gambling taxes amounted to \$37.4 million in calendar year 2008:

	<u>Local Gambling Tax Collections (\$ in thousands)</u>	
	<u>Cities (# reporting)</u>	<u>Counties (# reporting)</u>
Punchboards/pulltabs	\$ 5,632 (82)	\$ 1,823 (11)
Bingo/raffles	125 (25)	164 (5)
Amusement games	230 (35)	16 (6)
Card rooms	17,194 (25)	4,738 (6)
Other (not specified)	7,437 (49)	34 (4)
TOTAL	\$30,618	\$ 6,775

Distribution of Receipts

According to RCW 9.46.113, revenues must be used primarily for local gambling enforcement programs by the city or county.

Exemptions

- charitable or nonprofit organizations with combined gross receipts of no more than \$5,000 per year from conducting bingo or amusement games are not taxable on such activities, as long as there are no paid personnel who operate the games;
- the first \$10,000 of net proceeds from raffles conducted by charitable or nonprofit organizations are exempt from tax.

History

The current statute allowing local government taxation of gambling was enacted in 1973, following approval the prior year of a constitutional amendment which permitted certain nonprofessional gambling activities. The maximum tax rates were established at 10 percent, and the following year the 5 percent rate for punchboards and pulltabs was adopted. In 1977 the maximum rate was lowered to 2 percent for amusement games and the nonprofit exemption was enacted. The 20 percent rate for card games was adopted in 1981. In 2000 the rate for bingo and raffles was reduced by 50 percent to 5 percent.

In 1941 the state imposed a tax on certain gambling activities conducted through mechanical devices, such as slot machines. The rates were 10 and 20 percent, depending upon the degree of skill required by the operator. The rates were doubled in 1947, but in 1952 the tax was effectively curtailed when slot machines were ruled to be a form of lottery

which was then not permissible under the constitution. The statute was formally repealed in 1973, when the local taxes were authorized.

A similar tax on coin-operated gambling devices (pulltab dispensing machines) was enacted in 1976 by the state at an annual rate of \$200 per device. Technically, however, the rate was tied to a federal tax on such devices with a credit for the amount of state taxes (up to 80 percent of the federal rate). In 1984, the Commission obtained legislative approval for repeal of the tax which had risen to \$350 and instead provided funding for regulation activities via a license fee based on volume. In 1997, the differential rates for punchboards and pulltabs were adopted.

Discussion/Major Issues

Chapter 9.46 RCW recognizes the "close relationship between professional gambling and organized crime" and therefore assigns to the Gambling Commission the close supervision and regulation of gambling activities. The Commission also collects license fees from operators of gambling activities. However, the state is not directly involved in administration or collection of the local gambling taxes, except for license revocations as indicated above.