

Legislative Changes Effective May 2, 2008



Allowable ExpensesPage 7

- Expense calculations - temporary rate increase
- Penalty for exceeding statutory limit
- Payment for gambling equipment within 30 days; delinquency

BingoPage 8

- Bar bingo, who may play
- Linked bingo, electronic bingo devices
- Loan of certain equipment allowed
- Progressive prizes

Continuing Education..... Page 9

- Calendar year requirement instead of license year
- Penalty imposed for failure to attend

Pull-tab, Tipboard, and Paddlewheel Games Page 10

- Prizes limits; payouts

Promotional TicketsPage 10

- Promotional tickets that mimic pull-tabs or tipboards defined as lawful gambling equipment

Raffle Prize Limits Page 11

MISCELLANEOUS LEGISLATIVE CHANGES

Distributor DelinquencyPage 11

Lawful Gambling Study and ReportPage 11

Due to legislative changes, the following have been revised and will be published on our web site at www.gcb.state.mn.us

Revised forms

- LG212 Gambling Manager Application
- LG215 Lease for Lawful Gambling Activity

Publications

- Lawful Gambling Manual updates (43 pages)
- Frequently Asked Bingo Questions
- Who May or May Not Participate as a Player
- CEO Guidebook
- Pull-tab Employee Booklet.

Allowable Expenses

Percentage allowed

For the period of **July 1, 2008 to June 30, 2009**, the percent of gross profits that may be used for allowable expenses will temporarily increase to:

- 75% for bingo (currently 70%), and
- 65% for all others forms of lawful gambling (currently 60%).

[Minn. Stat. 349.15, Subdivision 1]

Penalty imposed violation

If an organization exceeds the expense limits (with a negative balance at the end of the 2-year license period after applying any carryforward amount), the Board may:

- suspend the organization's license, or
- impose a civil penalty as follows:
 - (1) up to 5% of the reimbursement amount for the first violation;
 - (2) up to 10% of the reimbursement amount for a second consecutive violation; and
 - (3) up to 25% of the reimbursement amount for subsequent consecutive violations.

[Minn. Stat. 349.15, Subd. 5, paragraph (a)]

In determining any suspension or penalty, the Board must consider any unique factors or extraordinary circumstances that directly caused the organization to exceed the expense limits. Those factors or circumstances include, but are not limited to:

- the purchase of capital assets necessary to conduct lawful gambling;
- road or other construction causing impaired access to the premises; and
- flood, tornado, or other catastrophe that had a direct impact on the continuing lawful gambling operation. *[Minn. Stat. 349.15, Subd. 5, paragraph (b)]*

The civil penalty imposed by the Board may exceed \$500 for violation of the expense limits. *[Minn. Stat. 349.15, Subd. 5, paragraph (c)]*

Delinquent organizations

If a distributor or linked bingo game provider does not receive payment in full from an organization within **30 days** of the day immediately following the date of the invoice, the distributor or linked bingo game provider must notify the Board in writing of the delinquency on the next business day. Previously the time allowed for receipt of the payment by the distributor was 35 days. *[Minn. Stat. 349.191, Subdivision 1a, paragraph (a)]*

Questions and Answers

When will a new expense calculation worksheet be provided for the change in allowable expense percent that's effective July 1, 2008?
 Revenue will provide a new worksheet in July 2008.

**Be sure to attend a
 "2008 Legislative Update"
 continuing education class for
 more details.**

Bingo - Effective May 2, 2008



Bar bingo - The lessor's immediate family and lessor's employees may participate in bar bingo if they are not involved with the sale or operation of bar bingo. **NOTE:** The lessor is still prohibited from participating in any lawful gambling. [*Minn. Stat. 349.17, Subdivision 7*]

Linked bingo game - An electronic bingo device may be used for a linked bingo game. [*Minn. Stat. 349.17, Subdivision 8, paragraph (c)*]

Progressive bingo game - The annual prize limit of \$48,000 for progressive bingo games was removed. [*Minn. Stat. 349.211, Subdivision 2*]

Loan of certain bingo equipment allowed - An organization authorized to conduct bingo by the Board may loan bingo hard cards and devices for selecting bingo numbers to another organization authorized to conduct bingo. [*Minn. Stat. 349.161, Subdivision 1*]

Questions and Answers

May we give unused bingo paper to exempt organizations for their bingo games?

No. Unused bingo paper must be tracked in your inventory and may not be given to other organizations.

Our lessor is not involved in the conduct of bar bingo at our site. May our lessor play bar bingo?

No. A lessor is prohibited from participating in all lawful gambling, including bar bingo, at any site that the lessor owns.

With the elimination of the annual bingo progressive prize limit, were there any changes in progressive bingo prize limits during a bingo occasion?

No. The following still apply to progressive bingo prizes awarded in a bingo occasion:

- limit of up to \$2,000;
- may start at up to \$500 and increase by up to \$100 per occasion;
- a consolation prize of up to \$200 may be awarded when a progressive game is played and the accumulated prize is not won; and
- consolation prizes count towards the bingo occasion limit of \$2,800 for prizes that are not cover-all (additional \$1,000) or linked bingo prizes.

A linked bingo progressive prize does not have a maximum limit.

Continuing Education Requirements - Effective May 2, 2008

New gambling managers

A **new** gambling manager must have received training within the *last six months* before being issued a new license. In the case of the death, disability, *resignation*, or termination of a gambling manager, a replacement gambling manager must receive the training within 90 days of being issued a license. [*Minn. Stat. 349.167, Subdivision 4, paragraph (1); and Minn. Stat. 349.167, Subdivisions 2 and 7*]

Licensed gambling managers

Each gambling manager must receive **continuing education** training at least once during **each calendar year**, instead of once during each license year. [*Minn. Stat. 349.167, Subdivision 4, paragraph (2)*]

Sanction for failure to attend class

The Board may summarily suspend the license of a gambling manager who fails to attend a class each calendar year. The suspension of a gambling manager's license may be kept in effect until the gambling manager passes an examination prepared and administered by the Board. The examination does not qualify as continuing education credit for the next calendar year. [*Minn. Stat. 349.1641*]

REMINDER: If a gambling manager's license is suspended, the organization must cease gambling until the gambling manager passes the required examination.

Questions and Answers

If a gambling manager doesn't attend a class during the first year of a two-year license term, will a suspension be imposed at the end of the first calendar year, or at the end of the two-year license term?

A suspension would be imposed after the end of the first calendar year, as the statute requires training during *each calendar year*.

Keep in mind that the class could be either a continuing education class attended during the calendar year, or for a new or replacement manager it could be a gambling manager seminar attended during the calendar year.

If my license expires on September 30, 2008 and I haven't attended a class by that time, will my license renewal be held up?

No, your license renewal will not be held up. You will have time to attend a class before the end of the *calendar year*. Continuing education requirements will be based on a calendar year, not the license term.

We have a new gambling manager who completed the gambling manager seminar and passed the examination in February of this year. Will the gambling manager have to attend a continuing education class this year to meet the training requirement for continuing education.

No. Because the seminar will count as a continuing education class, the gambling manager will not have to attend a class this year. However, we would recommend that the new gambling manager attend a "2008 Legislative Changes" class to keep up-to-date with regulatory changes.

Pull-tab, Tipboard, and Paddlewheel Games - Effective May 2, 2008

Cash banks Language was clarified to allow a licensed organization to commingle cash banks for all pull-tab deals played from a **pull-tab dispensing device**.
[Minn. Stat. 349.19, Subdivision 10]

Prizes; payouts The maximum prize which may be awarded for any single pull-tab or tipboard ticket is:
 • \$599 for games with \$2 and under tickets;
 • \$899 for games with \$3 tickets;
 • \$1,199 for games with \$4 tickets; and
 • \$1,499 for games with \$5 tickets.
[Minn. Stat. 349.211, Subdivisions 2a and 2c]

Prize payout limits for pull-tab or tipboard deals were clarified to pertain to "games," not "deals" (due to cumulative games being allowed). *[Minn. Stat. 349.2113]*

Games with 32 numbers or tickets A technical change pertaining to paddlewheels and tipboards was made to make statutory language consistent, as previous language in some sections referred to 30 numbers or tickets and in other sections referred to 32 numbers or tickets.
[Minn. Stat. 349.18, Subdivision 1, paragraph (i) and 349.211, Subdivision 4, paragraph (b)]

Questions & Answers

May pull-tab games still be commingled in a pull-tab dispensing device?
 Yes. However, cumulative pull-tab games may not be commingled.

If we conduct a pull-tab game with \$3 tickets and a top prize of \$899, will we have to complete an IRS W-2G Certain Gambling Winnings form?
 No. W-2G's are only required for prizes that are at least \$600 **and** the prize is 300 times the wager.

Promotional Tickets - Effective May 2, 2008

Promotional tickets are gambling equipment

- The definition of "gambling equipment" is expanded to include "**promotional tickets that mimic a pull-tab or tipboard**." *[Minn. Stat. 349.12, Subdivision 18]*
- The definition of "promotional ticket" now clarifies that a promotional ticket is a pull-tab or tipboard ticket "**created and printed by a licensed manufacturer**" with the words "no purchase necessary" and "for promotional use only" and for which no consideration is given. *[Minn. Stat. 349.12, Subdivision 31]*
- Promotional tickets may be **sold by a licensed distributor** to any person for use in Minnesota. *[Minn. Stat. 349.161, Subdivision 5]*

Questions & Answers

A bar owner wants to give promotional "pull-tab" tickets to customers for a discount on meals. Does the bar owner have to purchase the tickets from a licensed distributor?
 Yes. Because promotional tickets that mimic pull-tab or tipboard tickets are now defined as gambling equipment, they must be purchased from a licensed distributor.

Raffle Prize Limits - Effective May 2, 2008

No annual limit	<p>The Board may not impose an annual limit on the value of raffle prizes awarded by a licensed organization. <i>[Minn. Stat. 349.211, Subdivision 2d and Subdivision 3]</i></p> <p>The Board's rule (Minnesota Rule 7861.0260, Subpart 4C) which imposed an annual limit of \$100,000 each calendar year for raffle prizes awarded by a licensed organization is therefore obsolete.</p>
Individual raffle prize limit	<p>The total value of an individual raffle prize awarded by a licensed organization may not exceed \$50,000. <i>[Minn. Stat. 349.211, Subdivision 2d]</i></p>

Questions and Answers

As a licensed organization do we have to keep track of the value of raffle prizes awarded in a calendar year?

No. The annual limit of \$100,000 that was imposed by rule has been deleted.

As a licensed organization may we award six prizes in our raffle, with each prize valued at \$10,000? The total value of prizes for the raffle would be \$60,000.

Yes, because *each prize* does not exceed \$50,000.

May we conduct a raffle in which the total value of all prizes awarded is \$150,000?

Yes, as long as the value of *each prize* does not exceed \$50,000.

Delinquent Distributors - Effective May 2, 2008

Pay in 30 days	<p>If a manufacturer does not receive payment in full from a distributor within 30 days of the day immediately following the date of invoice, the manufacturer must notify the Board in writing of the delinquency on the next business day. <i>[Minn. Stat. 349.191, Subdivision 1b, paragraph (a)]</i></p>
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Lawful Gambling Study and Report

- The Gambling Control Board is required to review operational and regulatory procedures, accounting functions, tax structure, and recent trends in lawful purpose contributions and allowable expenses incurred by licensed charitable organizations relating to lawful gambling activities.
- The Board must seek public input including comment from licensees and professionals working in the lawful gambling industry.
- The Board must provide a report with recommendations and proposed legislation, if any, to the chairs of the legislative standing committees with jurisdiction over lawful gambling by January 15, 2009.