



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H.5034 As amended by Senate Finance on May 18, 2016
Author: White
Subject: Bingo Tax Revenue
Requestor: Senate
RFA Analyst(s): Martin and Kokolis
Impact Date: May 22, 2016

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	(\$1,821,901)	\$0
Other and Federal	\$1,681,167	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill, as amended, would reduce General Fund bingo tax revenue by an estimated \$1,821,901 in FY2016-17. This bill would also increase revenue designated for the Parks, Recreation, and Tourism Development Fund by an estimated \$1,681,167 in FY2016-17. This bill would not affect Federal Fund revenue.

Explanation of Fiscal Impact

Explanation of Amendment (May 18, 2016) – By the Senate Finance Committee

This House Ways & Means Committee amended Section 1 and Section 7, deleted Section 2, and added an unnumbered section to the Senate version of the bill filed on March 3, 2016. The amended bill is as follows:

State Expenditure

The Department of Revenue indicates that there will be no expenditure impact to the General Fund, Federal Funds, or Other Funds from this bill. The Department can administer the legislative changes with existing resources.

State Revenue

Section 1. This section would add Section 12-21-4320 to require the Department of Revenue to establish a bingo webpage on its own website to serve as a clearinghouse of information pertaining to the Bingo Tax Act. The website shall contain information on how bingo is operated in the state, information about bingo licenses, revenue rulings, violations, as well as a way to file

a complaint, and to ask questions about bingo. This section is not expected to affect General Fund revenue in FY2016-17.

Section 2. This section was deleted in its entirety.

Section 3. This section would amend Section 12-21-3940(B) to extend the number of days the Department of Revenue has to approve or disapprove an application to conduct bingo games from thirty days to forty-five days. This section is not expected to affect General Fund revenue in FY2016-17.

Section 4. This section would amend Section 12-21-3990(A)(6) to ensure that all devices are not “intentionally” changed, “obstructed”, or turned off “by the promoter” until the winners of a bingo game are verified. This section is not expected to affect General Fund revenue in FY2016-17.

Section 5. This section would amend Section 12-21-4000(15) to increase the dollar amount of promotions that may be won during special events during a session from \$100 to \$200 in cash or merchandise. These prizes are in addition to the prizes offered players from the play of bingo and must not be paid out of the bingo account used for payouts during a bingo session. This section is not expected to affect General Fund revenue in FY2016-17.

Section 6. This section would amend Section 12-21-4005 to include raffles as defined in Section 33-57-110 that is not considered within the scope of operation of a bingo game. This section is not expected to affect General Fund revenue in FY2016-17.

Section 7. This section would amend Section 12-21-4090(C) for a licensed nonprofit organization which is responsible for the maintenance of special checking and savings accounts for bingo operations. Currently, if the organization runs a deficit in the bingo account, both the organization and the promoter may deposit a loan equal to fifty percent of the deficit. This section would allow the promoter to deposit one hundred percent of the deficit if the organization is unable to contribute to the deficit and agrees to this arrangement. The contribution may be considered either as a loan or a charitable donation to the organization from the promoter. Each loan must be authorized in writing and noted by an officer of the licensed nonprofit organization. The promoter may have recourse to these loans from the charitable bingo account. This section is not expected to affect General Fund revenue in FY2016-17.

This amended section would add language to ensure that “all expenses related to the charitable bingo operation must be paid from the operations bingo account”. This section would also amend Section 12-21-4090(D) to allow the withdrawal of funds from the bingo account to be made by electronic methods or by recurring online payments instead of only by preprinted, consecutively-numbered checks or withdrawal slips. All electronic payments must be authorized by a representative of the licensed nonprofit organization and promoter in writing. This section is not expected to affect General Fund revenue in FY2016-17.

Section 8. Based upon the latest data from the Department of Revenue, there are currently 94 licensed bingo promoters operating bingo games throughout South Carolina, including the Catawba Indian tribe. The majority of licensed bingo games are sponsored by nonprofit volunteer organizations that operated bingo games for charitable purposes. The bingo industry generated \$108,496,615 in revenue during calendar year 2015. The Department of Revenue charges tax rates that vary from four cents to ten cents for each dollar of face value. Total bingo tax revenue amounted to \$7,623,947 during calendar year 2015. The Department of Revenue retains this revenue to be statutorily distributed as twenty-six percent to the sponsoring charity for which the bingo cards were purchased, and the remaining seventy-four percent is distributed pursuant to Section 12-21-4200 among a variety of state and local agencies and funds. The data indicates that charities received \$1,829,543 during calendar year 2015, and \$5,207,160 was allocated among various state and local programs.

This section would amend Section 12-21-4190(B) to reapportion the amount of retained bingo revenue as follows:

- Increase the amount of revenue distributed to the sponsoring charity from 26% to 28%
- Decrease the remaining amount of revenue distributed pursuant to Section 12-21-4200 from 74% to 72%

The total amount of retained bingo revenue and bingo tax revenue generated during calendar year remain unchanged. After reapportioning the retained bingo revenue as twenty-eight percent to the sponsoring charity for which the bingo cards were purchased, and the remaining seventy-two percent to be distributed among a variety of state and local agencies and funds, we find the following:

- The amount that charities receive would increase by an additional \$140,734 from \$1,829,543 to \$1,970,277 annually.
- The amount that various state and local programs receive would decrease by an additional \$140,734 from \$5,207,160 to \$5,066,426 annually.

Pursuant to Section 12-21-4200, bingo tax revenue is statutorily apportioned among several funding areas. The revenue designated to the Governor's Office Division on Aging for the Senior Centers Performance Improvement Fund and the funds that are subdivided among the state's forty-six county offices on aging would not be affected. Pursuant to Chapter 23 of Title 51, the change in the reapportionment percentage would affect the amount set aside for noncompetitive grants to eligible entities within each county area for planning and development for new parks and recreation facilities or renovation of existing facilities. The Parks, Recreation, and Tourism Development Fund would be reduced by an estimated \$31,493 in FY2016-17. Lastly, General Fund bingo tax revenue would be reduced by an estimated \$109,241 in FY2016-17.

Unnumbered Section. Currently, pursuant to Section 12-21-4200, the Department of Parks Recreation and Tourism receives 20.8 percent of bingo revenue remaining after the distribution to the sponsoring charities pursuant to Section 12-21-4190(2). This unnumbered section would

amend Section 12-21-4200(2) so that the Department of Parks Recreation and Tourism would receive 20.8 percent of the annual revenue derived from the provision of Section 12-21-4190(2), or two and one-half million dollars each fiscal year, whichever is greater. Currently, the Parks, Recreation, and Tourism Development Fund is receiving far less than \$2,500,000 annually. The only way to increase the share of bingo tax revenue to be transferred to the Department of Parks, Recreation, and Tourism Development Fund is by reducing the share of bingo tax revenue designated for other accounts. The only unrestricted account remaining is the state General Fund. Based upon the latest data from the Department of Revenue, this amendment would require the Department of Parks, Recreation, and Tourism Development Fund to receive a minimum of \$2,500,000 annually, and will reduce the amount of bingo tax revenue designated for the state General Fund by an estimate \$1,712,660 in FY2016-17.

Collectively, this amended bill would increase the amount of bingo tax revenue designated for the Department of Parks, Recreation, and Tourism Development Fund by an estimated \$1,681,167 in FY2016-17, and decrease the amount of bingo tax revenue designated for the state General Fund by an estimate \$1,821,901 in FY2016-17.

Section 9. This act takes effect upon approval by the Governor.

Explanation of Bill Filed March 3, 2016

State Expenditure

The Department of Revenue indicates that there will be no expenditure impact to the General Fund, Federal Funds, or Other Funds from this bill. The Department can administer the legislative changes with existing resources.

State Revenue

Section 1. This section would add Section 12-21-4320 to require the Department of Revenue to establish a bingo webpage on its own website to serve as a clearinghouse of information pertaining to the Bingo Tax Act. The website shall contain information on how bingo is operated in the state, bingo licenses, revenue rulings, violations, meeting minutes, as well as a way to file a complaint, ask questions about bingo, and the posting of answers to those questions. This section is not expected to affect General Fund revenue in FY2016-17.

Section 2. This section would amend Section 12-21-3920(17) to redefine a “building” as any structure used or intended for supporting or sheltering any use or occupancy designated by a separate address, provided the structure does not include any interior access to another area where bingo is played. This section is not expected to affect General Fund revenue in FY2016-17.

Section 3. This section would amend Section 12-21-3940(B) to extend the number of days the Department of Revenue has to approve or disapprove an application to conduct bingo games from thirty days to forty-five days. This section is not expected to affect General Fund revenue in FY2016-17.

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Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director