
Regulated Substances & Gaming Committee

HB 2317

Brief Description: Increasing the gross revenue threshold for unlicensed bingo, raffles, and amusement games conducted by charitable or nonprofit organizations.

Sponsors: Representatives Orcutt, Eslick and Jacobsen.

Brief Summary of Bill

- Increases, from \$5,000 to \$15,000, the amount of gross revenues combined from raffles, bingo, and amusement games, that charitable or nonprofit organizations may generate in a calendar year without obtaining a license from the Washington State Gambling Commission.
- Increases the threshold for local government taxation of bingo and amusement games conducted by charitable or nonprofit organizations, so no local government gambling tax may be imposed when gross receipts from these two activities combined do not exceed \$15,000 per year (less prizes awarded), instead of when gross receipts from these two activities combined do not exceed \$5,000 per year (less prizes awarded).
- Increases the threshold for local government taxation of raffles conducted by charitable or nonprofit organizations, so no local government gambling tax may be imposed on the first \$15,000 of raffle gross receipts (less prizes awarded), instead of on the first \$10,000 of raffle gross receipts (less prizes awarded).

Hearing Date: 1/18/24

Staff: Peter Clodfelter (786-7127).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Background:

Charitable or Nonprofit Organizations Conducting Bingo, Raffles, and Amusement Games.

Washington's Gambling Act authorizes an eligible bona fide charitable or nonprofit organization to conduct certain gambling activities to raise funds for the organization's purpose. Among the authorized gambling activities are bingo games, raffles, and amusement games. Depending on how the activities are conducted, a license issued to the charitable or nonprofit organization by the Washington State Gambling Commission (WSGC) may be required.

To be eligible, the charitable or nonprofit organization must be duly existing for charitable, benevolent, eleemosynary, educational, civic, patriotic, political, religious, scientific, social, fraternal, athletic, or agricultural purposes only, and in opinion of the WSGC have been organized and are operated primarily for purposes other than the operation of gambling activities.

The charitable or nonprofit organization must: (1) be organized and continuously operating for at least 12 calendar months immediately preceding making application for a license to operate a gambling activity, or the operation of any authorized gambling activity for which no license is required; and (2) demonstrate to the WSGC that it has made significant progress toward the accomplishment of the purposes of the organization during the 12-month period. Compensation paid to employees, including members, must be reasonable under the local prevailing wage scale.

For the purposes of conducting raffles and local taxation of certain gambling activities, an eligible nonprofit organization also includes:

- a credit union conducting raffles where the net proceeds are devoted to purposes authorized for charitable and nonprofit organizations; or
- a group of executive branch state employees with approval for conducting a raffle, with participation limited to the agency's employees, to raise funds in relation to the Combined Fund Drive or charitable or benevolent entities, and meeting specified requirements.

For the purposes of conducting raffles, an eligible nonprofit organization also includes a county, city, or town, provided that all revenue less prizes and expenses from raffles conducted by the county, city, or town must be used for community activities or tourism promotion activities.

Licensing/Taxation Thresholds for Charitable or Nonprofit Organizations in the Gambling Act.

Licensing Threshold and Requirements. Eligible charitable or nonprofit organizations organized primarily for purposes other than conducting the activities are authorized to conduct bingo, raffles, and amusement games, without obtaining a license to do so from the WSGC, if the following requirements are met:

- activities are held in accordance with all requirements of the Gambling Act, other applicable laws, and rules of the WSGC;
- gross revenues to the organization from all the activities together do not exceed \$5,000 during any calendar year;
- activities are, alone or in combination, conducted no more than twice each calendar year and over a period of no more than 12 consecutive days each time (except a raffle may be

- conducted for a period longer than 12 days);
- tickets to raffles are sold only to, and winners are determined only from, the regular members of the organization;
- only bona fide members of that organization, who are not paid for their services, participate in managing or operating the activities;
- all revenue from the activities, after deducting the cost of prizes and other expenses of the activity, is devoted solely to the purposes for which the organization qualifies as an eligible charitable or nonprofit organization;
- the organization gives notice at least five days in advance of conducting any of the activities to the local police agency of the applicable jurisdiction; and
- the organization maintains records for one year from the date of the event that accurately show, at a minimum, the gross revenue from each activity, details of the expenses of conducting the activities, and details of the uses to which the gross revenue is put.

Local Government Taxation. The legislative authority of a local government, by local law and ordinance, may provide for the taxing of any gambling activity authorized under the Gambling Act within its jurisdiction. The tax receipts must go to the local government taxing the activity. Any tax imposed by a county alone does not apply to any gambling activity within a city or town located in the county, but the tax rate established by a county, if any, constitutes the tax rate throughout the unincorporated areas of the county.

However, restrictions applicable to local governments' taxation of authorized gambling activities include the following:

- No tax may be imposed on bingo or amusement games when the activities are conducted by an eligible charitable or nonprofit organization that has no paid operating or management personnel and has gross receipts from bingo or amusement games, or a combination thereof, not exceeding \$5,000 per year (less the amount awarded as cash or merchandise prizes).
- No tax may be imposed on the first \$10,000 of gross receipts (less the amount awarded as cash or merchandise prizes) from raffles conducted by an eligible charitable or nonprofit organization.
- Taxation of bingo and raffles may not be in an amount greater than 5 percent of the gross receipts from a bingo game or raffle (less the amount awarded as cash or merchandise prizes).
- Taxation of amusement games may only be in an amount sufficient to pay the actual costs of enforcement by the local government law enforcement agency and in no event may the taxation exceed 2 percent of the gross receipts from the amusement game (less the amount awarded as prizes).

Summary of Bill:

Licensing/Taxation Thresholds for Charitable or Nonprofit Organizations in the Gambling Act.

Licensing Threshold. The amount of gross revenues combined from raffles, bingo, and amusement games, that eligible charitable or nonprofit organizations may generate in a calendar

year without obtaining a license from the WSGC to conduct the activities, is increased from \$5,000 to \$15,000.

Local Government Taxation of Bingo and Amusement Games. The threshold for local government taxation of bingo and amusement games conducted by charitable or nonprofit organizations is increased, so that no local government gambling tax may be imposed when gross receipts from these two activities in combination do not exceed \$15,000 per year (less the amount awarded as cash or merchandise prizes) instead of when gross receipts from these two activities in combination do not exceed \$5,000 per year (less the amount awarded as cash or merchandise prizes).

Local Government Taxation of Raffles. The threshold for local government taxation of raffles conducted by charitable or nonprofit organization is increased, so that no local government gambling tax may be imposed on the first \$15,000 of raffle gross receipts (less the amount awarded as cash or merchandise prizes), instead of on the first \$10,000 of raffle gross receipts (less the amount awarded as cash or merchandise prizes).

Appropriation: None.

Fiscal Note: Requested on January 12, 2024.

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