

CHAPTER 7860
GAMBLING CONTROL BOARD
LAWFUL GAMBLING

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7860.0010 DEFINITIONS.

Subpart 1. Scope. The terms used in this chapter have the meaning given them in this part.

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.

Subp. 3. Bingo. "Bingo" means a game where each player has a card or board, for which a consideration has been paid, containing five horizontal rows of spaces, with each row except the central one containing five figures. The central row has four figures with the word "free" marked in the center space of the row. Bingo also includes games which are as described in this subpart except for the use of cards where the figures are not preprinted but are filled in by the players. A player wins a game of bingo by completing a preannounced combination of spaces or, in the absence of preannouncement of a combination of spaces, any combination of five spaces in a row, either vertical, horizontal, or diagonal.

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.

Subp. 5. Board. "Board" means the Gambling Control Board.

Subp. 5a. Certificate of registration. "Certificate of registration" means a license issued by the board to a manufacturer to sell or otherwise make gambling equipment available to a licensed distributor.

Subp. 6. Checker. "Checker" means a person who records the number of bingo cards purchased and played during each game and records the prizes awarded to the recorded cards, but does not collect the payment for the cards.

Subp. 7. Compensation. "Compensation" means wages, salaries, and all other forms of remuneration for services rendered.

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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.

Subp. 9. **Distributor.** "Distributor" is a person who sells gambling equipment manufactured or purchased for resale within the state.

Subp. 10. **Flare.** "Flare" means the posted display, with the Minnesota registration stamp affixed, that sets forth the rules of a particular game of pull-tabs, and that is associated with a specific deal of pull-tabs, grouping of tipboards, or series of up to 100 paddletickets.

Subp. 11. **Fraternal organization.** "Fraternal organization" means a non-profit organization which is a branch, lodge, or chapter of a national or state organization and exists for the common business, brotherhood, or other interests of its members. The term does not include college and high school fraternities and sororities.

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.

Subp. 15. **Lawful gambling.** "Lawful gambling" is the operation, conduct or sale of bingo, raffles, paddlewheels, tipboards, and pull-tabs. Lawful gambling does not include betting related to the outcome of an athletic event.

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.

Subp. 17. Leased premises. “Leased premises” means a building or place of business, or a portion of a building or place of business not owned by a gambling organization, that is leased in its entirety by a gambling organization for use by the organization and its members, which use may include lawful gambling.

Subp. 17a. Manufacturer. “Manufacturer” means any person who assembles from raw materials or subparts a completed piece or pieces of gambling equipment as defined in this part, and who sells or otherwise furnishes the same to any distributor or, if licensed as a distributor, to any licensed organization. The term includes any person who converts, modifies, adds to, or removes parts or a portion from any item, device, or assembly to further its promotion, sale, or use as gambling equipment in this state. A person adding only promotional flares to advise the public of the prizes available, the rules of play, and the consideration required is not a manufacturer.

Subp. 18. Master flare. “Master flare” is used in conjunction with sealed groupings of tipboards and 100 paddleticket cards. The master flare must describe the type of tipboards or paddletickets in the group, have a list of all the tipboard or paddleticket card numbers in that group, and have a state registration stamp affixed to it bearing the number of the first of the tipboards or paddleticket cards in the group.

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.

Subp. 22. Paddleticket. A “paddleticket” is a preprinted ticket on a paddleticket card that has printed on it a paddleticket card number and one or more numbers or symbols corresponding to the numbers or symbols on a paddlewheel.

Subp. 23. **Paddleticket card.** "Paddleticket card" means a card to which is attached paddletickets bearing all the numbers or symbols on a paddlewheel. A paddleticket card must have a stub attached that has preprinted on it a paddleticket card number, the cost per paddleticket, space for the date played, a facsimile of a state registration stamp which has the distributor's license number printed in place of the paddleticket card number, and space for the winning number to be written in.

Subp. 24. **Paddleticket card number.** "Paddleticket card number" means the unique number preprinted by the manufacturer on a paddleticket card and its paddletickets.

Subp. 25. **Paddlewheel.** "Paddlewheel" means a vertical wheel marked off into equally spaced sections containing one or more numbers or symbols and which after being turned or spun, uses a pointer or marker to indicate winning chances.

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.

Subp. 27. **Pull-tab.** "Pull-tab" means a single folded or banded ticket or a 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. "Pull-tab" also includes a ticket sold in a gambling device known as a ticket jar.

Subp. 28. **Raffle.** "Raffle" means a game in which a participant buys a ticket for a chance at a prize. The winner or winners are determined by a random drawing from a container holding numbers corresponding to all chances sold and which takes place at a location and date printed upon the ticket.

Subp. 29. **Religious organization.** "Religious organization" means a non-profit organization, church, body of communicants, or group gathered in common membership for mutual support and edification in piety, worship, and religious observances.

Subp. 30. **Tipboard.** "Tipboard" means a board, placard, or other device marked off in a grid or columns, in which each section contains a hidden number or numbers, or other symbol, that determines the winning chances. "Tipboard" also means a board or placard to which is attached tickets, arranged in columns or rows, which tickets contain concealed numbers. When a ticket is purchased and opened, players having certain predesignated numbers can sign the board at the place indicated by the number on the ticket. When the predesignated numbers are all purchased, a seal is removed under which is a number indicating which of the predesignated numbers is the winning number. "Tipboard" also means a board or placard to which are attached tickets which contain concealed numbers. The winning number must be determined by removing a seal on the board.

Subp. 31. **Veterans organization.** "Veterans organization" means any congressionally chartered organization within this state, or any branch, lodge, or chapter of a nonprofit national or state organization within this state, the membership of which consists of individuals who were members of the armed services or forces of the United States.

Statutory Authority: *MS s 14.06; 349.151*

History: *9 SR 1871; 11 SR 1310; 14 SR 478; L 1989 c 334 art 2 s 8*

7860.0020 PURPOSE OF ORGANIZATION.

An organization is ineligible to conduct lawful gambling if the sole purpose of that organization is to conduct lawful gambling, whether or not the organization is carrying out that purpose for one or more otherwise eligible organizations.

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Therefore, every organization desiring to conduct lawful gambling must manifest itself by veterans, religious, fraternal, or other nonprofit programs.

Statutory Authority: *MS s 349.151 subd 4*

History: 9 SR 1871

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

7860.0040 LICENSE APPLICATION.

Subpart 1. Application required. An organization desiring to obtain a state license to conduct lawful gambling must make annual application to the board on forms provided by the board.

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

- A. the official, legal name of the organization;
- B. the business address;
- C. the business telephone number;
- D. the city or town, and county in which the premises where the lawful gambling will be conducted is located;
- E. the address of the premises where the lawful gambling will be conducted, indicating whether the premises is or is not within city or town limits;
- F. the name and title of organization's executive officers;
- G. an indication of Minnesota or Internal Revenue Service tax exempt status;
- H. an indication of the type of eligible organization;
- I. an indication of whether the applicant is chartered by parent organization;
- J. if the organization is not a Minnesota organization, the address of the location in Minnesota where the organization's gambling records will be kept;
- K. the name and address of the gambling manager;
- L. a verification of the required fidelity bond for gambling managers;
- M. an indication of whether the organization owns or leases the premises where lawful gambling will be conducted;
- N. an indication of the class of license applied for;
- O. the number of active members;
- P. if incorporated, the number of the articles of incorporation and where filed;
- Q. the federal I.D. number, if any;
- R. an "authorization to inspect bank records" of the gambling bank account of the organization;
- 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.

Subp. 5. Length of license. All licenses are effective for one year from the effective date of the license.

Subp. 6. Each premises licensed. A separate license must be obtained for each premises where lawful gambling is to be conducted, except for raffles, which may be conducted on premises not owned or leased by the organization.

If an organization conducts raffles on more than one premises, the organization does not have to obtain a separate license for each premises where a raffle will be conducted. The organization must, however, include in its application the address of each premises where a drawing for a raffle will be conducted and must deliver a copy of the gambling application to the clerk of each local governing body where a drawing for a raffle will be conducted, pursuant to subpart 4. If a licensed organization desires to conduct a raffle at a premises that it did not include in its application, it must notify the board and the clerk of the local governing body where the raffle will be conducted, pursuant to subpart 4, at least 30 days prior to the drawing for the raffle to permit the local governing body time to disapprove the raffle.

Subp. 7. Out-of-state organization's records. Out-of-state organizations conducting lawful gambling in Minnesota must establish a permanent location within Minnesota where the organization's gambling records required to be maintained by this chapter will be kept.

Subp. 8. Changes in application information. If any information submitted in the application changes, the organization must notify the board and the local governing body within ten days of the change.

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.

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Statutory Authority: *MS s 14.06; 349.151*

History: *9 SR 1871; 11 SR 1310; 14 SR 478*

7860.0050 EXCHANGE OF GAMBLING EQUIPMENT BY LICENSEE.

Licensed organizations are prohibited from exchanging pull-tabs, tipboards, paddleticket cards, or disposable bingo cards with any other licensed organization.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

7860.0060 CREDIT PLAY PROHIBITED.

All playing of lawful gambling must be on a cash basis. Cash includes checks. Credit must not be extended to any player. The consideration to play a lawful gambling must be collected in full, by cash or check, in advance of any play. No organization shall grant a loan or gift of any kind at any time to a player. Organizations may establish policy concerning acceptance of checks, and need not accept checks. No organization shall hold checks or accept postdated checks.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

7860.0070 ADVERTISING.

Subpart 1. [Repealed, 11 SR 1310]

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.

Subp. 2. **Identifying statement.** Any advertising of lawful gambling at a specific site must contain a statement identifying the organization licensed to conduct gambling at that site.

Statutory Authority: *MS s 349.151*

History: *9 SR 1871; 14 SR 478*

7860.0080 FEDERAL INCOME TAX EXEMPTION FORMS.

Each licensed organization that files any forms with the United States Department of the Treasury that are required for organizations exempt from income tax shall retain a copy of those forms for three years.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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 busi-

ness (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.

Subp. 2. Renegotiated leases. Leases renegotiated at times other than license renewal time must be furnished to the board at least ten days prior to the effective date of the lease.

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 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: *9 SR 1871; 14 SR 478; L 1989 c 334 art 2 s 8*

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.

Subp. 2. Gambling not operated in conjunction with lessor's business. No lawful gambling shall be set up or otherwise operated in conjunction with the conduct of the lessor's business operations.

Subp. 3. Prohibitions apply if organization sublessee. If the organization is a sublessee, the prohibitions in subparts 1 and 2 apply to the lessee also.

Statutory Authority: *MS s 14.06; 349.151*

History: *9 SR 1871; 11 SR 1310; 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 supervisory 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 BINGO OCCASIONS; NUMBER.

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: *9 SR 1871; 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:

- A. the gross receipts from each form of lawful gambling conducted;
- B. the cost of all prizes paid out for each form of lawful gambling conducted;
- C. full details on all expenses related to each form of lawful gambling conducted;
- D. records that clearly show in detail how the profit obtained by the organization from each gambling activity was used or disbursed by that organization; and
- E. records that detail purchases of gambling equipment as to the type, quantity, and unit cost, separated by distributor.

Subp. 3. **Reports filed with the board monthly.** The information required in subpart 2 must be filed with the board monthly on forms prescribed by the board or quarterly in the case of a licensed organization that does not report more than \$1,000 in gross receipts from lawful gambling in any calendar quarter. This report must be filed at the same time and as part of the organization's monthly tax return.

Statutory Authority: *MS s 14.06; 349.151*

History: *9 SR 1871; 11 SR 1310; 14 SR 478*

7860.0130 METHOD OF ACCOUNTING.

Subpart 1. **Cash basis method.** Every organization shall determine its gross receipts on the cash basis.

Subp. 2. **Exceptions.** Every organization must determine its expenses on the cash basis, except:

A. Deals of pull-tabs, paddletickets and tipboards must be determined on the accrual basis. Every licensed organization shall furnish a listing of state registration stamps removed from play or otherwise disposed of during the tax return reporting period to the board.

B. The tax imposed by Minnesota Statutes, section 349.212 must be deducted on the accrual basis.

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: *9 SR 1871; 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: *9 SR 1871; 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.

Subp. 2. Accounting control system objectives. The system of accounting control relative to gambling operations must provide a plan of organization and a description of the procedures and records which are designed to provide reasonable assurance that the following objectives will be attained:

A. that transactions are executed in accordance with management's general or specific authorization;

B. that transactions are recorded as necessary to properly record gambling revenue, and to maintain accountability for assets;

C. that access to assets is permitted only in accordance with management's authorization; and

D. that the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to differences.

Subp. 3. Administrative control system. The system of administrative control relative to gambling operations must include a complete plan of organization that will provide appropriate segregation of functional responsibilities and sound practices to be followed in the performance of these duties by competent and qualified personnel. The plan of organization must be diagrammatic and narrative in describing the interrelationship of functions and the division of responsibilities upon which the system of internal control relative to gambling operations is based.

Subp. 4. Report of chief executive required. The submitted system of internal control relative to gambling operations must be accompanied by a report of the chief executive officer that the submitted system conforms in all material respects to the objectives of internal control in subpart 2.

Subp. 5. Changes in systems. Following the organization's submission of the system of internal control relative to gambling operations, if, in the judgment of the organization, a change in the submitted internal control system is required, it may be instituted. The amended version of the system of internal control shall be forwarded to the board within ten days prior to its effective date.

Subp. 6. Board action regarding changes. Should the board determine that the submitted internal control system relative to gambling operations is inadequate, the board shall give written notice to the organization of such inadequacy. Upon receipt of the notice, the organization shall take immediate steps to remedy the inadequacy and shall notify the board of the steps, including the filing of any necessary amendments to such system. Should the organization fail to remedy the inadequacy within 60 days following receipt of the notice, it shall be deemed to be in violation of these rules and shall be subject to disciplinary actions in accordance with the rules and law. The board shall publish and make available to all organizations the general guidelines for the organizations' use in developing internal control systems.

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: 9 SR 1871; 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;

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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.

D. "Utilities" mean:

(1) the actual cost of the utilities providing heating, cooling, water, and lighting for premises totally owned or totally leased and used exclusively for lawful gambling; or

(2) the proportion of the utilities providing heating, cooling, and lighting attributable to that portion of a totally owned or totally leased premises and the amount of time it is used for lawful gambling.

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 within 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 14.06; 349.151*

History: *9 SR 1871; 11 SR 1310; 14 SR 478*

7860.0170 EXPENDITURES FOR LAWFUL PURPOSES.

Subpart 1. Disbursements from gambling bank account. Disbursements for allowable expenses must be made from the gambling bank account, except that disbursements from the gambling bank account to the organization's general bank account may be made if the disbursement from the organization's general bank account satisfies the restrictions on disbursements from the gambling bank account and has been made prior to the disbursement from the gambling bank account.

Subp. 2. Report of expenditures. Every organization shall file a monthly report with the board giving a detailed explanation of the expenditures of the profits from gambling.

Subp. 3. Expenditures authorized by organization. All expenditures of profits from lawful gambling must be authorized at a regular meeting of the conducting organization and that authorization must be recorded. Copies of the authorization must be sent to the board upon its written request.

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: *9 SR 1871; 14 SR 478*

7860.0180 GAMBLING TAX RETURNS.

Subpart 1. Due date for filing tax returns; general rule. The tax on lawful gambling must be paid on a monthly basis and be reported on a form prescribed by the board. The gambling tax return and payment of the tax due must be postmarked or, if hand-delivered, received in the board's office on or before the last business day of the month following the month for which the report is made.

Subp. 2. Incomplete tax returns. An incomplete tax return will not be considered timely filed unless corrected and returned by the due date for filing. Delays in mailing, mail pickups, and postmarking are the responsibility of the organization.

Subp. 3. Consolidated return. Only one return shall be filed for each organization licensed by the board.

Organizations operating at more than one site shall file an attachment to the tax return disclosing the operations at each site. The attachment must use the format of the tax return.

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: *9 SR 1871; 14 SR 478*

7860.0190 UNLICENSED BINGO.

Subpart 1. Registration required. An organization that conducts bingo that is exempt from the licensing requirements must register with the board at least 30 days prior to conducting the bingo occasion. The registration will be on a form prescribed by the board which will include the following information:

- A. the name of the organization;
- B. the address of the organization;
- C. the name of the person in charge of the bingo occasion and that person's phone number;
- D. the type of eligible organization;
- E. the number of years in existence in this state;
- F. the number of active members;
- G. the intended lawful use of the profits;
- H. the number of bingo occasions conducted by the organization in the present calendar year; and
- I. whether the bingo occasion is to be held in connection with a county fair, the state fair, or a civic celebration, and if so, the number of consecutive days the bingo will be played.

Subp. 2. Restrictions applicable to bingo exempt from licensure. The following restrictions are applicable to exempt bingo. The organization must:

- A. be a fraternal, religious, veterans, or other nonprofit organization;
- B. have been in existence for at least three years;
- C. have at least 15 active members;
- D. use the profits for lawful purposes;
- E. comply with the statutes concerning allowable expenses from gambling funds;
- F. use a checker;
- G. segregate its gross receipts in a separate general gambling bank account;
- H. itemize its expenditures as to payee, purpose, amount, and date of payment;

I. report to the board within five days of the bingo occasion any discrepancy of more than \$20 between the gross receipts reported by the checkers and the gross receipts determined by the recordkeeping system;

J. keep these records for two years; and

K. comply with the statutory prize limits.

Statutory Authority: *MS s 14.06; 349.151 subd 4 cl (4)*

History: *9 SR 1871; 11 SR 1310*

7860.0200 DISTRIBUTORS.

Subpart 1. License required. No person may sell, offer for sale, or otherwise furnish gambling equipment without having obtained a distributor license.

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:

A. the name of person responsible for completing application;

B. the name of business;

C. the mailing address of business;

D. the office address if different than mailing address;

E. the telephone number of business;

F. the official position of person completing the application;

G. the legal nature of applicant:

(1) corporation;

(2) partnership;

(3) sole proprietorship;

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;

I. the address of facility where state registration stamps will be affixed and records will be kept as required by subpart 9;

J. a statement that the applicant is not a wholesale distributor of liquor or alcoholic beverages;

K. a statement as to whether any officer, director, or other person in a supervisory or management position:

(1) has been convicted of a felony within the last five years or now has a felony charge pending, in any state or federal court;

(2) has ever been convicted in any state or federal court of a gambling-related offense;

(3) has ever been engaged in an illegal business; and

L. the chief executive officer or owner shall verify the statements made in the application.

Subp. 3. Distributor personnel form. The distributor personnel form noted in subpart 2 will require the following information:

A. the name of person completing the form;

B. the name of distributor;

C. the address, date of birth, place of birth, and name of spouse of person completing the form;

D. all other current occupations along with 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 this form is a member;

F. all criminal convictions, or pending criminal charges, if any, the dates 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. Restrictions on distributorship interest. The following are the restrictions on distributorship interest:

A. No organization that conducts lawful gambling shall be a distributor.

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 distributorship, nor shall the person have any direct or indirect financial interest in the distributorship.

C. No distributor or person having a direct or indirect financial interest in a distributorship shall be a lessor of premises, directly or indirectly, to an organization conducting gambling.

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.

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.

Subp. 6. Marking and identification of equipment for gambling. The following requirements apply to the marking and identification of equipment for lawful gambling.

A. A distributor is responsible for placing a state registration stamp upon the flare of each deal of pull-tabs, each master flare for tipboards, each master flare for a group of up to 100 paddleticket cards, each paddlewheel, and each device for selecting bingo numbers that is sold or otherwise disposed of. This part does not apply to sales by distributors to out-of-state customers for use out of state or to sales between distributors for resale to an organization.

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B. Consecutively-numbered registration stamps will be furnished to each distributor by the board at the cost of five cents each. The distributor shall write in a legible manner the manufacturer's game serial number in ink in the space provided on the stamp or on the master flare and affix the stamps directly to the front of the flare of a pull-tab game, the master flare for tipboards, and the master flare for paddleticket cards before making delivery to any licensed organization.

C. Flares will be furnished to the purchaser with each pull-tab deal and a master flare with each sealed grouping of tipboards or 100 paddleticket cards.

D. Each flare must fully describe the prizes and winning number, symbol, or set of symbols for a deal of pull-tabs.

E. Registration stamps shall be placed by a distributor only on items that conform to all requirements of Minnesota law and the rules of the board and shall not be placed upon items not authorized for use within Minnesota.

F. Registration stamps may be obtained only from the board by a licensed distributor. The registration stamps must be placed by the licensed distributor only on items which the distributor sells or otherwise furnishes, and must not be transferred or furnished to any other distributor.

G. No person not a licensed distributor shall obtain registration stamps from any other source, nor shall he or she affix a gambling stamp to any deal of pull-tabs, tipboards, or paddletickets.

H. In the event and at the time of a liquidation, bankruptcy, or closing of a distributorship by any other means, including a nonrenewal of a license to be a distributor, or a relinquishment of the license, the distributor shall return any and all unused state registration stamps in his or her possession to the board within five days after cessation of business.

Subp. 7. Buying from and selling only to organizations required. No distributor shall sell or otherwise make available to any organization any gambling equipment unless it has first determined that the organization has a valid license issued by the board or is exempt from licensing requirements. No organization shall purchase or otherwise obtain from any distributor any gambling equipment until it has first determined that the distributor selling or otherwise offering such equipment has a valid license issued by the board to sell the equipment in this state.

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:

- (1) the license number of the distributor;
- (2) the complete business name and address of the organization;
- (3) the license number and expiration date of the license of the organization;
- (4) the invoice number;
- (5) the invoice date;
- (6) the date shipped;
- (7) the quantity by the number of deals for pull-tabs, by the number of boards for tipboards, and by the number of paddleticket cards for paddletickets;
- (8) a full description of each item of gambling equipment sold;
- (9) registration stamp numbers;

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(10) the ideal gross receipts for each different type of pull-tab, tipboard, and paddleticket game; and

(11) the ideal net receipts for each different type of pull-tab, tipboard, and paddleticket game.

B. A registration stamp number log in which the Minnesota gambling registration stamp numbers and the manufacturer's game serial numbers are recorded must be maintained on a standard form prescribed by the board.

Subp. 9. Examination of books and records. The board and its agents may examine or cause to be examined the books and records of any distributor to the extent that such books and records relate to any transaction connected to the sale of gambling equipment in this state or to information that is required to be furnished to the board under the statutes and rules pertaining to gambling, and no distributor shall prohibit, interfere with, or otherwise impede such examination, but shall cooperate and assist with the examination, and provide such information as may be required.

Subp. 10. Distributors' sales to out-of-state purchasers. Gambling equipment sold by distributors to out-of-state customers for use out of state must either be shipped to the out-of-state site or the distributor must verify that the purchaser is from out of state.

Subp. 11. Delivery in-state. Gambling equipment sold for in-state use must be delivered to the gambling manager or his or her authorized representative.

Subp. 12. Distributors not to sell coin-operated machine or mechanical pull-tab dispensing devices. No coin-operated machine or mechanical pull-tab dispensing device shall be sold or otherwise furnished to any organization in this state.

Subp. 13. Distributors' information reports. Each distributor shall mail a copy of each sales invoice, as described in subpart 8, to the board to be received by the board by the 15th of the month following the month in which the invoice was prepared along with the registration stamp number log described in subpart 8.

Subp. 14. Rebate of purchase prices by distributor. Rebates of purchase prices or discounts allowed by a distributor must be separately stated on the original purchase invoice or separately invoiced on a credit memo referenced to the original sales invoice.

Subp. 15. Gifts from distributors prohibited. Distributors may not directly or indirectly give gifts, trips, prizes, loans of money, excluding credit, premiums, or other gratuities to gambling organizations, or their employees, other than nominal gifts, premiums, or prizes not to exceed a value of \$25 per organization, including employees, in a calendar year.

Subp. 16. Same serial number and color trim; prohibited. No distributor shall sell or furnish to any organization a deal of pull-tabs or jar tickets with the same serial number and color trim combination as a deal which that organization has previously purchased or obtained but upon which play has not been completed.

Subp. 17. Sales promotion. No distributor or representative of a distributor shall use as a sales promotion any statement, demonstration, or implication that any certain portion of a deal of pull-tabs or a tipboard contains more winners than other portions of the deal or that any deal of pull-tabs or tipboard tickets may be sold by the organization in a particular manner that would give the organization any advantage in selling more of the pull-tabs or tipboard tickets before having to pay out winners.

Subp. 18. Return of merchandise; cancellation of registration stamp. If an organization returns a purchased deal of pull-tabs, tipboards, or series of paddletickets to a distributor for whatever reason, the distributor shall void the Minnesota registration stamp and notify the board of the voiding and the reason for the voiding on a standard form prescribed by the board. The distributor shall return

all voided registration stamps to the board. If the distributor resells or reissues the item, the distributor shall place a new Minnesota registration stamp upon the flare of the deal of pull-tabs or the master flare of the tipboards or paddleticket cards that are sold or otherwise disposed of.

Subp. 19. Must use sales invoice. No distributor shall sell, issue, or have returned pull-tabs, tipboards, or paddleticket cards to or from an organization without first recording the transaction on a sales invoice.

Subp. 20. License fee. The annual distributor license fee is \$1,500. There will be no proration of the license fee.

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

- A. picture of the salesperson;
- B. name of the salesperson;
- C. name of distributor;
- D. license number and expiration date of distributor's license;
- E. address and business phone number of distributor;
- F. signature of distributor; and
- G. date of issue and signature of executive secretary of the board.

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.

Subp. 22. Failure to produce information; costs of investigation. Upon the failure of a distributor to submit information to the board as required under the statutes and rules relating to lawful gambling, the board shall notify the distributor in writing that the distributor is responsible for the travel and living expenses of board staff while investigating the distributor.

Statutory Authority: *MS s 14.06; 349.151*

History: *9 SR 1871; 11 SR 1310; 14 SR 478*

7860.0210 SPECIAL RESTRICTIONS; PULL-TABS AND TIPBOARDS.

Subpart 1. Sales. No organization, distributor, or manufacturer, or representative thereof, with knowledge or in circumstances whereunder he or she reasonably should have known, shall possess, display, put out for play, sell, or otherwise furnish to any person any deal of pull-tabs or tipboards:

A. in which the winning pull-tabs or tipboard tickets have not been completely and randomly distributed and mixed among all other pull-tabs in the deal or tipboard tickets;

B. in which the location, or approximate location, or any of the winning pull-tabs or tipboard tickets can be determined in advance of opening the pull-tabs or tipboard tickets in any manner or by any device, including but not limited to, any pattern in the manufacture, assembly, or packaging of the pull-tabs or tipboard tickets by the manufacturer, by any markings on the pull-tabs or tipboard tickets or container, or by the use of a light; or

C. which does not conform in any respect to the requirements of these rules as to manufacture, assembly, or packaging of pull-tabs and tipboards.

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:

A. the manufacturer's label or trademark has been registered with the board; and

B. each individual pull-tab or tipboard ticket manufactured has conspicuously set forth on it the name of the manufacturer or a label or trademark which identifies its manufacturer.

Statutory Authority: *MS s 349.151*

History: *9 SR 1871; 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:

A. a state registration stamp must be affixed to the flare of each deal of pull-tabs;

B. a state registration stamp must be affixed to the master flare for each sealed grouping of tipboards;

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.

Subp. 2. [Repealed, 11 SR 1310]

Statutory Authority: *MS s 14.06; 349.151*

History: *9 SR 1871; 11 SR 1310; 14 SR 478*

7860.0230 BINGO.

Subpart 1. Bingo equipment to be used. The conduct of bingo must include the following items:

A. A machine or other device from which balls are withdrawn.

B. A set of 75 balls bearing the numbers 1 through 75 and the letters B, I, N, G, O. The 75 balls must be available for inspection by the players before a bingo session begins to determine that all are present and in operating condition. Each numbered ball must be essentially equal as to size, weight, shape, and balance and as to all other characteristics that may control their selection and all must be free from any defects and be present in the receptacle before each game is begun.

Subp. 2. Numbering of cards. In addition, each set of disposable bingo cards must be consecutively numbered from the first card to the last card, or from the first sheet of cards to the last sheet of cards, or be consecutively numbered through the set. Each card or sheet must have printed on its face both its individual card or sheet number, and the series number assigned by the manufacturer to that set of disposable bingo cards.

Subp. 3. Other equipment. Other equipment or devices may be used for the purpose of displaying numbers and letters called to the public, and such furniture and sound amplification systems as are necessary for the convenience and comfort of the players and the organization.

Subp. 4. Manner of conducting bingo. The conducting of a bingo game includes the following rules:

A. The organization shall post a notice on the site where bingo is played containing the rules governing the conduct of bingo.

B. All sales of bingo cards must take place upon the site immediately preceding or during the session for which the card is being sold.

C. Bingo cards must be sold and paid for prior to the start of a specified game or specified number of games. Each organization must establish and post house rules, pursuant to part 7860.0280, regarding the method of and procedure for payment for bingo cards. The rules must ensure prompt payment and collection of the money for the cards sold for each game that is commenced. Cards may not be sold for a game or number of games after the first number is called.

D. No organization shall reserve, or allow to be reserved, any bingo card for use by players except braille cards or other cards for use by legally blind or disabled players.

E. Legally blind players may use their personal braille cards when an organization does not provide these cards. The organization may inspect, and reject, any personal braille card. A legally blind or disabled person may use a braille card or reserved hard card in place of a purchased disposable bingo card.

F. If an organization has duplicate hard cards or disposable bingo cards in play, regardless of the series number for disposable bingo cards, the organization shall conspicuously post that fact or notify all players prior to their purchase of tickets for a game or number of games that will have duplicate bingo cards in play.

G. No two or more sets of disposable bingo cards can be used at the same time if they have identical series numbers.

H. The particular arrangement of numbers required to be covered in order to win the bingo game must be clearly described and announced to the players immediately before each game is begun.

I. Immediately following the drawing of each ball in a bingo game, the caller shall display the letter and number on the ball to the players.

J. The letter and number on the ball must be called out prior to the drawing of the next ball.

K. After the letter and number are called, the corresponding letter and number on the licensee's flashboard, if any, must be lit for player viewing.

L. No bingo game shall be conducted to include a prize determined other than by the matching of letters and numbers on a bingo card with letters and numbers called by the organization, in competition among all players in a bingo game.

M. No player shall separate a disposable bingo card when there are two or more cards on one sheet.

N. No player shall play more bingo cards than he or she actually paid for or received in free plays.

O. In the playing of bingo, no person who is not physically present on the site where the bingo game is actually conducted is allowed to participate as a player in the game.

P. A winner is determined when a specified pattern of called numbers appears on a card.

Q. Immediately upon a bingo player declaring a winning combination of letters and numbers on the card or cards, and if the prize is \$100 or more, the serial number of the winning card number shall be stated aloud by an organization employee. Every winning card shall be verified by an organization employee and at least one neutral player.

R. Upon a bingo player declaring a winning bingo, the next ball out of the machine must be removed from the machine prior to shutting the machine off and must be the next ball to be called in the event the declared winning bingo is not valid.

S. No person shall engage in any act, practice, or course of operation that would affect the integrity or adversely affect the outcome of any bingo game.

Subp. 5. Employees and volunteers shall not play. No organization shall allow

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a person who works at a bingo game, whether a paid employee or a volunteer, to play in a bingo game conducted by that organization during that bingo occasion.

Subp. 6. Play by immediate family members. No employee at a bingo occasion may have direct contact with his or her immediate family members on any matter involving the play of bingo during the bingo occasion. "Immediate family" is defined as consisting of the employee's spouse, child, parent, brother, or sister. For purposes of this subpart, the term "employee" includes a volunteer.

Subp. 7. Multiple winners. In the event that a sharing of the designated prize is required as a result of multiple winners on the last immediately called number, the following shall govern:

A. In the event that the designated prize consists of cash, the total amount of the prize must be divided equally between or among the verified winners, provided, however, that the licensee has the option of rounding fractional dollars to the higher dollar.

B. In the event that the designated prize consists of an item of tangible personal property, merchandise, or other things other than cash, the bingo licensee shall award, if the designated prize cannot be divided, substitute prizes to each verified winner; provided, however, that the substitute prizes shall, insofar as possible, be of equal value to each other.

C. Notwithstanding the foregoing, a licensee may establish minimum prizes.

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

A. the number of players in attendance, taken at a regular time during each bingo occasion, which time is to be determined by the organization;

B. the total amount wagered;

C. the total prizes, cash and noncash, awarded;

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.

Subp. 9. Checkers required. One or more checkers must be engaged for each bingo occasion. The checker or checkers must record on a form prescribed by the board the number of cards played in each game, the registration or card number of each winning card, and the prizes awarded to the recorded cards. Each checker must certify that the figures are correct to the best of the checker's knowledge.

Subp. 10. Gross receipts compared and discrepancies reported. The gross receipts of each bingo occasion must be compared to the checkers' records by a member of the organization who did not sell cards for the occasion. The comparison must be on a form prescribed by the board. If a discrepancy of more than \$20 is found between the gross receipts as reported by the checkers and the gross receipts determined by totaling the cash receipts, a copy of the comparison must be provided to the board within five days of the bingo occasion.

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 14.06; 349.151*

History: *9 SR 1871; 11 SR 1310; 14 SR 478*

7860.0240 PULL-TABS.

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

A. Pull-tabs must not be dispensed from any coin-operated machine or mechanical dispensing device.

B. No gambling employee of the organization shall purchase pull-tabs at the site of his or her regular place of employment on the day of his or her employment. For purposes of this subpart, the term "employee" includes a volunteer.

C. No gambling employee of the organization shall provide any inside information to any player that would create an unfair advantage to the player related to the potential winnings of any deal of pull-tabs. For purposes of this subpart, the term "employee" includes a volunteer.

D. No organization shall pay a player any prize unless the player redeems an actual winning pull-tab. A prize payout must not be made to any player for a lost or unredeemed pull-tab.

E. No organization shall modify or otherwise change the flare related to a deal of pull-tabs once the deal has been received from a distributor, or use a flare that arrives in an altered or defaced condition. No pull-tab deal may be placed out for play where the value of the prizes awarded by the organization differs from the flare.

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.

Subp. 2. Single deals. The following apply to single deal games of pull-tabs:

A. No single deal of pull-tabs shall be taken out of play once the deal has been offered for sale unless all the highest denomination winners have been redeemed.

B. For all single deal games, the flare, with the state registration stamp attached, for the deal of pull-tabs in play shall be affixed to the receptacle containing that deal of pull-tabs.

C. Separate cash banks must be maintained for each deal in order to determine the actual cash profit and cash long or short.

Subp. 3. Commingled deals. The following apply to commingled deals of pull-tabs:

A. Single deals of pull-tabs may be commingled in one receptacle subject to all of the following provisions:

(1) the deals are identical as to a particular type of game and as to the number of pull-tabs per game;

(2) each deal is identified by its own flare displaying the state registration stamp and manufacturer's serial number; and

(3) the flares applicable to each deal are identical as to the price per ticket, the amount of prizes, and the denominations of prizes.

B. The flares of all the deals inserted for which any pull-tabs remain in play must be displayed in the immediate vicinity so that the state registration stamp with the manufacturer's serial number is visible to the players.

C. Commingled deals must be removed from play at the end of each month for the purpose of reporting the result of the games in the same month's tax return. Commingled deals must be returned to play unless all of the highest denomination winners have been redeemed.

D. The organization is prohibited from putting into play deals of pull-tabs commingled in one receptacle if it is determined by the board that such a nature of play has resulted in abnormal cash shortages.

Subp. 4. Use of state registration stamp. The state registration stamp must be used as follows:

A. No deal of pull-tabs will be sold for use within this state or put out for play unless and until a registration stamp obtained from the board by a distributor containing an identifying number has been permanently and conspicuously affixed to the flare. Once affixed, the registration stamp must not be removed from the flare or tampered with by any person.

B. No organization shall change the game serial number that was written on the registration stamp by the distributor.

Subp. 5. Prize and bet limitations. Prizes and bets will be limited, awarded, and controlled in the following manner:

A. The highest denomination of winning pull-tabs must not be more than \$250.

B. Individual pull-tabs must not be sold for more than \$2.

C. All prizes from the operation of pull-tabs must be awarded in cash, merchandise, or in free plays as designated on the flare.

(1) All merchandise prizes must be displayed in full view in the immediate vicinity of the pull-tab game and the merchandise prizes must be in full view of any person prior to that person purchasing the opportunity to play.

(2) Upon a determination of a winner of a merchandise prize, the organization shall immediately remove that prize from any display and make it available to the winner.

D. No organization shall offer to pay cash in lieu of merchandise prizes which may be won.

E. When any player wins a cash prize of \$100 or greater from the play of any deal of pull-tabs, the organization shall make a record of the win as set forth in subpart 7, item D.

Subp. 6. Operation of pull-tab games. The game of pull-tabs must be operated in accordance with the following:

A. No organization shall place a deal of pull-tabs in play unless the game serial number of the deal of pull-tabs corresponds to the game serial number written on the state registration stamp. If the game serial number does not correspond to the number written on the registration stamp, the organization shall return the deal of pull-tabs to the distributor from whom the organization purchased it.

B. No organization shall purchase deals of pull-tabs that have the same game serial number, nor shall ever obtain nor possess, nor shall ever allow upon a site, a deal of pull-tabs or portion thereof, with the same serial number and color trim combinations, as any other deals of pull-tabs or portions thereof in its possession. This does not prevent an organization from retaining upon the site pull-tabs remaining from a deal removed from play for the purposes of complying with state law or rule if that organization:

(1) has defaced each pull-tab removed and retained, immediately upon removal of the pull-tabs from play;

(2) made a written record of the game serial number, color trim, and the number of pull-tabs remaining in that deal, immediately upon removing that deal from play; and

(3) the written record so made is maintained upon the site for a period of three years after the deal is removed.

C. No deal of pull-tabs will be placed out for play in the original package, box, or other container in which they were received from the distributor. When a deal of pull-tabs is received from the distributor in two or more packages, boxes, or other containers, all of the deal's pull-tabs from the respective packages, boxes, or other containers must be placed out for play at the same time.

D. No deal of pull-tabs may be placed out for play unless the cost to the player for each pull-tab is clearly posted on the flare.

E. No organization shall permit the display or operation of any pull-tab which may have in any manner been marked, defaced, tampered with or otherwise placed in a condition, or operated in a manner, which tends to deceive the public or which affects the chances of winning or losing upon the taking of any chance thereon.

F. The jar operator shall not pay a prize to any player who is redeeming a winning pull-tab that has in any manner been marked, defaced, tampered with, or otherwise placed in a condition which may tend to deceive the organization.

G. No organization shall pay a player a prize when the winning pull-tab has left the site where the deal is in play.

H. The jar operator shall deface each winning pull-tab redeemed.

I. A jar operator shall not assist players in the opening of purchased pull-tabs or jar tickets.

Subp. 7. Records. The following records must be kept of pull-tab activity:

A. The organization shall maintain the following information with regard to individual games for a period of two years from the end of the month for which the records are kept.

B. All records, reports, and receipts relating to a deal of pull-tabs in play must be retained at the gambling premises so long as the deal is in play and must be made available on demand to the board.

C. For each deal of pull-tabs the flare, with the state registration stamp affixed, together with all player redeemed opened winning pull-tabs and all unopened and unsold pull-tabs must be retained and segregated by game serial number, except that these items as they relate to commingled deals of pull-tabs are not required to be segregated by game serial number. The organization shall not open any unsold or defective pull-tabs.

D. The record of any winning pull-tab in the amount of \$100 or greater shall consist of one of two methods. If the pull-tab seller knows the actual name of the winner and the city in which he or she lives, the winner may legibly sign in ink the winning pull-tab with his or her real name. The legibility of the signature must be verified by the seller and the seller must initial the pull-tab and date it. If the identity of the winner is unknown, a sequentially numbered receipt shall be used and the receipt shall include at minimum the following information:

(1) The pull-tab seller must legibly print, in ink, on the face of the receipt the following:

(a) The name of the organization's gambling site.

(b) The registration stamp number and the game serial numbers of the deal of pull-tabs from which the prize was won.

(c) The name of the game of the particular deal of pull-tabs.

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(d) The date of the win represented by the date of the receipt.

(e) The amount of the cash prize won represented by the amount of the receipt.

(f) The payee's name and driver's license number, including state of license registration. This information shall be identified by the pull-tab seller directly from the payee's driver's license. Provided, that if the payee does not have a driver's license, the pull-tab seller must indicate the payee's full name and the correct address which will include the street address, the city, and the state, which must be taken from another form of pictured identification. It is the responsibility of the organization to determine the real identity of the player and the organization shall require such additional proof of identification from a reliable source as is necessary to properly establish the player's identity. The organization shall not pay out any prize unless and until the player has fully and accurately furnished to the organization all information required by this item to be maintained in the organization's record of the win.

(2) The receipt must be either legibly signed or initialed, in ink, by the pull-tab seller paying the winner.

(3) The pull-tab seller must legibly print, in ink, the receipt number on the winning pull-tab.

(4) The payee must legibly sign, in ink, the winning pull-tab.

(5) No organization shall use any other type of receipt to make a record of the win unless permission is requested of the board in writing and granted by the board. Every organization shall keep all of the information required in this item for a period of two years.

E. Organizations conducting the game of pull-tabs are required to prepare a detailed monthly record for each deal of pull-tabs removed from play during that month. This detailed monthly record must be recorded in a standard format prescribed by the board and must disclose for each deal of pull-tabs at a minimum, the following information:

(1) the date the record is prepared;

(2) the name of the recorder;

(3) the name of each deal of pull-tabs and the number of pull-tabs in the deal;

(4) the registration stamp number issued by the board and affixed to the flare or placed thereon;

(5) the game serial number of each deal of pull-tabs;

(6) the date placed out for play;

(7) the date removed from play;

(8) the cost to the player for each pull-tab;

(9) the ideal gross receipts;

(10) the ideal prizes which includes last sale;

(11) the dollar amount of unsold and defective pull-tabs;

(12) the actual gross receipts (calculated by the ideal gross receipts less the dollar amount of unsold and defective pull-tabs);

(13) the actual prizes, including both cash and merchandise (calculated by the actual cost to the organization) prizes;

(14) the actual adjusted net receipts (calculated by the actual gross receipts less the actual prizes);

(15) the actual cash profit or loss resulting from each deal of pull-tabs removed from play;

(16) the cash long or short stated numerically and as a percentage (calculated by the difference between the actual adjusted net receipts and the actual cash profit resulting from each deal of pull-tabs removed from play).

F. Records must provide sufficient detail to determine the actual net receipts, actual cash profit, and the cash long and short for each deal of pull-tabs.

Subp. 8. **Disposal of pull-tabs.** The organization shall manage and control the disposal of played deals of pull-tabs when the retention period expires. The disposal must be by a manner that will assure complete destruction such as shredding or burning.

Statutory Authority: *MS s 14.06; 349.151*

History: *9 SR 1871; 11 SR 1310; 14 SR 478*

7860.0250 TIPBOARDS.

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

A. Every tipboard will have a serial number with that same serial number appearing on each ticket attached to the tipboard or otherwise.

B. The tipboard will plainly have printed on it the cost per ticket, the value of the prizes for the top winning ticket and any consolation winners, the number of prizes, and the number of total tickets.

C. No organization shall pay a player unless the player redeems an actual winning ticket. A prize will not be paid out to any player for a lost or unredeemed ticket.

D. No organization shall modify or otherwise change the designation of prizes printed on the tipboard once the tipboard has been received from a distributor or use a tipboard that arrives in an altered or defaced condition. No tipboard may be placed out for play when the value of the prizes awarded by the organization differs from those printed on the tipboard.

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.

Subp. 2. **Use of registration stamp.** The state registration stamp must be used as follows:

A. No tipboard will be played unless the master flare for the tipboard has a state registration stamp which has been previously affixed to it by a licensed distributor.

B. No tipboard will be played unless the serial number of the tipboard which is written on the master flare with state registration stamp attached, matches the serial number printed on the tipboard and the tipboard tickets. If the serial numbers do not correspond, the organization shall return the tipboard to the distributor from whom the organization purchased it.

C. No organization may change the serial number written on the state registration stamp by the distributor.

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

A. Individual tipboard tickets will not be sold for more than \$2 each.

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.

C. All prizes from the operation of tipboards must be awarded in cash or merchandise or free plays as indicated on the tipboard.

(1) All merchandise prizes must be displayed in full view in the immediate vicinity of the tipboard game.

(2) Upon a determination of a winner of a merchandise prize, the organization shall immediately remove that prize from any display and make it available to the winner.

D. No organization shall offer to pay cash in lieu of merchandise prizes which may be won.

Subp. 4. **Tipboards with same serial number.** No organization may purchase tipboards that have the same game serial number, nor shall obtain or possess, nor allow upon a site a tipboard with the same serial number and color trim combination as another tipboard in its possession.

Subp. 5. **Records.** The use of tipboards must be recorded in the same manner as pull-tabs, as set forth in part 7860.0240, subpart 7.

Subp. 6. **Determination of winner.** The winner of a tipboard game must be determined only by the number concealed under the seal.

Subp. 7. **Retention of played tipboards.** All played tipboards and the accompanying master flare with the state registration stamp affixed must be retained for two years following the end of the month in which that series was played and reported.

Statutory Authority: *MS s 14.06; 349.151*

History: *9 SR 1871; 11 SR 1310; 14 SR 478*

7860.0260 PADDLEWHEELS.

Subpart 1. **Paddletickets must be used.** The playing of paddlewheels must always be played using paddletickets.

Each paddleticket card must have a paddleticket card number preprinted on the stub and on each individual ticket. Each paddleticket card must have a different number. An organization may not have two paddleticket cards with the same number in their possession at the same time.

Each paddleticket stub must have a facsimile of the registration stamp imprinted on the stub. The facsimile must bear the license number of the distributor who sells the paddleticket card.

All the paddletickets on a paddleticket card must be sold prior to the spinning of the wheel. A new paddleticket card must be sold for every spin of the wheel.

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.

Subp. 3. **Records.** The use of paddletickets must be recorded in the same manner as for pull-tabs, as set forth in part 7860.0240, subpart 7.

Subp. 4. **Retention of played paddletickets.** All paddleticket stubs and the accompanying master flare with the state registration stamp affixed must be

retained for a period of two years following the end of the month in which that paddleticket card was played and reported.

Subp. 5. House rules. The organization must post house rules on the play of paddlewheels. One of the house rules must be that the wheel must make at least four revolutions before stopping at the winning number. If four revolutions are not made, a nonspin must be declared and the wheel must be spun again.

Subp. 6. Prize limits and betting limits. The value of the prizes and the amount of bets are limited as follows: bets may not exceed \$2 per paddleticket; and prizes may not exceed \$500 in value.

Statutory Authority: *MS s 14.06; 349.151*

History: *9 SR 1871; 11 SR 1310; 14 SR 478*

7860.0270 RAFFLES.

Subpart 1. Raffle tickets; limitations and requirements for use. Tickets for entry into a raffle must be sold or issued separately and each shall constitute a separate and equal chance to win with all other tickets sold or issued. No person may be required to obtain more than one ticket, or to pay for anything other than the ticket, in order to enter a raffle.

All tickets for use in any raffle shall have a stub or other detachable section, be consecutively numbered, and be accounted for separately through the use of a log book showing to whom the tickets were given to be sold. The ticket stub or other detachable section of the ticket must bear a duplicate number corresponding to the number on the ticket and shall contain the purchaser's name, complete address, and telephone number. Both parts must be imprinted with sequential numbers commencing with the number "1" through the maximum number of tickets to be sold.

Each raffle ticket must be sold for the same price as every other raffle ticket being used for that particular raffle.

No person may be required to be present at a raffle drawing in order to be eligible for the prize drawing.

In conducting a drawing in connection with any raffle, each ticket seller shall return to the organization the stubs or other detachable section of all tickets sold. The organization shall then place each stub or other detachable section of each ticket sold into a receptacle out of which the winning tickets are to be drawn. The receptacle must be designed so that each ticket placed therein has an equal opportunity with every other ticket to be the one withdrawn.

Subp. 2. Control of raffle prizes. An organization conducting a raffle in which real or personal property prizes are to be awarded shall have paid for in full or otherwise become the owner, without lien or interest of others, of all the real or personal property prior to the drawing at which the winners of the prizes are to be determined.

Subp. 3. Disclosure of prizes and rules. The following information must be printed upon each ticket sold:

- A. the date and time of drawing;
- B. the location of the drawing;
- C. the name of the organization conducting the raffle;
- D. the license number, if any;
- E. the price of the chance; and
- F. the prize or prizes to be awarded.

Subp. 4. Records. The organization shall maintain the following records or information with regard to individual raffles for a period of two years:

- A. the current amount of proceeds received from the raffle;
- B. all allowable expenses deducted from the net receipts of a raffle; and

C. the winning ticket stubs.

Subp. 5. **Prize limitations.** Prizes for a raffle may not exceed the following limits:

A. Total prizes for raffles may not exceed a total value of \$100,000 per organization in a calendar year.

B. Cash prizes may not exceed \$12,000 which may be awarded:

(1) as the total amount of cash prizes for a single raffle; or

(2) as the total amount of prizes for several complete raffles, the drawings for which are conducted on the same day.

C. Real and personal property prizes must be valued at actual market value or suggested market value, whichever is less.

D. Cash is defined for purposes of this subpart as currency and coinage or negotiable instruments.

Subp. 6. **Prizes must be awarded.** All raffle prizes must be awarded on the date indicated on the raffle ticket unless a different date is approved by the board. The board shall extend the date for the drawing if:

A. weather has caused a postponement of the event at which the drawing was to occur; or

B. not enough tickets are sold to cover the cost of the prizes, and an extension will make a material difference. The fact that a desired level of profit will not be attained is not a basis for an extension of the date of the drawing.

Statutory Authority: *MS s 14.06; 349.151 subd 4 cl (4)*

History: *9 SR 1871; 11 SR 1310*

7860.0280 RULES OF PLAY, ODDS, AND HOUSE PERCENTAGES.

Subpart 1. **Posting on premises.** A licensed organization must prominently post the following information at the licensed premises:

A. Name of licensed organization.

B. License number of licensed organization.

C. Effective date of license to conduct lawful gambling.

The sign shall be adequately lighted, shall be legible, and shall not be less than 18 inches by 24 inches in size.

Subp. 2. **Posting on equipment.** The odds, house percentages, or number of tickets must be displayed on the flare accompanying a deal of pull-tabs and the master flare accompanying a sealed grouping of tipboards or up to 100 paddleticket cards.

This information is prominently posted if it can be readily seen by a player immediately before the player participates in the specific form of lawful gambling to which the information applies.

Statutory Authority: *MS s 14.06; 349.151 subd 4 cl (4)*

History: *9 SR 1871; 11 SR 1310*

7860.0290 AGE RESTRICTIONS.

No person under the age of 18 may conduct or participate in playing the games of pull-tabs, tipboards, or paddlewheels.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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: *9 SR 1871; 14 SR 478*

7860.0310 DOMESTIC MANUFACTURE.

Any person manufacturing gambling equipment within the state of Minnesota shall first register the manufacturing activity with the board before selling, marketing, or otherwise distributing such equipment, in or out of state. An organization which manufactures equipment for lawful gambling for its own use shall also obtain a state registration stamp from the board for each item of equipment manufactured.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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.

Subpart 1. Registration required. No manufacturer of gambling equipment may sell any gambling equipment to any person unless the manufacturer has obtained a manufacturer's certificate of registration.

Subp. 2. Application required. Annual application must be made for a manufacturer's certificate of registration. The application must be on a form provided by the board, and include at least the following information:

A. the name and official position of person responsible for completing application;

B. the name of business;

C. the mailing address of business;

D. the office address if different than mailing address;

E. the telephone number of business;

F. a list of the owners, partners, officers, and directors;

G. the address of facilities where gambling equipment is manufactured for sale;

H. a statement as to whether any owner, partner, officer, or director:

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

(2) has ever been convicted in any state or federal court of a gambling-related offense; and

I. the chief executive officer or owner shall verify the statements made in the application.

Subp. 3. Restrictions on manufacturer interest. The following are the restrictions on manufacturer interest:

A. No organization that conducts lawful gambling shall be a manufacturer.

B. No person who is an officer, director, manager, or gambling manager, of any organization conducting lawful gambling shall be an owner, officer, director, partner, proprietor, or employee of a manufacturer, nor shall the person have any direct or indirect financial interest in the manufacturer.

C. No person who is an owner, officer, director, partner, or proprietor of a wholesale alcoholic beverage distributorship shall be an owner, officer, director, partner, proprietor, or employee of a manufacturer, nor shall the person have any direct or indirect financial interest in the manufacturer to be registered.

D. No manufacturer or person having a direct or indirect financial interest in the manufacture of gambling equipment shall be a lessor of premises, directly or indirectly, to an organization conducting gambling.

Subp. 4. 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.

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

A. Flares will be furnished to the distributor with each pull-tab deal and a master flare with each sealed grouping of tipboards or up to 100 paddleticket cards.

B. Effective January 1, 1987, each flare must fully describe the prizes and winning number, symbol, or set of symbols, odds, house percentage, or number of tickets, and manufacturer's label or trademark.

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.

Subp. 6. Conditions of registration. The manufacturer is responsible for complying with the standards for pull-tabs and tipboard tickets under part 7860.0300.

Subp. 7. Buying from and selling only to distributors required. No manufacturer shall sell or otherwise make available to any distributor any gambling equipment unless it has first determined that the distributor has a valid license issued by the board. No distributor shall purchase or otherwise obtain from any manufacturer any gambling equipment until it has first determined that the manufacturer selling or otherwise offering the gambling equipment has a valid certificate of registration issued by the board to sell the gambling equipment in this state.

Subp. 8. Examination of books and records. The board and its agents may examine or cause to be examined the books and records of any manufacturer to the extent that the books and records relate to any transaction connected to the sale of gambling equipment in this state, and no manufacturer shall prohibit, interfere with, or otherwise impede the examination, but shall cooperate and assist with the examination, and provide the information required.

Upon the failure of the manufacturer to comply with this subpart, the board shall notify the manufacturer in writing that the manufacturer is responsible for the travel and living expenses of board staff while examining the manufacturer's books and records.

Subp. 9. Manufacturers not to sell coin-operated machine or mechanical pull-tab dispensing devices. No coin-operated machine or mechanical pull-tab dispensing device shall be sold or otherwise furnished to any distributor in this state.

Subp. 10. Registration fee. The annual manufacturer's fee is \$500. There will be no proration of the registration fee.

Subp. 11. Disclosure of registered office and agent. A nonresident manufacturer must notify the board in writing of the location of its registered office in Minnesota and the name of its registered agent in Minnesota.

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 14.06; 349.151*

History: *11 SR 1310; 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:

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.

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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*