

In general, machines that allow players to accumulate credits that may be redeemed for gift cards that the players can use to receive property do not meet the definition of a coin-operated amusement device subject to tax under the Coin-Operated Amusement Device and Redemption Machine Tax Act. See 35 ILCS 510/1 *et seq.* and the corresponding regulations at 86 Ill. Adm. Code 460.101 *et seq.* (This is a GIL.)

April 8, 2011

Dear Sir or Madam:

This letter is in response to your letter received in this office on March 28, 2011, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings (“PLRs”) are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department’s regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter (“GIL”) is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

We have recently purchased our own token pusher machine similar to what is at Chucky Cheese. It takes and dispenses tokens and promotional [sic] items for our store such as toys, pop, pizza gift cards, but no cash value.

We wish to know what is required by the state to own and operate this machine. Please send us this information.

**DEPARTMENT’S RESPONSE:**

Your letter does not provide sufficient information regarding the machine referenced in your letter to provide a definitive response. We hope the following will be helpful in addressing your question.

The Coin-Operated Amusement Device and Redemption Machine Tax Act, 35 ILCS 510/1 *et seq.*, provides that “there is imposed, on the privilege of operating every coin in the slot operated amusement device, including a device operated or operable by insertion of coins, tokens, chips or similar objects, in this State which returns to the player thereof no money or property or right to

receive money or property, and on the privilege of operating in this State a redemption machine as defined in Section 28-2 of the Criminal Code of 1961, an annual privilege tax of \$30 for each device for a period beginning on or after August 1 of any year and prior to August 1 of the succeeding year.”

Under Section 28-2 of the Criminal Code of 1961, 720 ILCS 5/28-2(a)(4), a redemption machine is: ...a single-player or multi-player amusement device involving a game, the object of which is throwing, rolling, bowling, shooting, placing, or propelling a ball or other object into, upon, or against a hole or other target, provided that all of the following conditions are met:

- (A) The outcome of the game is predominantly determined by the skill of the player.
- (B) The award of the prize is based solely upon the player’s achieving the object of the game or otherwise upon the player’s score.
- (C) Only merchandise prizes are awarded.
- (D) The average wholesale value of prizes awarded in lieu of tickets or tokens for single play of the device does not exceed the lesser of \$5 or 7 times the cost charged for a single play of the device.
- (E) The redemption value of tickets, tokens, and other representations of value, which may be accumulated by players to redeem prizes of greater value, does not exceed the amount charged for a single play of the device.

Based on the language contained in the Act, the amusement device must involve a game, “the object of which is throwing, rolling, bowling, shooting, placing, or propelling a ball or other object into, upon, or against a hole or other target.” If the device does not involve a game with the required object, it is not a redemption machine and cannot be licensed as one. Video games cannot meet this requirement because there is no physical ball or object.

Assuming the object requirement is satisfied, all five of the enumerated conditions also must be satisfied. For example, only merchandise may be awarded by the licensee of the machines. Gift cards do not qualify as merchandise.

Under the Coin-Operated Amusement Device and Redemption Machine Tax Act, a coin-operated amusement device is every coin-in-the-slot-operated amusement device, including a device operated or operable by insertion of coins, tokens, chips or similar objects, in this State which returns to the player thereof no money or property or right to receive money or property. In general, machines that allow players to accumulate credits that may be redeemed for gift cards that the players can use to receive property do not meet the definition of a coin-operated amusement device subject to tax under the Coin-Operated Amusement Device and Redemption Machine Tax Act.

I hope this information is helpful. If you require additional information, please visit our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) or contact the Department’s Taxpayer Information Division at (217) 782-3336.

Very truly yours,

Richard S. Wolters  
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