

TAVERN GAMING: CALENDAR YEAR 2025



March 24, 2026

TO: Members of the Legislative Budget and Finance Committee

FROM: Christopher R. Latta, Executive Director

SUBJECT: Annual Report Required by Act 2013-90: The Impact of Tavern Gaming on the Pennsylvania Lottery

Why LBFC conducted this study...

Act 2013-90, an amendment to the Local Option Small Games of Chance Act, authorized small games of chance in Pennsylvania's taverns. It also directs the Legislative Budget and Finance Committee to complete an annual study of tavern gaming's impact on Pennsylvania Lottery revenues.

Act 90 of 2013, an amendment to the Local Option Small Games of Chance Act, requires the Legislative Budget and Finance Committee (LBFC) to conduct an annual study on the impact of tavern gaming on the Pennsylvania Lottery (hereafter "lottery"). Under the act, the Governor may request the General Assembly to appropriate money from the General Fund to the State Lottery Fund up to the amount identified in the study. This is the eleventh report under this mandate.

Key findings in this report include:

- Actual tavern gaming tax revenues have been significantly lower than predicted when Act 90 of 2013 was enacted, with approximately \$13.8 million in total revenue collected as of December 2025.
- Both tavern games tax revenue and total patron losses remain at or below 0.13 percent of lottery revenue. Therefore, we conclude that patron losses due to tavern gaming do not materially impact Pennsylvania Lottery sales.
- Lottery revenue has decreased by 19.6 percent from 2021 to 2025.
- Although active tavern gaming licenses decreased to 35 in 2025 from 41 in 2024, tavern gaming revenue increased by 10.8 percent.

The Impact of Tavern Gaming on the Pennsylvania Lottery

When the General Assembly debated Act 2013-90, the Governor's Office of the Budget estimated that 2,000 establishments would be licensed, generating an average weekly payout of \$10,000 per license. Using this assumption, tavern gaming was projected to generate a total annual net revenue of \$156.0 million, which would result in (at a 60.0 percent tax rate) \$93.6 million in additional revenue for the General Fund annually. However, actual tavern gaming tax revenues have been far lower than initially anticipated, totaling approximately \$13.8 million as of December 2025.

Tavern gaming revenue averaged \$1.2 million per year, ranging from just under \$1.1 million in 2023 (the lowest revenue of the five years we reviewed) to over \$1.3 million in 2025. Revenue increased 20.5 percent from 2023 to 2025.

Over the same time frame, lottery revenue averaged \$1.7 billion per year, ranging from just under \$1.5 billion in 2025 to over \$1.8 billion in 2021. Lottery revenue has mostly declined each year, realizing a 19.6 percent decrease from 2021 to 2025. The exception was from 2022 to 2023, when there was a modest 0.9 percent increase.

Exhibit 1 shows the tavern games tax revenue, lottery revenue, and the tavern games tax revenue's share of the lottery revenue for CYs 2021 through 2025.^{1, 2}

¹ Lottery revenue figures are total sales minus prize liability for all lottery games, including iLottery games. Tavern gaming tax revenues are total sales minus prize liability, minus the 35 percent tavern licensees may keep as revenue.

² Revenue includes iLottery games. In 2017, Act 2017-42 authorized iLottery, which is defined as "a system that provides for the distribution of lottery products through numerous channels that include, but are not limited to, web applications, mobile applications, mobile web, tablets and social media platforms that allow players to interface through a portal for the purpose of account management, game purchase, game play and prize redemption."

Exhibit 1

Tavern Games Tax and Lottery Revenue*
(CY 2021-2025)

Calendar Year	Tavern Games Tax Revenue	Lottery Revenue	Tavern Tax Revenue to Lottery (%)
2021	\$1,266,131	\$1,864,127,740	0.07
2022	1,182,100	1,736,736,087	0.07
2023	1,079,427	1,752,502,003	0.06
2024	1,173,637	1,573,396,401	0.07
2025	1,300,388	1,497,955,004	0.09
TOTAL	\$6,001,683	\$8,424,717,235	

*Includes both state and municipal shares of tavern gaming tax revenues.

Source: Developed by LBFC staff with data from the Department of Revenue.

The \$1.3 million in tavern games and host municipality tax revenue collected in CY 2025 resulted from \$2.0 million of patron losses on tavern games. Comparatively, total patron losses on tavern games last year were 0.13 percent of the \$1.5 billion collected in patron losses from the lottery. As shown in Exhibit 2, the ratio of tavern games to lottery patron losses has remained relatively steady from CY 2021 to CY 2025, ranging from 0.09 to 0.13 percent.

Exhibit 2

Ratio of Lottery Patron Losses to Tavern Game Patron Losses
(CY 2021-2025)

Calendar Year	Lottery Patron Losses	Tavern Game Patron Losses	Tavern Games to Lottery (%)
2021	\$1,864,127,740	\$1,947,894	0.10
2022	1,736,736,087	1,818,615	0.10
2023	1,752,502,003	1,660,657	0.09
2024	1,573,396,401	1,805,596	0.11
2025	1,497,955,004	2,000,597	0.13
Total	\$8,424,717,235	\$9,233,359	

Source: Developed by LBFC staff with data from the Department of Revenue.

Because tavern gaming losses were low compared to lottery losses and have remained consistent since we began issuing this report, we conclude that patron losses due to tavern gaming do not have a material impact on Pennsylvania Lottery sales. Further supporting this conclusion, tavern revenues have remained from 0.06 to 0.09 percent of lottery revenues for the past six years, as indicated in Exhibit 1.

Role of the Pennsylvania Gaming Control Board, the Liquor Control Board, and the Pennsylvania Department of Revenue

Applications for tavern gaming licenses are filed with the Pennsylvania Liquor Control Board (PLCB). The Pennsylvania Gaming Control Board (PGCB) then conducts background investigations of applicants through its Bureau of Investigations and Enforcement (BIE).

Upon completion of background investigations, the BIE transmits the report to the PLCB to determine whether to award a license. The report includes information to determine if the applicant is financially stable and responsible, has sufficient business experience, could effectively operate tavern games, and is of good character. Upon receipt of the investigation report, the PLCB has six months to approve or disapprove the application.

As of January 2026, the PLCB has approved 86 of the 108 tavern gaming license applications it has received. PLCB reports that 35 licenses are active, 6 fewer than in 2024, and 57 licenses have expired, 24 more than in 2024.

The Department of Revenue (DOR) licenses small games of chance distributors. It also receives quarterly and annual reports from tavern licensees on the net revenue of the games and the taxes due. DOR is also responsible for administering the Act's enforcement and tax collection provisions.

Cost to Applicants

To apply for a license, individuals must submit \$2,000 to the PLCB (\$1,000 for the PLCB application fee and \$1,000 for the PGCB investigation fee) along with a completed application packet. If an application is approved, the licensee must pay an additional \$500 license fee. There is also an annual renewal fee of \$1,000 per license. The application fee and background check fees are non-refundable.

The PGCB receives the \$1,000 investigation fee to cover the cost of its background investigation. If the background investigation costs exceed the fee, the applicant must pay all additional charges. The PLCB retains the \$1,000 licensing fee to cover its administrative costs.

Pennsylvania Costs to Administer Tavern Games

Costs are minimal for the three Pennsylvania agencies tasked with tavern game administration: the PLCB, DOR, and PGCB. PLCB estimates \$36 per application in personnel costs, resulting in a net gain from the agency's \$1,000 in application fees. Although DOR does not receive any part of the applicants' fees, it estimates its annual costs at \$1,562, based on 31 work hours. The PGCB continues to believe the \$1,000 fee charged to conduct individual background investigations for tavern gaming licenses accurately covers the scope of the investigations it is currently directed to conduct.

Allowable Tavern Games

Under Act 90, tavern owners may sell various games, including pull-tab games, daily drawings, and raffles at licensed establishments. The act defines pull tabs as "a single folded or banded ticket or a strip ticket or card with a face covered to conceal one or more numbers or symbols, where one or more of each set of tickets or cards has been designated in advance as a winner." Tavern daily drawings are games in which a person selects or is given a number for a chance at a prize, and a random drawing chooses the winner. Chances may not be sold for more than one dollar, and no more than one chance per person may be sold per drawing.

The proceeds from pull tabs and daily drawings are subject to a 60/35/5 split, where 60 percent of the net revenue is paid to the commonwealth, the licensee retains 35 percent, and 5 percent is remitted to the municipalities where the taverns are located (Host Municipality Tavern Games Tax). Net revenue is defined in the statute as the difference between the face value collectible by a licensee from a tavern game and the maximum number of prizes payable by a licensee from a tavern game.

Raffles, which may only be held for a charitable or public interest purpose, may be held no more than once in a calendar month.³ At least 50 percent of the net revenues from the tavern raffle must be given to the designated charity within seven days of the raffle. Any net revenues not given to the designated charity will be distributed according to the same 60/35/5 split defined above.

³ A public interest purpose is one or more of the following:

- (1) The activities and operations of a nonprofit benevolent, religious, educational, philanthropic, humane, scientific, patriotic, social welfare, social advocacy, public health, public safety, emergency response, environmental, or civic objective.
- (2) Initiating, performing, or fostering worthy public works or enabling or furthering the erection or maintenance of public structures.
- (3) Lessening the burdens borne by the government or voluntarily supporting, augmenting, or supplementing services that the government would generally render to the people.
- (4) Improving, expanding, maintaining, or repairing real property owned or leased by an eligible organization and relating operational expenses used for purposes specified in paragraphs (1), (2), and (3).