



Small Games of Chance

State and host municipality tax obligations relating to taverns

W-2G Forms

- Under federal law, taverns must report a payment of SGOC winnings via W-2G when the amount paid is:
 - \$600 or more, and
 - at least 300 times the amount of the wager.
- A copy of each W-2G must be provided to the Department of Revenue and the IRS.
- Additional information and W-2G forms are available at <http://www.irs.gov/uac/Form-W-2G,-Certain-Gambling-Winnings>.
- While SGOC prizes are subject to PA personal income tax, taverns have no obligation to withhold the tax from the prize.

Tavern Games Tax Rates

- **State Tax:** 60 percent of net revenue from tavern games, which include pull-tabs, tavern daily drawings and tavern raffles.
- **Host Municipality Tax:** 5 percent of net revenue from tavern games
- Both taxes are remitted to the Department of Revenue; distributors and taverns have tax roles.
- Taverns offering SGOC will be required to electronically file quarterly returns with the department.



▶ Tavern Games Tax Obligations Vary by Game

Pull-Tabs:

- For games purchased from a licensed distributor (pull-tabs), a tavern will pay tavern tax to the distributor, and the distributor will remit the tax.
- Pull-tabs are subject to the 65 percent state/municipality tavern tax, as well as sales tax, which is 6 percent of the cost of the pull-tabs (additional 1 percent local sales tax in Allegheny County and 2 percent local sales tax in Philadelphia).

Tavern Games Tax Obligations Vary by Game

Pull-Tabs:

- A tavern should keep records regarding tavern tax paid to distributors to facilitate quarterly and annual reporting.
- Taverns that sell only pull-tabs will file quarterly tavern tax returns indicating tax paid to distributors on pull tabs and zero tax obligation for tavern daily drawings and raffles.
- A list of licensed distributors can be found on the department's website:

www.revenue.state.pa.us/SGOC



Tavern Games Tax Obligations Vary by Game

Tavern Daily Drawings and Tavern Raffles:

- State and municipality tavern tax on daily drawings is 65 percent of net revenue, or 65 percent of what's left after paying prizes and the cost of the game.
- Tavern tax on tavern raffles, which may be conducted up to once monthly for charity, is 65 percent of what's left after paying prizes, game costs and donating half of proceeds to a designated charity.
- *Taverns are responsible for collecting the state/host municipality tavern tax on these games and paying and reporting those taxes quarterly.*



Tavern Tax Examples

Tavern Daily Drawing Examples:

1. Tavern sells \$1 tickets for a prize equaling 100 percent of ticket sales. In such case, there is no net revenue and therefore no tavern tax due. *Note prize cap is always \$2,000.*
2. Tavern sells \$1 tickets for a prize of 50 percent of ticket sales, prize not to exceed \$2,000. Tavern sells 5,000 tickets for gross revenue of \$5,000
 - Winner gets \$2,000; cost of game is \$50; net revenue is \$2,950.
 - Tavern tax is imposed on \$2,950: state tax of \$1,770 (60 percent of \$2,950) and municipality tax of \$147.50 (5 percent of \$2,950).



Tavern Tax Examples

Tavern Raffle Example:

Tavern sells \$1 raffle tickets to benefit the local food bank. One winner will receive \$400. 1,000 tickets are sold over a course of the month for total gross revenue of \$1,000.

- Winner gets \$400; raffle ticket printing costs total \$10; net revenue is \$590.
- At least \$295, or 50 percent of the remaining \$590, must be given to the food bank.
- Tavern tax is imposed on what remains: state tax of \$177 (60 percent of \$295) and host municipality tax of \$14.75 (5 percent of \$295).

▶ Eligible Tavern Game Costs

Deductible game costs are:

- Cost to purchase the game
- Cost to purchase materials to make the game

Other costs are NOT deductible, for example:

- Labor or wages of employees selling tickets
- Regular tavern operating expenses
- Taxes paid relating to tavern operation
- Advertising for game events

Tavern Registration with Dept. of Revenue

- The Department of Revenue does not license taverns for tavern gaming; questions regarding applying to become licensed to sell tavern games should be directed to the PLCB.
- Once the department receives notice from the LCB that a tavern is licensed to sell tavern games, the department will send the tavern notification of filing and reporting requirements for tavern taxes.
- Taverns will be required to file and pay tavern games tax using the LID number issued by the PLCB.

Taverns' SGOc Tax Filing Requirements

- Quarterly returns must be filed to report/pay tax on tavern daily drawings and tavern raffles, as well as to report tavern tax paid to distributors for pull-tabs purchased in that quarter.
- Electronic filing system in development; will be available at www.revenue.state.pa.us/SGOC by March 20.
- Returns due on the 20th of the month following the close of each calendar quarter: April 20, July 20, October 20 and January 20.
- *A tavern must file quarterly returns with the department so long as it maintains a tavern gaming license, regardless of SGOc activity.*



Taverns' SGOOC Tax Filing Requirements

- Tavern will need the following to file tavern tax returns: LID #, FEIN/SSN, Sales Tax Account ID, County and Municipality of location, net revenue for tavern daily drawings, net revenue for tavern raffles and amount of tax paid to distributors for pull-tabs.
- A spreadsheet to assist with record-keeping will be made available within the electronic filing system for download.
- Along with the fourth quarter return due Jan. 20, a tavern must complete an annual report.

▶ Taverns' Annual Reporting Requirements

Taverns will have to complete an annual report in paper form that will require information itemized by week and game type regarding:

- **Pull-tabs:** number of W-2Gs, gross winnings reported from W2-Gs, total gross revenue, total payable prizes, total net revenue, state/municipality tavern tax
- **Tavern daily drawings & tavern raffles:** Type of game, number of W-2Gs, gross winnings reported from W2-Gs, total gross revenue, total prizes paid, total net revenue, total amount donated (raffles) and state/municipality tavern tax

➤ SGOC Tax Information for Taverns

www.revenue.state.pa.us/SGOC

- Listing of licensed pull-tab distributors
- Tax filing system, when completed
- Annual reporting form, when completed
- Informational resources
- Contact information