



301 Gervais Street, P.O. Box 125, Columbia, South Carolina 29214

SC INFORMATION LETTER #94-28 (TAX)

SUBJECT: Maximum Payout
(Video Game Machines Act)

DATE: October 12, 1994

SUPERSEDES: All previous documents and any oral directives in conflict herewith.

REFERENCE: S. C. Code Ann. Section 12-21-2791 (Supp. 1993)

AUTHORITY: S.C. Code Ann. Section 12-4-320 (Supp. 1993)
SC Revenue Procedure #94-1

SCOPE: An Information Letter is a document issued for the purpose of disseminating general information or information concerning an administrative pronouncement.

Information Letters issued to disseminate general information have no precedential value and do not represent the official position of the Department. Information Letters designated as administrative pronouncements are official advisory opinions of the Department.

Code Section 12-21-2791 concerns the maximum cash payout a player may receive under the Video Game Machines Act, and reads:

Any location which operates or allows the operation of coin-operated machines pursuant to Section 12-21-2720(A)(3) which provides payouts authorized pursuant to Section 16-19-60 shall limit the cash payout for credits earned for free games to two thousand five hundred credits per player per location during any twenty-four hour period. The cash value of credits for each free game shall be limited to five cents.

Recently, the Department of Revenue requested from the State Attorney General, the Honorable T. Travis Medlock, an opinion as to his interpretation of the maximum payout provisions of Code Section 12-21-2791.

The opinion concurred with the Department's interpretation that the maximum cash payout for credits earned for free games is two thousand five hundred credits with the maximum cash value for each credit earned for a free game being five cents.

For example, the maximum cash payout for credits earned for free games is as follows:

For credits for free games valued at 5 cents - \$125;

For credits for free games valued at 4 cents - \$100;

For credits for free games valued at 3 cents - \$ 75;

For credits for free games valued at 2 cents - \$ 50; and,

For credits for free games valued at 1 cent - \$ 25.

The opinion also concludes that the maximum payout is not affected by the amount of money deposited in the machine. In other words, the cash payout is based upon the total number of credits remaining on the machine when the player finishes playing.

For example, if player "A" has 2,700 credits remaining on the machine at the end of his play, 400 of which he purchased during the course of his play for \$0.25 per credit, player "A" may only receive a cash payout for 2,500 credits with the maximum cash value for each credit being five cents. If the cash value for each credit is five cents, then player "A" is only entitled to \$125.

Player "A" may not be paid for any credit above 2,500 and may not be paid more than five cents a credit even though he or she paid \$0.25 per credit for some of the credits remaining on the machine at the end of his or her play.

A copy of the Attorney General's opinion has been attached to this Information Letter.

For question concerning this matter, please contact your local Taxpayer Service Center as follows:

Aiken	(803) 641-7685	Greenville	(803) 241-1200
Beaufort	(803) 524-2852	Myrtle Beach	(803) 293-6550
Charleston	(803) 571-3000	Rock Hill	(803) 324-7641
Columbia	(803) 737-4602	Spartanburg	(803) 594-4900
Florence	(803) 661-4850		