

CHAPTER 7860

GAMBLING CONTROL BOARD

LAWFUL GAMBLING

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7860.0010 DEFINITIONS.*[For text of subpart 1, see M.R.]*

Subp. 2. **Active member.** "Active member" means a member who has paid all his or her dues to the organization, who is 18 years of age or older, who has equal voting rights with all other members, who has equal opportunity to be an elected officer, who has equal rights and responsibilities of attendance at the regularly scheduled meetings of the organization, whose name and membership origination date appears, knowingly and willingly, on a list of members of the organization, and who has been a member of the organization for at least the most recent six months. If the organization does not have a dues structure, the dues portion of this definition will not apply.

[For text of subp 3, see M.R.]

Subp. 4. **Bingo occasion.** "Bingo occasion" means a single gathering or session in which at least 15 bingo games must be held and must continue for at least 1-1/2 hours but not more than four consecutive hours.

[For text of subps 5 to 7, see M.R.]

Subp. 8. **Deal.** "Deal" means each separate package, or series of packages, consisting of one game of pull-tabs or tipboards with the same serial number purchased from a distributor.

[For text of subps 9 to 11, see M.R.]

Subp. 11a. [Repealed, 1Sp1989 c 1 art 13 s 29]

Subp. 12. **Gambling equipment.** "Gambling equipment" means bingo cards and devices for selecting bingo numbers, pull-tabs, jar tickets, paddlewheels, paddletickets, and tipboards.

Subp. 13. **Gambling manager.** "Gambling manager" means a person who has paid all dues to an organization, has been a member of the organization for at least the most recent two years, has been designated by the organization to supervise lawful gambling conducted by it, and has completed required training provided by the board.

Subp. 14. **Gross receipts.** "Gross receipts" means the total amount collected by an organization from participants in lawful gambling. Gross receipts for bingo include any amount received by the organization that has been paid by a person

at the bingo occasion to play the game, without which the player could not play the game.

[For text of subp 15, see M.R.]

Subp. 16. **Lawful purpose.** "Lawful purpose" means one or more of the following:

A. benefiting persons by:

(1) enhancing their opportunity for religious or educational advancement;

(2) relieving or protecting them from disease, suffering, or distress;

(3) contributing to their physical well-being;

(4) assisting them in establishing themselves in life as worthy and useful citizens; or

(5) increasing their comprehension of and devotion to the principles upon which this nation was founded;

B. initiating, performing, or fostering worthy public works; or enabling or furthering the erection or maintenance of public structures;

C. lessening the burdens borne by government; or voluntarily supporting, augmenting, or supplementing services which government would normally render to the people;

D. paying taxes imposed under this chapter, and other taxes imposed by the state or the United States on receipts from lawful gambling;

E. paying a sum not to exceed \$50 per year for membership in organizations comprised entirely of licensed gambling organizations;

F. any expenditure by, or any contribution to, a hospital or nursing home exempt from taxation under section 501(c)(3) of the Internal Revenue Code; and

G. payment of reasonable costs incurred in complying with the performing of annual audits required under Minnesota Statutes, section 349.19, subdivision 9.

"Lawful purpose" does not include: the erection, acquisition, improvement, expansion, repair, or maintenance of any real property or capital assets owned or leased by the organization, other than a hospital or nursing home exempt from taxation under section 501(c)(3) of the Internal Revenue Code, unless the board specifically authorizes the expenditures after finding that the property or capital assets will be used exclusively for one or more of the purposes specified in items A to C; the expenditure of gambling funds for the purpose of influencing or attempting to influence any public official or the outcome of any public decision, other than an expenditure made pursuant to item E; or the expenditure of gambling funds for the acquisition of property, other than real property, the ownership or possession of which is retained by the organization, unless the property is used exclusively for one or more of the purposes specified in items A to C.

[For text of subps 17 and 18, see M.R.]

Subp. 19. **Net receipts.** "Net receipts" are gross receipts less prizes actually paid out. This is the amount upon which the gambling tax is paid except for pull-tabs and tipboards.

Subp. 20. **Organization.** "Organization" means any fraternal, religious, veterans, or other nonprofit organization that has been in existence for the most recent three years and which has at least 15 active members, and either has been duly incorporated as a nonprofit organization for at least three years, or has been recognized by the Internal Revenue Service as exempt from income taxation for the most recent three years.

Subp. 21. **Other nonprofit organization.** "Other nonprofit organization" means one of the following:

A. an organization as defined in subpart 20, other than a fraternal, religious, or veterans organization, whose nonprofit status is evidenced by a current letter of exemption from the Internal Revenue Service recognizing it as a nonprofit organization exempt from payment of income taxes. An organization applying for renewal of a license is considered to have satisfied this item if the organization has, during the period of licensure, a certificate of nonprofit incorporation or has been recognized by the Internal Revenue Service as exempt from the payment of income taxes.

[For text of subpart 21, item B, see M.R.]

[For text of subps 22 to 25, see M.R.]

Subp. 26. **Gross profit.** "Gross profit" means the gross receipts collected from lawful gambling, less reasonable sums necessarily and actually expended for prizes.

Subp. 26a. **Net profit.** "Net profit" means gross profit less reasonable sums actually expended for allowable expenses.

[For text of subps 27 to 31, see M.R.]

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0030 [Repealed, L 1989 c 334 art 2 s 52]

7860.0040 LICENSE APPLICATION.

[For text of subpart 1, see M.R.]

Subp. 2. **Contents of application.** The application must contain the following information:

[For text of subpart 2, items A to R, see M.R.]

S. a consent that local law enforcement officers, the board or agents of the board, or the commissioner of revenue or agents of the commissioner, may enter the premises to enforce the law;

T. a compensation schedule devised by the organization identifying tasks and rate of compensation for each task in the conduct of lawful gambling;

U. the day and time of the regular meeting of the organization;

V. the name, address, and account number for all accounts into which gross receipts from gambling are deposited for this licensed premises, and the name and address of the persons authorized to sign checks and make deposits and withdrawals;

W. a membership list of the organization which must be available within seven days after it is requested by the board;

X. registered storage space; and

Y. such additional information as is necessary to properly identify the applicant and to ensure compliance with Minnesota Statutes, sections 349.11 to 349.22.

Subp. 3. **Required attachments to application.** The applicant must attach the following material to the application:

A. a copy of the lease agreement for the premises where the organization will conduct lawful gambling if the premises is not owned by the organization;

B. every eligible organization must file a copy of its written internal accounting and administrative control system relative to gambling operations with the board when first applying for a license to conduct lawful gambling as specified on a form provided by the board; and

C. a completed License Termination Form that commits the organization, at the termination of the license, to inform the board of its plan for the disposal of registered gambling equipment and for the distribution of profit carryover in the general gambling bank account within 15 days of the termination date. The plan must be approved by the board.

Subp. 4. **Local approval.** The applicant shall deliver a copy of the application to the clerk of the local governing body along with a notification that the license, if approved by the board, will become effective within 60 days unless the governing body adopts a resolution disapproving the license and so informs the board within 60 days. If the premises are located outside a city, the town board of the town and the county board of the county must both be notified. The clerk will sign an acknowledgment of receipt of the copy of the license application and notification. If the local governing body chooses to waive its right to disapprove the license within the 60-day period, the local governing body must notify the board in writing of the waiver.

[For text of subps 5 to 8, see M.R.]

Subp. 9. **Restriction on applicant.** An organization that has conducted gambling as an exempted organization is not eligible for a license to conduct lawful gambling in the same calendar year as it has been awarded exempt status.

An organization that is licensed may not be considered as an applicant for exempt status during the same calendar year it has a license.

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0070 ADVERTISING.

Subp. 1a. **Not gambling expense.** Advertising of the conduct of lawful gambling, although not prohibited, may not be taken as an expense against gambling proceeds. No expenses for advertising shall be paid from the gambling banking checking account required in part 7860.0140.

[For text of subp 2, see M.R.]

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0090 LEASE AGREEMENTS.

Subpart 1. **Requirements of lease.** All leases of premises where lawful gambling is to be conducted must be on a form provided by the board and must contain at a minimum the following information:

A. The name of the lessor, who must be the legal owner of the premises. If the organization is to be a sublessee, then the lessee name must also be included.

B. The name of the eligible organization.

C. The term of the agreement (must be at least one year).

D. The monetary consideration, if any, expressed in terms of number of dollars per month or number of dollars per bingo occasion, whichever is applicable.

E. If the lease is of a portion of a building or place of business, a brief description of the general area being leased within the building or place of business (a sketch must be attached), with dimensions of the leased premises specified in feet and a statement of number of square feet leased.

F. All obligations between the lessee and its employees or agents and the lessor and its employees or agents must be contained in the lease. No benefit shall accrue to any party or person unless provided for in the lease.

G. Commitment from the lessor that: the board or agents of the board, or the commissioner of revenue or agents of the commissioner, and law enforcement personnel, have access to inspect the licensed premises at any reasonable time or during business hours of the lessor; the lessee has access to the licensed premises during any time reasonable and necessary to the conduct of lawful gambling on the premises by that lessee.

H. The lease shall contain a clause that provides for termination of the lease if the licensed premises is the site where gambling, liquor, prostitution, or tax evasion violations have occurred.

I. All of the remuneration to be paid by the organization for the conduct of lawful gambling must be stated in the lease. No amount may be paid by the organization or received by the operator of the bingo hall based on the number of participants attending the bingo occasion or on the gross receipts or profit received by the organization.

[For text of subp 2, see M.R.]

Subp. 3. Payments.

A. The amount of the lease payment that an organization shall pay to a lessor for premises leased for lawful gambling, with the exception of bingo, may not exceed \$24 per square foot per month. In no instance may rent payments for the leased premises exceed \$600 per month.

B. The amount of the lease payment that an organization shall pay to a lessor for premises leased for the conduct of bingo and all other gambling activities during that bingo occasion shall not exceed \$200 for leased premises of not more than 6,000 square feet, \$300 for leased premises of not more than 12,000 square feet, and \$400 for leased premises of more than 12,000 square feet.

C. The storage of the inventory of gambling equipment may be on that leased premises.

D. The sale of and redemption of prizes awarded resulting from the sale of bingo sheets and cards, pull-tabs, tipboards, and paddlewheel tickets shall occur exclusively on the leased premises.

E. At each leased premises, the organization shall have:

(1) a current inventory of gambling equipment;

(2) a sketch with dimensions of the leased premises available for review; and

(3) a clear and physical separation or a tangible divider between the lessee's gambling equipment and the lessor's business equipment.

F. Each lessee shall be responsible that the lessor's business activities are not conducted on the leased premises.

Subp. 4. Severed leases. All leases must include an agreement by both parties that if the lease is severed prematurely, for whatever reason, each party shall submit a notice of termination and explanation for the termination to the Charitable Gambling Control Board.

Subp. 5. Restrictions. No lessee shall enter into an agreement between a lessor and lessee that imposes implicit or explicit restrictions on the lessee in relationships with providers of gambling-related equipment and services or in the use of net profits for lawful purposes.

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0100 LESSOR OF GAMBLING SITE-RESTRICTIONS.

Subpart 1. Participation in gambling activity prohibited. If the premises where lawful gambling is to be conducted is a public building or a building where more than four bingo occasions are conducted, the building manager and staff and all

officials in a position, individually or collectively, to approve or deny the lease shall not directly or indirectly participate in the selling, distributing, conducting, assisting in the playing of, or participate in lawful gambling at the leased premises.

The lessee shall not permit the lessor or the lessor's immediate family to participate as players in the conduct of lawful gambling on the leased premises. The lessee shall not permit any of its employees or agents to participate as players in the conduct of lawful gambling on the leased premises.

An organization shall not be granted a license when the proposed licensed premises is a site where illegal gambling has occurred within the last 12 months or the lessor has been convicted of illegal gambling within the last 12 months.

[For text of subps 2 and 3, see M.R.]

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0105 BINGO HALL LICENSES.

Subpart 1. License required. No person may lease a facility to more than one licensed individual, corporation, partnership, or organization to conduct bingo without having obtained a bingo hall license, unless the lessor is a licensed organization.

Subp. 2. Application required. Annual application must be made for a bingo hall license. The application must be on a form provided by the board and must contain, at a minimum, the following information:

- A. the name of the person responsible for completing the application;
- B. the name of the person who is the owner;
- C. the name of the person who is the lessor;
- D. the name of the site;
- E. the office address if different than the mailing address;
- F. the telephone number of the business;
- G. the official position of the person completing the application;
- H. the legal nature of the applicant (corporation, partnership, or sole proprietorship);
- I. a statement as to whether any officer, director, or other person in a supervisor or management position:

(1) has been convicted of a felony in a state or federal court within the past five years or who has a felony charge pending; or

(2) has ever been convicted in a state or federal court of a gambling-related offense within ten years of the date of license application; and

J. a list of the owners, partners, officers, directors, and people in supervisory and management positions. A bingo hall personnel form must be completed for each of these individuals.

Subp. 3. Bingo hall personnel form. The bingo hall personnel form in subpart 2, item J, must contain the following information:

- A. the name of the person completing the form;
- B. the name of the bingo hall;
- C. the address, date of birth, place of birth, and name of the spouse of the person completing the form;
- D. all other current occupations along with the employer's name, address, type of business, and the position held within that business;
- E. the names of any organizations conducting gambling of which the person completing the form is a member;

F. all criminal convictions, or pending criminal charges, if any, the date of those convictions, and the location of the court imposing sentence;

G. a list of all the places of residence in the last ten years; and

H. information on this form shall be verified by the person completing it.

Subp. 4. Prohibitions on bingo hall lessor/owner interest. The following prohibitions and restrictions apply to bingo hall lessors/owners:

A. No bingo hall lessor/owner may also be a licensed distributor or registered manufacturer or affiliate of a distributor or manufacturer.

B. No person who is an officer, director, shareholder, directly or indirectly, partner, or proprietor of a wholesale alcoholic beverage distributorship shall be an officer, director, shareholder, partner, proprietor, or employee of a bingo hall lessor/owner, nor shall the person have any direct or indirect financial interest in the bingo hall.

Subp. 5. Changes in application information. Any changes in the information submitted in the application must be filed with the board within ten days after the change occurs.

Subp. 6. Restrictions on services provided. A bingo hall lessor/owner or affiliate of the lessor/owner may not:

A. provide any staff to conduct bingo or any other form of lawful gambling during the bingo occasion;

B. acquire, control storage or inventory, or report the use of any gambling equipment used by an organization that conducts bingo on the premises;

C. provide accounting services to an organization conducting lawful gambling on the premises;

D. make any expenditures of gross receipts of an organization from lawful gambling; or

E. charge any fee to a person at a bingo occasion, without which the person could not play a bingo game.

For purposes of this subpart, an affiliate of the bingo hall lessor/owner is any person or entity directly or indirectly controlling, controlled by, or under common control with the bingo hall lessor/owner.

Subp. 7. License fee. The annual fee for a bingo hall license is \$2,500.

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0110 PREMISES LEASED TO TWO OR MORE ORGANIZATIONS.

Subpart 1. Limit on number of occasions per week. There may be no more than 18 bingo occasions per week on a premises.

Subp. 2. [Repealed, 14 SR 478]

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0120 GENERAL ACCOUNTING RECORDS.

Subpart 1. General records. Every organization shall maintain complete, accurate, and legible general accounting records with detailed, supporting, subsidiary records sufficient to furnish information regarding all transactions pertaining to gambling. The accounting records must be sufficient to adequately reflect gross receipts, prizes, net receipts, expenses, and all other accounting transactions.

Subp. 2. Monthly records. Every organization licensed to operate any lawful gambling activity shall keep and maintain monthly records of all the gambling activities of the organization. A photocopy of the "Minnesota Monthly Gambling

Tax Return," a photocopy of Schedule C, a copy of reconciled bank statements, and a photocopy of the expense computation form must be filed with the monthly report to the members by the licensed organization and made part of the minutes of the regular meetings of the licensed organization. These records must be kept separate for each month and include all details of the following:

[For text of subpart 2, items A to E, see M.R.]

[For text of subp 3, see M.R.]

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0130 METHOD OF ACCOUNTING.

[For text of subps 1 and 2, see M.R.]

Subp. 3. Unpaid liabilities. The unpaid liabilities of the licensee on allowable expenses shall be reported to the commissioner of revenue on its monthly gambling tax return.

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0140 GENERAL GAMBLING BANK ACCOUNT.

Every organization shall maintain a separate checking account at a financial institution, located within Minnesota, for each license issued.

Every organization shall furnish to the board an "Authorization to Inspect Bank Records," which shall authorize the commissioner of revenue and agents of the commissioner of revenue to inspect the bank records of the organization's gambling bank account.

Interest income must be included in gross receipts.

All net receipts from lawful gambling must be deposited only in this account and all allowable expenses and lawful purpose expenditures must be paid from this account.

When the license for an organization has been terminated, the organization shall notify the board of the amount in the gambling banking checking account and the plan for its lawful disbursement. The plans for disposal must satisfy the conditions of licensing.

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0150 INTERNAL CONTROL.

Subpart 1. System of internal accounting and administrative controls required. To adequately determine its liability for taxes and the proper determination of profit to be expended for lawful purposes, every organization shall establish and have available for review, a written system of internal accounting and administrative controls relative to its lawful gambling operations. The organization shall file a copy of its internal accounting and administrative control system with the board when the license application is submitted. The board may require that the organization revise its internal accounting and administrative control system if the system does not meet the internal control objectives established by the board. The minimal items to be covered in the internal controls are (1) a plan for ensuring security of the organization's fund and gambling equipment, (2) a plan for collecting, counting, and depositing funds from gambling, and (3) a plan for authorizing, ordering, receiving, putting into play, and recording proceeds from gambling activities. The board shall provide a reporting form to ensure that the internal accounting procedures are adequately documented.

[For text of subps 2 to 6, see M.R.]

Subp. 7. Fund loss by questionable means. When an organization has a fund loss by questionable means in its inventory or its cash flow, the organization may apply to the board, on a form provided by the board, for an adjustment of its gambling banking checking account. The form shall be available from the office of the board. The organization shall provide the following information:

A. A copy of the police report filed relative to the shortage. If the police report on the shortage is not filed within ten days of the discovery of the shortage, the request for adjustment will not be considered.

B. The amount of the loss and the method of substantiating that amount.

C. A statement of the adjustment and internal controls to prevent that loss from occurring again.

D. A change in staffing to prevent the recurrence of the loss.

E. An agreement from the chief executive officer and gambling manager of the organization that any funds that are recovered from that loss as a result of law enforcement investigation or payment from the bonding company will be returned to the gambling banking checking account.

All fund losses by questionable means must be reimbursed to the gambling banking checking account, unless an adjustment to the gambling account is approved by the board.

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0160 EXPENSES.

Subpart 1. Expenses allowed. Reasonable sums that are necessarily and actually expended for items A to L, are allowed to be taken from gross receipts from lawful gambling:

A. prizes;

B. gambling supplies and equipment;

C. rent;

D. utilities used during gambling occasions;

E. compensation paid to members for conducting gambling on a compensation schedule devised by the organization for its employees for the conduct of lawful gambling and file that report with the board;

F. maintenance of devices used in lawful gambling;

G. accounting services;

H. license renewal;

I. bond for gambling manager;

J. insurance on gambling activities;

K. investigation fee; and

L. one-third of the amount of increase in the annual premium of the liability insurance.

Subp. 2. Definitions. For purposes of subpart 1:

A. "Prizes" mean actual cash given to winners in gambling games. Prizes also include the cost of merchandise given to winners of gambling games. Merchandise must be expensed at the actual cost to the organization.

B. "Gambling supplies and equipment" mean:

(1) bingo cards, devices for selecting bingo numbers, numbered bingo balls, ink dabbers, and other supplies or equipment used in the playing of bingo such as flashboards, game boards, monitoring systems, cash registers, and game programs;

- (2) pull-tabs and ticket jars;
- (3) paddlewheels, paddleticket cards, and other necessary equipment used to conduct the game of paddlewheels;
- (4) tipboards;
- (5) incidental office supplies such as paper, pencils, forms, and calculators;
- (6) cost of printing of raffle tickets; and
- (7) all sales tax paid on these items.

C. "Rent" means that amount of money expended pursuant to a lease of a specific premises for the purpose of conducting lawful gambling.

[For text of subp 2, item D, see M.R.]

E. "Compensation paid to members for conducting lawful gambling" means compensation plus reasonable employer-paid benefits, and payroll taxes for employees directly engaged in conducting gambling. If the employee performs other services unrelated to gambling activities, an allocation based on hours worked in each activity must be made. For purposes of this item, "member" includes active members of the organization, its auxiliary, the spouse or surviving spouse of an active member, and nonmembers hired as nonmanagement assistants pursuant to the approval of the organization. Compensation for the conduct of gambling may not provide for compensation based on a percentage of receipts or profits from lawful gambling. Any compensation paid must be pursuant to a compensation schedule established by the organization and included in the recorded minutes of the organization.

F. "Maintenance of devices used in lawful gambling" means the reasonable material and labor charges for the repair and maintenance of equipment or devices used in lawful gambling.

G. "Accounting services" means the reasonable expense of services for completion of the periodic reports required by statute and rule and provided to the board.

H. "License renewal" means the actual cost incurred by an organization to satisfy the license fee imposed by the board.

I. "Bonds for the gambling manager" means the actual cost incurred by an organization for the fidelity bonds for the gambling managers for license renewal.

J. "Insurance on gambling activities" means the reasonable expense of coverage of gambling equipment and gambling funds for theft, burglary, or casualty loss at the licensed premises.

K. "Investigation fee" means the fee imposed by the local governing unit to investigate the applicant for a gambling license renewal.

L. "One-third of the amount of increase in the annual premium of the liability insurance" means the premium on a licensed premises that is directly related to the conduct of lawful gambling and which must be provided on a form by the board.

Subp. 3. Percent expended for allowable expenses. Compliance by an organization with the maximum percentage of profits expended for allowable expenses must be determined on an annual basis.

Allowable expenses incurred by the organization must be paid with sufficient time to ensure that all reports to the board demonstrating the degree of compliance with Minnesota Statutes, section 349.15, are accurate and complete.

Subp. 4. Unallowable expenses. The following may not be taken as expenses from lawful gambling receipts:

A. utilities when only a portion of a building or business place is leased for gambling;

B. employer-paid bonuses or payments made to or on behalf of a gambling employee other than those specifically allowed in subpart 2, item E;

C. decorations of the site; and

D. advertising costs, not including bingo programs distributed on the premises.

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0170 EXPENDITURES FOR LAWFUL PURPOSES.

[For text of subps 1 to 3, see M.R.]

Subp. 4. **Percent of profit to be used for allowable expenses.** Profits from lawful gambling may be expended only for lawful purposes or allowable expenses as authorized at a regular meeting of the conducting organization, provided that no more than 55 percent of profits from bingo, and no more than 45 percent for other forms of lawful gambling, may be expended for necessary expenses related to lawful gambling.

When applying for license renewal, each organization must supply to the board expense computation forms, which the board will provide, to determine its compliance with Minnesota Statutes, section 349.15. If the organization does not satisfy that percentage, it will not be eligible for renewal for 120 days from the date of license expiration.

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0180 GAMBLING TAX RETURNS.

[For text of subps 1 to 3, see M.R.]

Subp. 4. **Three signatures required on tax returns.** The gambling manager, the chief executive officer of the organization or their respective designees, and the person who completed the tax return must sign the tax return. The organization shall inform the board in writing of the identity of the designees.

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0200 DISTRIBUTORS.

[For text of subpart 1, see M.R.]

Subp. 2. **Application required.** Annual application must be made for a distributor's license. The application will be on a form provided by the board, which form will include at least the following information:

[For text of subp 2, items A to G, see M.R.]

H. a list of the owners, partners, officers, directors, employees, people in supervisory and management positions, and any person who receives anything of value, including but not limited to salary, wages, compensation, or payment for services rendered to the distributor. A distributor personnel form must be completed for each of these individuals;

[For text of subp 2, items I to L, see M.R.]

[For text of subp 3, see M.R.]

Subp. 4. **Restrictions on distributorship interest.** The following are the restrictions on distributorship interest:

[For text of subp 4, items A to C, see M.R.]

D. All distributors and persons required to prepare a distributor personnel form pursuant to item H must advise the board in writing of their memberships in organizations that conduct lawful gambling. No distributor or person required to prepare a distributor personnel form pursuant to subpart 2, item H may sell or furnish gambling equipment to any licensed organization of which he or she is an officer, director, or gambling manager.

E. No distributor or person required to prepare a distributor personnel form pursuant to subpart 2, item H, may provide any services related to the conduct of lawful gambling that are required to be performed by a licensed organization.

F. A distributor shall notify the board by registered mail if a licensed organization is more than 35 days delinquent in its payment to that distributor of tax obligations and costs of registered equipment. The board shall notify the licensed organization of the delinquency and direct the organization to eliminate the delinquency, if one exists. The board must be notified by the licensed distributor that the delinquency has been paid or that no delinquency exists within ten days of the distributor's initial notification to the board. If the board is notified that the delinquency has not been paid within ten days of the distributor's initial notification to the board, the board shall notify all licensed distributors that no registered gambling equipment may be sold, offered for sale, or furnished to that organization.

No distributor shall sell, offer for sale, or furnish registered gambling equipment to an organization that has been determined by the board to be 45 or more days delinquent in its payment to a licensed distributor for the amount of the tax collection and of costs of registered gambling equipment.

When the delinquency is paid, the board shall so notify all licensed distributors.

[For text of subps 5 to 7, see M.R.]

Subp. 8. Books and records to be kept. Each distributor shall maintain for one year records that contain the following information relative to the purchase and sale, lease, rental, or loan of gambling equipment.

A. Sales invoices for all gambling equipment distributed, whether by sale, lease, rental, or loan, to all gambling organizations. Gambling equipment provided to all gambling organizations at no charge must be recorded on a sales invoice. The sales invoices must be on a standard form prescribed by the board and must have the following information as a minimum:

[For text of subp 8, item A, subitems (1) and (2), see M.R.]

(3) the license number and expiration date of the license of the organization;

[For text of subp 8, item A, subitems (4) to (11), see M.R.]

[For text of subp 8, item B, see M.R.]

[For text of subps 9 to 20, see M.R.]

Subp. 21. Picture identification card. Each picture identification card provided by the board must contain the following:

[For text of subp 21, items A to G, see M.R.]

The picture identification card is the property of the state of Minnesota and is to be returned to the board if the bearer is no longer eligible to conduct sales.

No person may possess a picture identification card from more than one licensed distributor.

[For text of subp 22, see M.R.]

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0210 SPECIAL RESTRICTIONS; PULL-TABS AND TIPBOARDS.

[For text of subpart 1, see M.R.]

Subp. 2. Purchases. A distributor shall not purchase or be furnished any deal of pull-tabs or tipboards from a manufacturer of pull-tabs or tipboards unless both of the following conditions are met:

[For text of subp 2, items A and B, see M.R.]

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0220 REGISTRATION OF EQUIPMENT.

Subpart 1. Registration required. All gambling equipment sold, leased, rented, or loaned by a distributor to an organization must be registered with the board as follows:

[For text of subpart 1, items A and B, see M.R.]

C. a state registration stamp must be affixed to the master flare for each sealed grouping of up to 100 paddleticket cards and have a facsimile of the state registration stamp imprinted on each paddleticket card stub with the distributor's license number printed on the facsimile in the place of the paddleticket card numbers;

D. a state registration stamp must be affixed to paddlewheels and devices for selecting bingo numbers; and

E. when the license for an organization has been suspended, revoked, or has expired, the organization shall notify the board of its inventory of registered gambling equipment and its plan for disposal of the gambling equipment. The plans for disposal of the gambling equipment must satisfy the conditions of licensing.

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0230 BINGO.

[For text of subps 1 to 7, see M.R.]

Subp. 8. General bingo records. For each bingo occasion, the following records must be kept:

[For text of subp 8, items A to C, see M.R.]

D. a copy of the schedule of games and their prizes;

E. the number and price of cards sold, by type;

F. the inventory of disposable bingo cards purchased by the organization; and

G. for any bingo game with a prize of \$100 or more:

(1) the name and address of the winner;

(2) the series number of the winning card; and

(3) the date and the amount of the prize won.

[For text of subps 9 and 10, see M.R.]

Subp. 11. [Repealed, 14 SR 478]

Subp. 12. **Cards that are not preprinted but are completed by the player.** Bingo cards are to contain five horizontal rows of spaces. The central row must contain the word "free" marked in the center space. The remaining spaces must be of uniform color and size.

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0240 PULL-TABS.

Subpart 1. **General.** The following general rules shall apply to the game of pull-tabs:

[For text of subpart 1, items A to E, see M.R.]

F. House rules governing the conduct of the sale of pull-tabs must be posted in such a manner that players have access to the rules before buying any pull-tabs.

G. The organization shall clearly identify the play of pull-tabs as single deal sales or commingled deal sales.

H. No pull-tab shall be sold for a price other than the price of a single pull-tab as indicated on the flare.

I. No pull-tab shall be provided to a player free of charge or for any consideration other than the price of a single pull-tab as indicated on the flare. This item does not apply to the winning of a free play.

J. At each licensed premises where pull-tabs are offered for sale by a licensed organization, there shall be available for inspection by the board or agents of the board, or the commissioner of revenue or agents of the commissioner, a copy of the distributor's invoice for each pull-tab deal in play and on the premises or an inventory list for each registered pull-tab deal on the premises.

[For text of subps 2 to 8, see M.R.]

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0250 TIPBOARDS.

Subpart 1. **General.** The following general rules apply to the game of tipboards:

[For text of subpart 1, items A to D, see M.R.]

E. When any tipboard deal is offered for play, all of the tickets related to that registered deal must be placed out for play at the same time.

F. House rules governing the conduct of the sale of tipboards must be posted in such a manner that the players have access to the rules before buying a tipboard.

G. At each licensed premises where tipboards are offered for sale by a licensed organization, there shall be available for inspection by the board or agents of the board, or the commissioner of revenue or agents of the commissioner, a copy of the distributor's invoice for each tipboard deal in play and on the premises or an inventory list for each registered tipboard deal on the premises.

[For text of subp 2, see M.R.]

Subp. 3. Cost per ticket and prize limitations. The cost per ticket and the value of the prizes will be as follows:

[For text of subp 3, item A, see M.R.]

B. Prizes may not have a value more than \$500 as the highest denomination winner. The major prize that is determined by removing the seal on the tipboard offered in a tipboard deal shall be equal to or greater than the value of any other prize awarded in that tipboard deal.

[For text of subp 3, items C and D, see M.R.]

[For text of subps 4 to 7, see M.R.]

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0260 PADDLEWHEELS.

[For text of subpart 1, see M.R.]

Subp. 2. Registration stamps. Each sealed grouping of up to 100 paddleticket cards must have a state registration stamp affixed to the master flare accompanying the group with the paddleticket card numbers written in by the distributor on the space provided on the master flare.

An organization may not use paddletickets:

A. that do not have a state registration stamp affixed to the master flare accompanying the group;

B. when the paddleticket card number written on the master flare differs from the actual paddleticket card number preprinted on the tickets;

C. when the paddleticket card number preprinted on the stub does not match the paddleticket card number preprinted on the individual tickets; and

D. that are not attached to the paddleticket card.

[For text of subps 3 to 6, see M.R.]

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0300 STANDARDS FOR PULL-TABS AND TIPBOARD TICKETS.

Subpart 1. Tipboard ticket standards. All tipboard tickets sold in this state must conform to the following standards:

A. Each individual tipboard ticket shall have conspicuously set forth thereon the name of the manufacturer or label or trademark which identifies its manufacturer. The label or trademark must be filed with the board prior to the sale of the tipboard ticket by the manufacturer of the product.

B. Deals of tipboard tickets must be manufactured, assembled, and packaged in such a manner that none of the winning tipboard tickets, nor the location or approximate location of any of the winning tipboard tickets can be determined in advance of opening the tipboard tickets in any manner or by any device, including but not limited to any pattern in manufacture, assembly, packaging, markings, or by the use of a light.

C. (1) On banded tipboard tickets, the minimum four-digit serial number and the name of the manufacturer must be printed so both are readily visible prior to opening the tipboard ticket.

(2) All tipboard tickets must be constructed to ensure that, when offered for sale to the public, the tipboard ticket is virtually opaque and free of security defects wherein winning tipboard tickets cannot be determined prior to being opened through the use of high intensity lights or any other method.

Subp. 2. Pull-tab ticket standards. All pull-tab tickets sold in this state must conform to the following standards:

A. Concealed numbers or symbols must not be able to be viewed or winning numbers or symbols determined from the outside of the pull-tab ticket using a high intensity lamp of 500 watts. Protection shall be provided by using opaque paper stock or by use of an aluminum foil laminate.

B. The game must be assembled so that no placement of winners or losers exists that allows the possibility of prize manipulation, or "pick out."

C. The minimum information printed on a pull-tab, or if starred (*) on a single folded or banded ticket, must include:

(*1) the name of manufacturer or its distinctive logo;

(2) the name of game;

(3) the manufacturer's form number;

(4) the price per individual pull-tab;

(*5) the unique minimum five-digit game serial number, printed on the game information side of the pull-tab which must not be repeated on the same form number for three years; and

(6) number of winners, and respective winning numbers or symbols, and prize amounts unless a flare is included giving that information.

D. The game shall be designed, constructed, glued, and assembled in such a manner as to prevent the determination of a winning ticket without removing the tabs or otherwise uncovering the symbols or numbers as intended. Each ticket in a series or deal must bear the same serial number. There shall not be more than one serial number in one series or deal.

The numbers or symbols must be fully visible in the window and shall be centered so that no part of a symbol or number remains covered when the tab is removed.

E. It must not be possible to isolate winning or potential winning tickets from variations in size or the appearance of a cut edge of the pull-tab comprising a particular game.

F. It must not be possible to detect or pick out winning pull-tabs from losing tickets through variations in printing graphics or colors, especially those involving different printing plates.

G. A unique symbol or printed security device, such as a specific number keyed to particular winners, or the name of the symbol or some of the symbol colors changed for a winner, or other similar protection shall be placed in the winning windows of prize winners. This item does not apply to numeral games.

H. All pull-tabs sold in this state must be packaged as follows:

(1) Each game's package, box, or other container shall be sealed at the factory with a seal including a warning to the purchaser that the game may have been tampered with if the package, box, or container was received by the purchaser with the seal broken.

(2) A game's serial number shall be clearly and legibly placed on the outside of the game's package, box, or other container or be able to be viewed from the outside of the box.

(3) For games shipped to Minnesota for sale in this state, the flare for the game shall be located on the outside of each game's sealed package, box, or other container so that the seal on the container need not be broken to place the stamp.

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0320 GAMBLING MANAGERS.

Subpart 1. **Instruction course.** Effective December 31, 1990, before a person may serve as gambling manager for any organization licensed to conduct gambling in Minnesota, that gambling manager must have satisfactorily completed a course of instruction conducted by the department of revenue on the duties and responsibilities of the gambling manager. In the event that either or both of the following happens: (1) the gambling manager leaves his or her position or (2) a new gambling manager is designated, the new gambling manager shall complete the training at the next training session offered by the commissioner.

Subp. 2. **Restriction.** No gambling manager may be a lessor or an employee of a lessor of a premises licensed to conduct lawful gambling.

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0400 MANUFACTURERS.

[For text of subps 1 to 4, see M.R.]

Subp. 5. **Marking and identification of equipment for gambling.** The following requirements apply to the marking and identification of equipment for lawful gambling.

[For text of subp 5, items A and B, see M.R.]

C. All gambling equipment sold by registered manufacturers that is used in Minnesota must be manufactured in a manner that would permit the manufacturer to identify the buyer of the gambling equipment and provide the identity of the buyer at the request of the board.

[For text of subps 6 to 11, see M.R.]

Subp. 12. **Pull-tab seals.** A manufacturer may not sell or otherwise provide any deal of pull-tabs to a licensed distributor unless the deal meets the standards in part 7860.0300, subpart 2.

Subp. 13. **Notice of delinquency.** A manufacturer shall notify the board by registered mail if a licensed distributor is more than 60 days delinquent in its payment to that manufacturer of costs of equipment. The board shall notify that licensed distributor of the delinquency and direct the distributor to eliminate the delinquency, if one exists. The board must be notified by the registered manufacturer that the delinquency is paid or that no delinquency exists within ten days of the manufacturer's initial notification to the board. If the board is notified that the delinquency has not been paid within ten days of the manufacturer's initial notification to the board, the board shall notify all registered manufacturers that no gambling equipment may be sold, offered for sale, or furnished to that distributor. When the delinquency is paid, the board shall notify all registered manufacturers.

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0500 COMPLIANCE REVIEW GROUP.

Subpart 1. **Compliance review group established.** The chair of the board may appoint three board members to serve on the compliance review group. The compliance review group shall meet as necessary to conduct informal inquiries into alleged violations of the laws or rules governing the conduct of lawful gambling by persons and organizations licensed by or registered with the board.

Subp. 2. **Duties of compliance review group.** The compliance review group may:

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A. consider all matters relating to violation of Minnesota Statutes, chapter 349, and the rules adopted by the board under that chapter;

B. require a person or organization licensed or registered under Minnesota Statutes, chapter 349, to appear before the compliance review group to discuss violations of the laws or rules related to lawful gambling;

C. conduct hearings in accordance with the procedures in part 7860.0700, subpart 3,

D. recommend to the board that disciplinary sanctions be imposed or initiated against a person or organization licensed by or registered with the board for violation of the laws or rules related to lawful gambling; and

E. negotiate and enter into settlement agreements with a licensee or person or entity registered with the board to resolve any violation of the laws or rules related to lawful gambling.

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0600 SUSPENSIONS OR REVOCATIONS.

Subpart 1. **Grounds.** The board may suspend or revoke the license of an organization, bingo hall lessor, distributor, or the certificate of a registered manufacturer after a contested case hearing under Minnesota Statutes, chapter 14, if the licensee or certificate holder has:

A. violated any law related to lawful gambling or any rule adopted by the board;

B. made a false statement in a document or application required to be submitted to the board or the department of revenue or has made a false statement in a sworn statement or testimony before the board; or

C. has engaged in fraud or misrepresentation in the securing of a license or certificate from the board or in the conduct of lawful gambling.

Subp. 2. **Additional grounds.** Any grounds for denial of a license or registration certificate is also grounds for the suspension or revocation of the license or certificate or the imposition of a civil fine.

Statutory Authority: *MS s 349.151*

History: *14 SR 478*

7860.0700 FINES.

Subpart 1. **Imposition.** The board may impose a civil fine upon any licensed organization, bingo hall lessor, distributor, or registered manufacturer for violation of any provision of Minnesota Statutes, sections 349.12 to 349.23, or a violation of the board's rules. The civil penalty may not exceed \$500 per violation.

In determining the amount of a fine to be imposed for a violation of law or rule, the board shall consider:

A. the severity of the conduct as indicated by the potential harm to the integrity of lawful gambling;

B. the culpability of the violator;

C. the frequency of the violator's failure to comply with the law or rules;

D. the actual harm caused to the integrity of lawful gambling; and

E. any other factor related to the violation that the board considers crucial to its determination of the amount of the fine as long as the same factors are considered with regard to all violators.

Subp. 2. **Citation form.** The executive secretary of the board or agents of the commissioner of revenue may issue to any licensee or person or entity registered with the board a proposed fine on a citation form prescribed by the board. The amount of the proposed fine must be determined in accordance with the factors

listed in subpart 1. The proposed fine must be paid to the board within seven days, excluding Saturday, Sunday, and holidays, of the date on which the citation is issued. Failure to pay the proposed fine within seven days may subject the licensee or registered person or entity to further disciplinary action by the board unless the licensee appeals the citation and the proposed fine to the board within the seven-day period.

Subp. 3. Appeals. An appeal of the proposed fine must contain the name of the person or organization that received the citation, the date on which the citation was issued, the amount of the proposed fine as stated on the citation, and the specific reasons why the proposed fine should not be paid.

Appeals of proposed fines shall be referred by the board to the compliance review group for purposes of a hearing. Within ten days of the receipt of an appeal, the compliance review group must schedule a hearing. The licensee may be represented by counsel and may present documents and other relevant evidence to support its position. The compliance review group must issue an order within ten days of the date of the hearing, recommending to the board whether or not a civil fine should be imposed.

If the compliance review group determines that a civil fine should be imposed, the order must contain a recommendation for the amount of the fine. The board must act on the recommendation of the compliance review group at its next regularly scheduled meeting. Within ten days of acting on the matter, the board must issue an order, including findings of fact and conclusions of law. The order is a final agency decision.

Subp. 4. Payment from gross receipts prohibited. Money used to pay a fine imposed by the board may not be paid from the gross receipts of gambling.

Subp. 5. Consequences of failure to correct violations. Failure to correct the violation for which the fine was imposed is grounds for the suspension or revocation of a license or registration certificate.

Statutory Authority: *MS s 349.151*

History: *14 SR 478*