



## PENNSYLVANIA LICENSED BEVERAGE & TAVERN ASSOCIATION

### Tavern Games Testimony Presented to the House Gaming Committee by Amy Christie February 26<sup>th</sup>, 2015

Thank you, Chairman Payne and committee members, for hearing testimony today regarding the Tavern Game law passed in 2013. I'm Amy Christie and I am the Executive Director of the Pennsylvania Licensed Beverage & Tavern Association. Our association has represented the liquor and beer licensed establishments in Pennsylvania since 1941. Our small businesses contribute \$139,300,000 in just liquor and property taxes and employ over 100,000 citizens in the Commonwealth each year.

As most of you are aware, our association has lobbied for some gaming capability for our members to be able to offer to our patrons for many years. As we are more than familiar with paying taxes, we understood paying taxes to the state and local municipality in order to do so would be part of the package. In the passing of the Tavern Games law, there was an expectation of \$100 million dollars to be paid to the state in taxes by licensees who secured and participated in Tavern Game permits. That number fell short as did the estimation by the previous Administration of 2000+ licensees choosing to apply.

In passage of the law, Restaurant and Hotel license holders were given the ability to secure a permit to conduct small games like pull-tabs, daily drawings, and a monthly raffle similar to private clubs. By comparison, the similarities between both sets of retail licensees end there with the tax disparity, the process and price of obtaining a permit to do so, and the immediate penalties to our members' liquor licenses versus the leeway given private clubs. These factors became a deterrent for our members to participate. We believe that improving the Tavern Games legislation with reasonable changes would result in a much higher participation rate resulting in more tax dollars collected by the Commonwealth.

While Mrs. Zeigler's testimony will thoroughly describe the process to obtain a permit, I'd like to take a few moments to briefly articulate changes we are advocating to the Tavern Games law and regulations set up by state agencies involved.

- **DECREASE AND STREAMLINE THE APPLICATION PROCESS:** Many of our members are small business owners that already spend the majority of their

waking hours concentrating on their business's needs. The paperwork involved in completing the application requires many additional hours that our members do not have. Much of the information asked for is repetitive throughout and has already been collected by state agencies upon applying for, being approved, and maintaining a liquor license. Additionally, much of the information is not relevant to the actual licensed business where games would be conducted. For example, here is a finished Tavern Game application by a husband and wife team weighing almost 2 pounds. (see exhibit 1)

- **LOWER THE APPLICATION FEE:** After almost 2 pounds of paperwork completed, it must now be submitted with a non-refundable application fee of \$2k. If approved, the licensee pays another \$500 to the state in order to be able to start hosting the games in their businesses. We are advocating for a lower fee to apply.

- **BACKGROUND CHECKS AND FEES:** \$1k of the \$2k up-front application fee is designated for the PA Gaming Control Bureau.

An interested licensee is required to purchase an FBI background check to be submitted with the application. For your information, the PA Gaming Bureau and not the legislation put the FBI background check requirement in place. This is typically a one-page report that is reviewed by the Gaming Bureau. We believe this is an excessive fee and burdensome background review to sell small games. Our members have already had their backgrounds vetted before granted approval by the state to sell alcohol to the general public. Furthermore, every 2 years the license activity and related reports connected to the establishment are reviewed by the PLCB in order to maintain their liquor or beer license.

We would suggest that a \$10 State Police background check be sufficient and the dismissal of the Gaming Board background check altogether. This would alleviate a lot of unnecessary paperwork, and be more in line with the application process of a private club to operate more small games than are permissible in the Tavern Game law.

- **MISTAKES JEOPARDIZE LIQUOR LICENSES:** Any violation of the Tavern Games law including reporting mistakes may result in a citation against the liquor or beer license. This is a deterrent for a licensee as their license is the backbone of their business model and livelihood.

All state and municipality taxes owed on these games are paid upon purchase to state approved small games distributors by the licensee. The approved distributors also report the serial numbers of each game to the Department of Revenue that were sold to each licensee.

The threat of receiving a citation against the license for a clerical error is extreme as all leftover profit from the games by law is due the licensee. That leaves the only errors to be made strictly clerical. We are advocating for the same leeway private clubs are given with up to three mistakes permitted before a citation against the liquor license is issued. Again, all taxes are collected upon purchase of the game. Furthermore, we are advocating for a more simplified report to LCE and the Department of Revenue.

- **LOWER THE TAX RATE:** As we have already stated, we are required to pay a 65% tax rate on all projected profits of the games we purchase before we are able to play the games in our businesses. For example, if a game specifies a \$100 profit from the game then the owner pays the cost of the game plus 6% sales tax on the game to the distributor, and a \$65 tax fee to the state. That leaves the licensee \$35 profit minus the cost and sales tax of the game. We would suggest that the tax rate be lowered to 55% minus the cost of the game in order to be more attractive to potential participants.
- **LOWER PERMIT RENEWAL FEE:** Currently the law states that the annual renewal fee for the permit is \$1000. This is the highest renewal rate set on additional permits able to be acquired by a Restaurant or Hotel licensed establishment. To put in perspective, a retail licensee currently pays \$300 extra during license renewal period for a Sunday Sales permit which allows them to conduct business 52 more days a year. Tavern Games are only a source of patron entertainment and not producing comparative profits of the business actually being open to the public.
- **ADD ADDITIONAL GAMES:** Our association would encourage approval of more games to be included in Tavern Games. Specifically we believe that "Night at the Races", poker games, multiple raffles, and any game that would be acceptable to a private club be included in Tavern Games. This allows more options to the tax-paying retail licensee to choose to run games that complement their establishment and clientele.

We are hard pressed to put an actual revenue number of potential tax dollars due the state by including our recommended improvements to the law. We do know these suggestions would generate much more licensee participation and without the improvements, the number of participants will probably remain stagnant and even decrease.

Consider this fact; Ronda and Barry Zeigler have paid a total of \$55,853.20 in taxes to the Commonwealth for conducting Tavern Games in their 2 establishments for only 9 months out of 2014. Both of their establishments are in Hanover, PA that has a population of 15,365 people according to a 2013 census. In comparison; if 500 businesses participated then the state would collect \$27,926,600; if 1000 participate then \$55,741,493.60 would be collected. The bottom line is the more participants then the more dollars generated for the state and less tax dollars to be raised from Pennsylvania private citizens and businesses.

In short, changing the law will help our small businesses, local municipalities, and the state. We believe that Tavern Games has a future in the Commonwealth and are urging this committee to help improve the legislation.



**PENNSYLVANIA  
LICENSED BEVERAGE  
& TAVERN ASSOCIATION**

**Serving Pennsylvania's Licensees Since 1941**



## Our History

Taverns have served our nation for generations, standing as important community and social locations that led to independence.

- Philadelphia's City Tavern was host to members of the First Continental Congress in 1774.
- Philadelphia's Tun Tavern was the birthplace of the United States Marine Corps in 1775.

The Tavern Association was founded after prohibition, in 1941, to defend and promote the state's taverns and businesses.

Over the decades, our association has worked to update laws to fit a new economic environment and continue the successes of our industry.

Today, our association is the only non-profit trade and lobby organization exclusively serving the retail licensees of Pennsylvania.



## Who We Are

- The Tavern Association is comprised of nearly 2,500 retail licensees all across Pennsylvania
- We work to maintain a positive business climate to ensure continued growth for our taverns and licensees.
- We work with our members in many ways, offering various insurances, industry certifications and guidance in navigating laws and regulations.



# Serving Our Commonwealth

- Our industry plays an important role in Pennsylvania's local and state economy.
- 6,000 small licensed businesses employ over 100,000 Commonwealth citizens every year.
- Annually those businesses contribute:
  - \$72,000,000 in local taxes and school taxes
  - \$67,300,000 in liquor taxes
  - \$346,000,000 for inventory from Pennsylvania State Stores



# Serving Our Communities

Our members continue to give back to the communities they serve, donating to the following charities:

American Cancer Society  
American Red Cross  
Autism Speaks  
American Rescue Workers  
ASPCA  
Allentown Rescue Mission  
Boy Scouts of America  
Breast Cancer Walk  
Big Brothers, Big Sisters  
Carlisle Rotary  
Cub Scouts of America  
Cultural Alliance

Elder Community Services Corp.  
Girl Scouts of America  
Hughesville Fire Company  
Lehigh Valley Veterans Assoc.  
LGBT Center Coalition  
Make-A-Wish Foundation  
March of Dimes  
Mason Dixon Baseball Assoc.  
Mountville Youth Center  
Newspapers in Education  
Philadelphia Children's Hospital  
Relay for Life

The Salvation Army  
Special Olympics  
Students Against Drunk Driving  
South Central AIDS Fund  
Toys for Tots  
United Way  
Victim Assistance Center  
West Grove Public Library  
Williamsport Police Department  
YMCA of the Juniata Valley  
York Fire Department

Plus many more!



# Today

From neighborhood taverns, delis and corner bars to five-star restaurants and resorts, our licensees are an important part of our state and local communities.

**THE PENNSYLVANIA LICENSED BEVERAGE AND TAVERN ASSOCIATION** looks to continue building a business environment that benefits the industry and customers alike.