

**CHAPTER 7861**  
**GAMBLING CONTROL BOARD**  
**GENERAL PROVISIONS**

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**7861.0010 DEFINITIONS.**

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

Subp. 1a. **Bar bingo.** "Bar bingo" means a game or games of bingo, conforming to all applicable statutes and rules, that is conducted at a place of business where a licensed organization leases space to conduct lawful gambling, where the lessor's business is the sale of intoxicating liquor or 3 2 percent malt beverages, and where the organization conducts another form of lawful gambling on the premises for which it could pay rent under part 7861.0060, subpart 2, item D

*[For text of subps 2 to 20, see M.R.]*

Subp. 21 **Fair market value.** "Fair market value" is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. Fair market value for purposes of merchandise prizes must be related to the manufacturer's suggested retail price, list price, advertised price, or actual cost. For purposes of this subpart, the price or cost is determined at the time the merchandise prize was purchased by the organization

*[For text of subps 22 to 37, see M.R.]*

Subp. 37a **Merchandise prize.** "Merchandise prize" means a tangible good, existing and moveable, other than cash or real property, awarded by an organization to a winner or winners of a bingo game, pull-tab game, tipboard game, paddlewheel game conducted without a paddlewheel table, or raffle. Merchandise prize includes merchandise, certificates for merchandise, and donated prizes. Merchandise prize does not include services or service-related items, except that raffle prizes may consist of certificates for services

*[For text of subps 38 to 43, see M.R.]*

Subp. 44 **Paddlewheel table.** "Paddlewheel table" is the table described in part 7864.0030, subpart 1, item G, and used in the game of paddlewheels governed by part 7861 0100, subparts 2 to 7 and 9 to 16

*[For text of subps 45 to 51, see M.R.]*

**Statutory Authority:** *MS s 349 151*

**History:** *23 SR 831*

**7861.0060 CONDUCT OF LAWFUL GAMBLING.**

Subpart 1. **General restrictions.** The following items are general restrictions on the conduct of lawful gambling:

*[For text of items A to D, see M R ]*

E An organization shall require its compensated gambling employees to wear the identification card required by Minnesota Statutes, section 349 168, subdivision 2, at all times when conducting lawful gambling. Wearing the identification card means that:

(1) the card shall be worn on the employee's clothing in such a manner as to be clearly visible at all times to the majority of the players, or

(2) the card shall be prominently displayed in the space used by the organization to sell pull-tabs, in such a manner as to be clearly visible at all times to the majority of the players

Subitem (2) shall only apply to compensated employees who sell pull-tabs.

Subp. 2 **Restrictions for gambling on leased premises.** The following items are restrictions for gambling on leased premises

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

D The amount of rent an organization may pay for the conduct of lawful gambling may not exceed:

(1) \$1,000 per month for all forms of lawful gambling other than bingo,

(2) for bingo and all other gambling activities which occur during that bingo occasion, \$200 for leased premises of not more than 6,000 square feet, \$300 for leased premises of not more than 12,000 square feet, \$400 for leased premises of more than 12,000 square feet, and \$25 per occasion for bar bingo, and

(3) an organization may not use nongambling funds to directly or indirectly supplement rent above the amounts provided in this subpart

*[For text of items E to M, see M R ]*

*[For text of subps 3 to 7, see M R ]*

**Statutory Authority:** *MS s 349 151*

**History:** *23 SR 831*

### 7861.0070 BINGO.

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

Subp 5a **Manner of conducting bingo.** A bingo game must be conducted in the following manner

A. For organizations using bingo hard cards, the following shall apply

*[For text of subitems (1) to (3), see M.R.]*

(4) Bingo programs for each bingo occasion or bingo session must be made available to all players prior to the start of the first game at each bingo occasion or bingo session and include, at a minimum, the following information

*[For text of units (a) and (b), see M R ]*

(c) the date of implementation of the program.

An organization with gross receipts from bingo of less than \$150,000 in its last fiscal year shall include in its bingo programs the methods used to determine the value of prizes when the value of prizes will be less than the values listed in the program

Each bingo program, including the list of occasions or sessions at which that program will be used, must be approved in advance by the membership of the organization. A copy of the approved bingo program, including the list of occasions or sessions at which that program will be used must be included with the minutes of the meeting. A copy of the approved bingo program, including the list of occasions or sessions at which that program will be used must also be submitted to the board and postmarked or delivered to the board office at least 24 hours in advance of implementation of the program. For all organizations, in the event of reduced attendance caused by bad weather, an organization may implement a substitute bingo program, if the substitute bingo program has been previously approved by the board, and the organization notifies the board within 48 hours of making the bingo program substitution

*[For text of subitems (5) to (9), see M R ]*

B For organizations using bingo paper sheets, bingo paper sheet packets, or bingo paper packages, the following shall apply

*[For text of subitems (1) to (3), see M R ]*

(4) Bingo programs for each bingo occasion or bingo session must be made available to all players prior to the start of the first game at each bingo occasion or bingo session, and must include, at a minimum, the following information

*[For text of units (a) to (c), see M R ]*

(d) the date of implementation of the program

An organization with gross receipts from bingo of less than \$150,000 in its last fiscal year shall include in its bingo programs the methods used to determine the value of prizes when the value of prizes will be less than the values listed in the program.

Each bingo program, including the list of occasions or sessions at which that program will be used, must be approved in advance by the membership of the organization. A copy of the approved bingo program, including the list of occasions or sessions at which that program

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will be used, must be included with the minutes of the meeting. A copy of the approved bingo program, including the list of occasions or session at which that program will be used, must also be submitted to the board and postmarked or delivered to the board office at least 24 hours in advance of implementation of the program. For all organizations, in the event of reduced attendance caused by bad weather, an organization may implement a substitute bingo program, if the substitute bingo program has been previously approved by the board, and the organization notifies the board within 48 hours of making the bingo program substitution.

*[For text of subitems (5) to (8), see M.R.]*

*[For text of items C to G, see M.R.]*

H The letter and number of a drawn bingo ball must be called out before the drawing of the next bingo ball, except when conducting bingo games where the drawn bingo ball does not pertain to the pattern of the bingo game being played. When conducting bingo games where the letter and number of a drawn ball may not pertain to the pattern being played, the caller shall verbally state before the drawing of the first ball that drawn bingo balls not pertaining to the pattern being played will not be called. Once a bingo ball has been drawn, the bingo ball shall not be returned to the receptacle until after the conclusion of the game or continuation game. Bingo balls that are drawn but not called shall not be returned to the receptacle until they have been made available for inspection by at least one neutral player after the conclusion of the game or continuation game.

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

M When a bingo player declares a winning pattern of letters and numbers on a bingo hard card or bingo paper sheet face for a bingo game, the serial number and face number of the bingo paper sheet face, or the face number of the winning bingo hard card shall be read aloud by an employee of the organization. Every winning bingo hard card or bingo paper sheet face shall be verified by an organization employee, and

- (1) at least one neutral player, or
- (2) an electronic verification device

A neutral player is another player who is not an immediate family member of the player declaring bingo.

N Each bingo game shall be closed with the following procedure:

- (1) the game shall be stopped after a player has declared bingo;
- (2) when a bingo player declares a bingo, the next bingo ball out of the machine shall be removed from the machine before shutting the machine off, and shall be the next bingo ball called in the event the bingo is declared not valid. In the case of a continuation bingo game, the bingo ball shall be held and used as the first bingo ball drawn for the next game. In the case of a bingo game where a drawn ball may not pertain to the pattern being played, the bingo ball shall be removed from the machine before shutting the machine off and, if the drawn ball pertains to the pattern being played, shall be the next bingo ball called in the event the bingo is declared not valid.

*[For text of subitems (3) to (5), see M.R.]*

Subp 6a **Bingo prizes.** Prizes for games won at a bingo occasion or session shall be awarded at that bingo occasion or session according to Minnesota Statutes, section 349.211, and the following procedures:

A Prizes for a bingo game may consist of cash, a merchandise prize, or coupons used to redeem bingo hard cards, bingo paper sheets, bingo paper sheet packets, and bingo paper packages. A merchandise prize may include a certificate for merchandise, which must include the following information:

- (1) a complete description of the merchandise to be redeemed by the certificate,
- (2) the name of the vendor from whom the certificate must be redeemed,
- (3) the value of the merchandise described on the certificate; and
- (4) a statement expressly prohibiting the substitution of cash or another item or type of merchandise for the merchandise described on the certificate.

B Except for bingo games conducted pursuant to item G, the dollar amount of a cash prize or the fair market value of a merchandise prize which may be won in a bingo game

must be verbally announced to players prior to the start of a bmgo game and included in the bingo program for that occasion. Value means the dollar amount of the cash prize or the fair market value for merchandise prizes. For purposes of subpart 7, the organization must use the actual cost paid by the organization for the merchandise prizes. All merchandise prizes must be accounted for in a format prescribed by the board. For all merchandise prizes, the organization must maintain documentation on how the fair market value was determined. The fair market value of a merchandise prize must not be established at an amount less than the organization paid for the merchandise prize. Unless a prize receipt is completed pursuant to items G and M, a bmgo prize shall not have its value established by any method where the value of the bmgo prize cannot be determined and verbally announced to players at the beginning of a bingo game. A bmgo prize shall not consist of lawful gambling equipment, except as provided in this subpart.

C. A bmgo prize shall only be awarded after a player has successfully completed a preannounced pattern of spaces on a bingo hard card or bingo paper sheet face with the letters and numbers called by an organization employee.

D. A prize for a single bmgo game shall not exceed \$200.

E. A prize for a cover-all bmgo game may exceed \$200 provided that the aggregate value of all cover-all prizes in any bingo occasion does not exceed \$1,000.

F. A prize for a progressive bmgo game may start at up to \$300 and be increased by up to \$100 for each occasion during which the progressive bmgo game is played. If the progressive prize is not awarded at a particular bingo occasion, the progressive bmgo game shall be continued at a future bmgo occasion until such time as a winner is determined. The winning prize in a progressive bmgo game does not have to be the full amount of the jackpot, but may be a consolation prize of up to \$100. If the progressive prize is not awarded at a particular occasion, it may be carried over to a future bmgo occasion and increased in value, provided that the prize never exceeds \$2,000 for any progressive bingo game.

G. In bingo games where players have the opportunity to win one of various, alternative prize levels, the organization will not be able to identify and announce at the beginning of the bingo game the value of the prize that will be won until the game is completed. Such bmgo games are permitted only if the organization completes a prize receipt form upon completion of the bmgo game. According to subpart 5a, items A, subitem (4), and B, subitem (4), the organization must describe in its bmgo program any bmgo games where players have the opportunity to win one of various, alternative prize levels, including the factors that will be used to determine the prize level that is won and the value of the alternative prize levels.

H. Merchandise prizes awarded in any bmgo game must be displayed in full view of the players in the immediate vicinity of the bingo game. When the winner of a merchandise prize is determined, the organization shall immediately remove the prize from the display and award it to the winner.

I. Merchandise prizes purchased by the organization at a discount and prizes donated to an organization shall be valued at their fair market value and shall be included in the determination of compliance with the prize limitations in Minnesota Statutes, section 349.211.

J. An organization conducting bmgo in which any merchandise prizes are awarded shall have paid for in full or otherwise become the owner without lien or interest of others of all the merchandise prizes prior to the time when the winners of the merchandise prizes are determined. For purposes of this subpart, savings bonds are not considered merchandise prizes and must be reported and announced at their purchase price value.

K. All prizes available to be won at a bingo occasion or session shall be won by a player based upon winning a bingo game and not by any other method which incorporates an element of chance. No prizes based on the result of a bmgo game shall be awarded to anyone other than a player who has achieved the winning pattern of letters and numbers in the bingo game. An organization shall not award a secondary prize to a person based upon an outcome other than the selection of letters and numbers in a bmgo game.

L. If there are multiple winners in any bmgo game, the following shall apply:

(1) If the designated prize consists of cash, the total amount of the prize shall be divided equally, with an equal amount being awarded for each verified winning bmgo.

face The organization has the option of rounding fractional dollars to the nearest higher dollar The total amount of the awarded prizes shall not exceed limits in Minnesota Statutes, section 349 211

(2) If the designated prize consists of a merchandise prize and the designated prize cannot be divided, the organization shall award substitute prizes to each verified winning bingo face The substitute prizes must be of equal value to one another, with an equal prize awarded for each verified winning bingo face The total value of the prizes must not exceed the prize limitations in Minnesota Statutes, section 349 211

M A prize receipt form shall be completed for a winning bingo prize valued at \$100 or more A prize receipt form shall also be completed for all bingo games where the value of the prize is determined by the selling price of the bingo paper sheet packet or bingo paper package, and for all bingo games where players have the opportunity to win various, alternative prize levels. The prize receipt form shall include, at a minimum, the following information

*[For text of subitems (1) and (2), see M.R.]*

(3) the dollar amount of the cash prize,

(4) the fair market value for a merchandise prize,

*[For text of subitems (5) to (7), see M.R.]*

**Subp 7 General bingo records and reports.** The following records and reports shall be completed by the organization, and maintained for a period of 3-1/2 years The records and reports shall be made available to the board, the commissioner of revenue, the commissioner of public safety, or their agents upon demand

**A. Inventory records**

(1) Each organization using bingo paper sheets, bingo paper sheet packets, or bingo paper packages shall maintain inventory records in a format prescribed by the board in accordance with subitems (1) to (5) A computer-generated form may be used with the approval of the board director if it complies with the requirements of this part. An organization using bingo paper sheets, bingo paper sheet packets, or bingo paper packages shall

*[For text of units (a) to (c), see M.R.]*

(2) For each case of bingo paper sheets (case paper), the inventory records shall include, at a minimum, the following information:

*[For text of units (a) to (j), see M.R.]*

(3) For each set of bingo paper sheet packets, the inventory records shall include, at a minimum, the following information

*[For text of units (a) to (t), see M.R.]*

(4) For each bingo paper package, if the organization uses bingo paper packages, a control number shall be assigned and all components of the bingo paper package shall be accounted for The inventory records for bingo paper packages shall include, at a minimum, the following information

*[For text of units (a) to (j), see M.R.]*

(5) For bingo paper sheets, bingo paper sheet packets, and bingo paper packages, a monthly physical inventory control summary including, at a minimum, the following information

*[For text of units (a) to (e), see M.R.]*

**B** The following information shall be recorded for each bingo occasion conducted by an organization

(1) For organizations using bingo hard cards

*[For text of units (a) to (f), see M.R.]*

(g) the dollar amount of the cash prize, or the actual cost of merchandise prizes awarded for each bingo game, and the face number and series number of each winning bingo hard card,

(h) for any bingo game with a prize valued at \$100 or more that is awarded to one individual, a prize receipt as provided in subpart 6a, item M,

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(1) cash on hand at the beginning of the occasion, and cash on hand at the end of the occasion,

*[For text of units (j) to (l), see M.R.]*

(2) For organizations using bingo paper sheets, bingo paper sheet packets, or bingo paper packages, the following information shall be recorded in a format prescribed by the board for each bingo occasion conducted by an organization. A computer-generated form may be used with the approval of the board director if it complies with the requirements of this part.

*[For text of units (a) to (d), see M.R.]*

(e) the total value of prizes awarded for each game, including the dollar amount of the cash prizes and the actual cost for merchandise prizes, and the serial number and face number of each winning bingo paper sheet face,

(f) a copy of the caller verification form,

(g) a copy of the occasion's bingo program shall be attached to the bingo occasion record,

(h) a bingo occasion summary, including the total number of players in attendance, total gross and net sales, total value of coupons redeemed, and total value including the dollar amount of the cash prizes and the actual cost for merchandise prizes awarded at the occasion,

(i) for any bingo game with a cash or merchandise prize valued at \$100 or more, a prize receipt as required in subpart 6a, item M; and

(j) for any bingo game where the value of the prize is determined by the selling price of the packet of bingo paper sheets or bingo paper package, a prize receipt as required in subpart 6a, item M

C A gross receipt and discrepancy report must be prepared for each bingo occasion conducted by an organization. The report shall be prepared on a form prescribed by the board, in accordance with the following procedures

*[For text of subitems (1) and (2), see M.R.]*

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

**Statutory Authority:** *MS s 349 151*

**History:** *23 SR 831*

### **7861.0080 PULL-TABS.**

Subpart 1 **Restrictions.** The following items are restrictions on pull-tabs.

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

B A gambling employee of an organization may purchase pull-tabs at the site of the employee's place of employment if.

(1) the organization posts the major prizes for pull-tab or tipboard games pursuant to Minnesota Statutes, section 349 172, and

(2) the gambling employee is not involved in the sale of pull-tabs at the site of the employee's place of employment. For purposes of this part, the sale of pull-tabs includes, but is not limited to, auditing pull-tab games, redeeming winning pull-tabs, performing inventory of pull-tab games, making deposits of receipts from pull-tab games, and the sale of pull-tabs to players.

For purposes of this subpart, the term "employee" includes a volunteer.

*[For text of items C to I, see M.R.]*

*[For text of subps 2 to 4, see M.R.]*

Subp 4a **Use of cash registers.** An organization using a cash register in the conduct of pull-tabs shall use a cash register that meets the technical standards established in item A, follows the procedures in item B, and performs a monthly reconciliation pursuant to the requirements in item C

A Cash registers used by organizations to conduct pull-tab games shall meet, at a minimum, the technical standards in subitems (1) to (12)

*[For text of subitems (1) to (9), see M.R.]*

(10) For each transaction in redeeming a winning pull-tab, the cash register shall record the following information

*[For text of units (a) to (c), see M R ]*

(d) the amount of the cash prize payout or the fair market value for merchandise prizes

*[For text of subitems (11) and (12), see M R.]*

B This item contains the procedure for use of a cash register

*[For text of subitems (1) to (5), see M R ]*

(6) When redeeming a winning pull-tab through the use of a cash register, the organization employee shall

*[For text of unit (a), see M R ]*

(b) enter the cash prize payout amount or the fair market value of the merchandise prize of the winning pull-tab; and

*[For text of unit (c), see M R ]*

*[For text of subitems (7) to (9), see M.R.]*

C On the last day of each month the organization must perform a reconciliation of all pull-tab games in play or played during the month. The following procedure shall be used to perform the reconciliation.

*[For text of subitems (1) to (3), see M R.]*

(4) The organization shall prepare a reconciliation report for all games in play during the month, on a form prescribed by the board. The form shall contain at a minimum the following information

*[For text of units (a) to (c), see M R ]*

(d) the total value of cash prizes paid out in the game and/or the total fair market value of merchandise prizes paid out in the game,

*[For text of units (e) to (g), see M.R.]*

*[For text of subitem (5), see M R.]*

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

**Subp. 5 Pull-tab prize and cost per ticket limits.** Prizes and bets must be limited, awarded, and controlled in the following manner

A. The maximum value of a prize for a winning pull-tab must not exceed \$500. If two or more winning combinations are possible, including the last sale prize on a single pull-tab, the total value of all winning combinations must not exceed \$500. "Value" means the dollar amount of a cash prize or the fair market value for a merchandise prize. For purposes of subpart 6, the organization must use the actual cost paid by the organization for the merchandise prizes. All merchandise prizes must be accounted for in a format prescribed by the board. The organization must maintain documentation on how the fair market value was determined for all merchandise prizes. The fair market value of a merchandise prize must not be established at an amount less than the organization paid for the merchandise prize.

B Each pull-tab must not be sold for more than \$2.

C All prizes must be awarded in cash, merchandise, or in free plays as designated on the flare. A merchandise prize may include a certificate for merchandise, which must contain the following information.

(1) a complete description of the merchandise to be redeemed by the certificate,

(2) the name of the vendor from whom the certificate must be redeemed;

(3) the value of the merchandise described on the certificate, and

(4) a statement expressly prohibiting the substitution of cash or another item or type of merchandise for the merchandise described on the certificate.

All merchandise prizes must be displayed in full view of the players in the immediate vicinity of the pull-tab game.

When a winner of a merchandise prize is determined, the organization shall remove that prize from any display and award it to the winner immediately.

D When a player wins a cash prize of \$50 or more or receives a cash prize for redeeming the last ticket sold in a pull-tab game for which the distributor has modified the flare to contain a last sale value of \$20 or more, the organization shall record the win according to subpart 6, item C

E An organization conducting pull-tab games in which any merchandise prizes are awarded shall have paid for in full or otherwise become the owner without lien or interest of others of all the merchandise prior to the time when the winners of the prizes are determined

Subp 6 **Records.** An organization shall maintain the following information for a period of 3-1/2 years

*[For text of items A and B, see M R ]*

C All completed prize receipt forms for any winning pull-tab valued at \$50 or more or for any prize for redeeming the last ticket sold in a pull-tab game for which the distributor has modified the flare to contain a last sale value of \$20 or more A prize receipt form prescribed by the board shall include at a minimum the following information

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

*[For text of units (a) to (d), see M R ]*

(e) the dollar amount of the cash prize won or the fair market value for a merchandise prize won; and

*[For text of unit (f), see M R.]*

(2) The receipt must be legibly signed in ink by the pull-tab seller paying the winner

D An organization must complete a detailed monthly report in a standard format approved by the commissioner of revenue for each deal of pull-tabs removed from play during that month, as required by part 7861.0120, subpart 3, item D The report must contain the following information

*[For text of subitems (1) to (12), see M R ]*

(13) the actual prizes paid, including the dollar amount of the cash prize and the actual cost for merchandise prizes,

*[For text of subitems (14) to (16), see M R ]*

*[For text of items E and F, see M R ]*

*[For text of subp 7, see M R ]*

**Statutory Authority:** *MS s 349 151*

**History:** *23 SR 831*

## 7861.0090 TIPBOARDS.

Subpart 1 **Restrictions.** The following items are restrictions on tipboards

*[For text of items A to D, see M R ]*

E An organization shall not pay a player unless the player redeems an actual winning tipboard ticket A prize may not be awarded to any player for a lost, marked, defaced, or altered ticket

F A tipboard may not be played unless the flare for that tipboard is posted in the area of the permitted premises where the tipboard tickets are offered for sale

G An organization shall not modify the designation of prizes printed on the tipboard or use a tipboard that is altered or defaced The prize awarded must be the prize printed on the tipboard

Subp 2 **Operation of tipboards.** The following items apply to the game of tipboards

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

E A tipboard may not be put out for play unless the serial number on the individual flare for that tipboard 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

Subp 3 **Tipboard prize and cost per ticket limits.** The cost per ticket and the value of the prizes must be as follows

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



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D A prize must be awarded in cash, merchandise, or free plays as indicated on the tipboard and the flare. A merchandise prize may include a certificate for merchandise, which must contain the following information:

- (1) a complete description of the merchandise to be redeemed by the certificate,
- (2) the name of the vendor from whom the certificate must be redeemed,
- (3) the value of the merchandise described on the certificate, and
- (4) a statement expressly prohibiting the substitution of cash or another item or type of merchandise for the merchandise described on the certificate.

“Value” means the dollar amount of a cash prize or the fair market value for a merchandise prize. For purposes of subpart 4, the organization must use the actual cost paid by the organization for the merchandise prizes.

All merchandise prizes must be accounted for in a format prescribed by the board. The organization must maintain documentation on how the fair market value was determined for all merchandise prizes. The fair market value of a merchandise prize must not be established at an amount less than the organization paid for the merchandise prize.

E Merchandise prizes awarded in any tipboard game must be displayed in full view of the players in the immediate vicinity of the tipboard game. When the winner of a merchandise prize is determined, the organization shall immediately remove the prize from the display and award it to the winner.

F Merchandise prizes purchased by the organization at a discount shall be valued at their fair market value and shall be included in the determination of compliance with Minnesota Statutes, section 349.211.

G An organization conducting tipboard games in which any merchandise prizes are awarded shall have paid for in full or otherwise become the owner without lien or interest of others of all the merchandise prizes prior to the time when the winners of the prizes are determined.

*[For text of subp 4, see M.R.]*

Subp 5 **Disposal of played tipboards.** A played tipboard and the accompanying flare must be retained for 3-1/2 years following the end of the month in which the tipboard was played and reported. The organization may dispose of a played tipboard when the retention period expires, unless the organization is notified to retain the tipboard because an audit, compliance review, or investigation is being conducted. The disposal must result in complete destruction, such as by shredding or burning.

**Statutory Authority:** *MS s 349.151*

**History:** *23 SR 831*

## 7861.0100 PADDLEWHEELS.

*[For text of subp 1a, see M.R.]*

Subp 2 **General conduct of paddlewheels.** The following items apply to the conduct of all paddlewheel games:

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

D No paddleticket card may be played unless the master flare for that card is posted in a conspicuous place on the permitted premises for the paddlewheel being played.

E An organization may not use paddletickets:

- (1) when the actual paddleticket card number preprinted on the tickets does not correspond to one of the paddleticket card numbers indicated on the master flare,
- (2) when the paddleticket card number preprinted on the stub does not match the paddleticket card number preprinted on the individual tickets, or
- (3) which are not attached to the paddleticket card.

F An organization must deface all unsold paddletickets and all winning paddletickets which have been redeemed.

*[For text of subs 3 to 7, see M.R.]*

Subp 8 **Conduct of paddlewheels without a paddlewheel table.** The following items apply to the conduct of paddlewheels without a paddlewheel table:

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A Each paddleticket must be sold separately and must constitute a separate and equal chance to win with all other paddletickets with the same paddleticket card number

B All the paddletickets sold for a spin of the paddlewheel must bear the same paddleticket card number All the paddletickets on a paddleticket card must be sold before the spinning of the paddlewheel. If all the paddletickets on the card cannot be sold, the organization shall refund the gross proceeds to the players in exchange for the unplayed paddletickets, which shall be defaced by the organization.

C The paddlewheel must be spun by the organization's paddlewheel operator. The winning number is determined by the position of the pointer when the paddlewheel stops spinning The paddlewheel must make at least four revolutions before stopping at the winning number. If four revolutions are not made, the spin is void and the paddlewheel must be spun again An organization may not have multiple spins of the paddlewheel to award multiple prizes for one paddleticket card

D. The paddletickets must be sold by the organization on the permitted premises for the paddlewheel being played and must be sold on the same day the paddlewheel is spun No person may be required to be present when the paddlewheel is spun in order to be eligible for the prize. No person may be required to keep a paddleticket on the permitted premises in order to be eligible for the prize However, the player with the winning paddleticket must claim the prize by redeeming the ticket on the permitted premises before the conclusion of the organization's lawful gambling activity for that day on the premises. Otherwise, the player forfeits the prize

E. A prize must be awarded in cash or merchandise No cash prize amount may be a variable multiple of the standard price of a paddlewheel ticket Merchandise prizes must be valued at their fair market value An organization must pay for in full or otherwise become the owner, without lien or interest of others, of merchandise to be awarded as a prize prior to the sale of paddletickets eligible for the prize The organization must keep records showing its ownership of the merchandise, the fair market value of the merchandise, and its complete inventory of paddlewheel prize merchandise An organization may not substitute cash for merchandise prizes which have been won A merchandise prize may include a certificate for merchandise, which must contain the following information.

- (1) a complete description of the merchandise to be redeemed by the certificate,
- (2) the name of the vendor from whom the certificate must be redeemed,
- (3) the value of the merchandise described on the certificate, and
- (4) a statement expressly prohibiting the substitution of cash or another item or type of merchandise for the merchandise described on the certificate.

"Value" means the dollar amount of a cash prize or the fair market value for merchandise prizes For purposes of subpart 16, the organization must use the actual cost paid by the organization for the merchandise prizes

All merchandise prizes must be accounted for in a format prescribed by the board. The organization must maintain documentation on how the fair market value was determined for all merchandise prizes The fair market value of a merchandise prize must not be established at an amount less than the organization paid for the merchandise prize.

F. Merchandise prizes awarded in any paddlewheel game must be displayed in full view of the players in the immediate vicinity of the paddlewheel game and shall not be redeemed for cash or converted into cash. When the winner of a merchandise prize is determined, the organization shall immediately remove the prize from the display and award it to the winner

G. Merchandise prizes purchased by the organization at a discount and merchandise prizes donated to the organization shall be valued at their fair market value and shall be included in the determination of compliance with Minnesota Statutes, section 349.211

H For all winning paddletickets which have been redeemed, an organization shall keep records of the date played, the winner number, and the cash prize amount or merchandise prize awarded.

I An organization must post clear and legible house rules on the play of paddlewheels in a conspicuous place on the permitted premises for the paddlewheel being played. The rules must include the following information:

*[For text of subitems (1) to (5), see M R ]*

J An organization must post in a conspicuous place on the permitted premises for the paddlewheel being played a clear and legible sign stating the prize to be awarded to the winning paddleticket. The sign must be at least 18 inches by 24 inches in size.

Subp 9 **Standards for paddlewheels and paddletickets used with a paddlewheel table, and for paddlewheel tables and chips.** Paddlewheels with a paddlewheel table must be conducted with a paddlewheel and paddlewheel tables manufactured according to part 7864 0030, subpart 1, items F and G, and with paddletickets manufactured according to part 7864 0030, subpart 1, item H. Each paddlewheel and paddlewheel table must have a state registration stamp affixed to its front.

Paddlewheel chips may not be made of plastic, wood, or paper. An organization may issue paddlewheel chips in denominations of \$1, \$2, \$5, and \$25. One dollar chips must be white, \$2 chips must be yellow, \$5 chips must be red, and \$25 chips must be green. Each chip must have permanent edge spots which are different in color than the rest of the chip. Each paddlewheel chip must also be clearly and permanently impressed, engraved, or imprinted on at least one side with the license number of the organization holding the premises permit for the premises at which the chips are being used and on at least the opposite side with the specific dollar value of the chip.

*[For text of subp 10, see M.R.]*

Subp 11 **Conduct of paddlewheels with a paddlewheel table.** The following items apply to the conduct of paddlewheels with a paddlewheel table:

*[For text of items A to C, see M R ]*

D All paddletickets must be sold on the permitted premises for the paddlewheel being played and must be sold immediately preceding a spin to be valid for that spin. Each paddleticket must be sold separately and must constitute a separate and equal chance to win with all other paddletickets sold for the spin. There may be no partially sold paddleticket cards for a spin. If all the tickets on a card cannot be sold, the organization shall refund the gross proceeds to the players in exchange for the unplayed tickets of that card, which shall be defaced by the organization.

*[For text of items E to L, see M R ]*

Subp 12 **Operating procedures and internal controls.** The following operating procedures and internal controls apply to the conduct of paddlewheels with a paddlewheel table:

A An organization must keep records adequate to account for the cash won or lost for each sealed grouping of 100 or fewer sequentially numbered paddleticket cards and records adequate to account for the paddletickets, paddleticket cards, paddlewheel chips, gross receipts, actual net receipts, actual cash profit, and cash long or short for each accounting period. For purposes of this subpart, an "accounting period" is a continuous time period during which a paddlewheel table is open for play.

B For each accounting period for a paddlewheel table, an organization must maintain a record form with the following information:

(1) the premises permit number for the premises at which the table is located,

(2) the state registration stamp numbers for the paddlewheel table and the paddlewheel used,

*[For text of subitems (3) to (6), see M R.]*

*[For text of items C to I, see M R ]*

*[For text of subps 13 to 15, see M R ]*

Subp 16 **Reports.** The use of paddletickets must be reported in the same manner as for pull-tabs under part 7861 0080, subpart 6. An organization must complete a detailed monthly report in a standard format approved by the commissioner of revenue for each sealed grouping of 100 or fewer sequentially numbered paddleticket cards from which paddletickets were sold that month. The reports must provide sufficient detail to determine the actual net receipts, actual cash profit, and the cash long and short for each sealed grouping of 100 or fewer sequentially numbered paddleticket cards.

Subp 17. [Repealed, 23 SR 831]

**Statutory Authority:** *MS s 349 151*

**History:** *23 SR 831*

**7861.0110 RAFFLES.**

Subpart 1 **Conducting raffles.** The following items apply to the conduct of raffles

*[For text of items A to C, see M R ]*

D Each ticket seller shall return to the organization all unsold tickets and the stubs or other detachable section of all tickets sold before the drawing

*[For text of items E to G, see M.R ]*

Subp. 2 **Raffle prizes.**

A A prize must be awarded in cash, merchandise, a certificate for merchandise, a certificate for services, or real property as indicated on the raffle ticket. "Value" means the dollar amount of the cash prize, the fair market value for merchandise, the fair market value for certificates for merchandise, and the fair market value for certificates for service For real property prizes, "value" means the assessed tax value or the actual cost paid by the organization For purposes of subpart 6, the organization must use the actual cost paid by the organization for the merchandise, certificates for merchandise, certificates for services, or real property prizes A merchandise or service prize may include a certificate for merchandise or a certificate for services provided that the certificate for merchandise or services contains the following information:

(1) a complete description of the merchandise or services to be redeemed by the certificate,

(2) the name of the vendor from whom the merchandise or services must be redeemed,

(3) the value of the merchandise or services described on the certificate, and

(4) a statement expressly prohibiting the substitution of cash or another type of merchandise or services for the merchandise or services described on the certificate

B All merchandise and service prizes must be accounted for in a format prescribed by the board For all merchandise and service prizes, the organization must maintain documentation on how the fair market value was determined The fair market value of a merchandise or service prize must not be established at an amount less than the organization paid for the merchandise or service prize.

C Merchandise or service prizes purchased by the organization at a discount and any merchandise or service prizes donated to an organization shall be valued at their fair market value and shall be included in the determination of compliance with Minnesota Statutes, section 349 211 Real property prizes shall be valued at their assessed tax value and shall be included in the determination of compliance with Minnesota Statutes, section 349 211

D An organization conducting raffles in which any merchandise, service, or real property prizes are awarded shall have paid for in full or otherwise become the owner without lien or interest of others of all the merchandise, services, or real property prior to the time when the winners of the prizes are determined An organization conducting raffles in which any merchandise or service prizes are awarded is responsible for insuring that the merchandise or service prize is delivered to the winner of the prize

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

Subp 4 **Prize and cost per ticket limits.** Prizes and cost per ticket for a raffle may not exceed the following limits

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

C Cash is defined for purposes of this subpart as currency, coinage, and negotiable instruments

D Each ticket must be sold for the same price and no ticket may be provided free of charge or for any other consideration.

*[For text of subp 5, see M.R.]*

Subp 6 **Records.** An organization shall maintain the following records for each raffle conducted for a period of 3-1/2 years

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

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- C. the winning ticket stubs,
- D. the log book showing to whom the tickets were given to be sold,
- E a copy of the detachable section of the ticket, displaying the information required by subpart 3, item A, subitem (1),
- F all unsold tickets from the raffle, and
- G the total value of all prizes awarded in each raffle, including the dollar amount of the cash prizes, the actual cost for merchandise prizes, the actual cost for certificates for merchandise and certificates for services, and the assessed tax value or actual cost paid by the organization for real property prizes

**Statutory Authority:** *MS s 349.151*

**History:** *23 SR 831*

## 7861.0120 ORGANIZATION OPERATIONS, ACCOUNTS, AND REPORTS.

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

Subp 3 **Records and reports required.** The following items apply to records and reports

A Each organization shall maintain complete, accurate, and legible general accounting records with detailed supporting subsidiary records sufficient to furnish information regarding all gambling transactions. All inventory records, including perpetual, physical, and site inventory records, and all prize accounting records must be recorded on forms prescribed by the board or in a format approved by the board. The monthly accounting records must be sufficient to adequately reflect gross receipts, prizes, net receipts, expenses, and all other accounting transactions

B. A monthly report must be made to the members of the organization. The monthly report must contain the following information.

*[For text of subitems (1) to (5), see M R ]*

(6) a physical inventory, prepared according to item A, taken at the end of each month, which includes a list of all games, identified by manufacturer's identification number, part number, serial number, name of game, and cost for each game (any games in play are considered in inventory), and

(7) a bank reconciliation done each month, which lists outstanding checks and electronic transfers, deposits in transit, and beginning and ending bank balances for the month which correspond to the profit carryover

*[For text of item C, see M R ]*

D The following tax return and schedules must be filed monthly with the Department of Revenue on forms prescribed by the commissioner of revenue

*[For text of subitems (1) and (2), see M R ]*

(3) summary of pull-tab or tipboard games played or paddleticket groupings played and receipts per game; and

(4) combined receipts tax schedule (schedule E)

E When an organization has a fund loss by questionable means of its inventory or cash, the organization shall comply with subitems (1) to (7)

*[For text of subitems (1) to (3), see M.R.]*

(4) The following units shall be included as attachments to the fund loss request

(a) a copy of the local law enforcement report required by subitem (1),

(b) a copy of the organization's completed Schedule B-2 that describes how the amount of the loss was verified by the organization,

*[For text of units (c) and (d), see M.R.]*

*[For text of subitems (5) to (7), see M R ]*

*[For text of item F, see M.R.]*

Subp 4 **Bank accounts.** The following items apply to bank accounts

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

## B. Deposits of gambling receipts

(1) Deposit tickets showing receipts from deals of pull-tabs and tipboards must contain the game serial number, the amount of actual cash profit for each game, and the permit number of the premises. Deposit tickets showing receipts from the day's paddlewheel activity must contain the series numbers of all paddletickets sold during that day's paddlewheel activity and the permit number of the premises

*[For text of subitems (2) and (3), see M.R.]*

## Subp 5 Expenditures. The following items apply to expenditures of gambling funds:

A The expenditure of gambling funds, including electronic transfers made pursuant to Minnesota Statutes, sections 349.168, subdivision 6, and 349.19, subdivision 3, must be authorized by the members of the organization at a regular meeting of the organization and recorded in the minutes of that meeting before the expenditure or electronic transfer is made. Copies of the authorization must be sent to the board upon request.

## B Allowable expenses

*[For text of subitem (1), see M.R.]*

## (2) Percentage of profit to be used for allowable expenses:

(a) Not more than 65 percent of the gross profit, less the tax imposed by Minnesota Statutes, section 349.212, subdivision 1, from bingo, and not more than 55 percent of the gross profit may be expended for allowable expenses related to lawful gambling

*[For text of units (b) and (c), see M.R.]*

## C "Lawful purpose" means any one of the following

*[For text of subitems (1) to (15), see M.R.]*

(16) Expenditures approved by the commissioner of natural resources for grooming and maintaining snowmobile trails that are designated as grant-in-aid trails by the commissioner of natural resources under Minnesota Statutes, section 85.019, or other snowmobile trails open to public use. This includes the repair of equipment used exclusively for the grooming and maintenance of public use snowmobile trails not within the Department of Natural Resources grant-in-aid program or other reimbursement program. Lawful purpose expenditures made pursuant to Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (14), and paragraph (b), clause (3)(1), are not eligible for reimbursement under the grant-in-aid program administered by the commissioner of natural resources under Minnesota Statutes, section 85.019, or other reimbursement program.

(17) A contribution to, or expenditure by, a nonprofit organization, church, or body of communicants gathered in common membership for mutual support and edification in piety, worship, or religious observances

(18) Repair or maintenance of real property or capital assets when the property is or will be used extensively as a meeting place or event location by other nonprofit organizations or community or service groups and no rental fee is charged for the use, provided

*[For text of units (a) and (b), see M.R.]*

## (c) approval of the board is obtained before making the expenditure

(19) The erection or acquisition of a comparable building to replace a building owned by the organization which was destroyed or made uninhabitable by fire or natural disaster, provided the expenditure, mortgage payment, or other debt service payment is only for that part of the replacement cost not reimbursed by insurance and the building was insured at least at replacement cost value, and

*[For text of units (a) to (d), see M.R.]*

(20) The erection or acquisition of a comparable building to replace a building owned by the organization taken by eminent domain or sold under the threat of eminent domain, provided the expenditure, mortgage payment, or other debt service payment is only for that part of the replacement cost that exceeds the compensation received by the organization for the building being replaced, and

*[For text of units (a) to (c), see M.R.]*

(21) An organization that has received board approval to make an expenditure of gambling gross profits for debt service or other payments under subitem (18), (19), or

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(20) must obtain prior board approval for any increase in the expenditure, including any increase due to a refinancing or other restructuring of a debt that results in an increase in the present value of the balance of the debt. Any equity withdrawn from real property or a capital asset as part of the refinancing or other restructuring of the debt constitutes gambling gross profits and must be deposited in the organization's gambling bank account. No closing costs are included within subitem (18), (19), or (20).

(22) An organization that has received board approval to make an expenditure of gambling gross profits under subitem (18) to bring an existing building into compliance with the Americans with Disabilities Act may apply the amount of the board-approved expenditure to the erection or acquisition of a replacement building, provided that the replacement building is in compliance with the Americans with Disabilities Act.

(23) Payment of one-half of the reasonable costs of an audit required in Minnesota Statutes, section 349.19, subdivision 9.

*[For text of items D to H, see M.R.]*

**Statutory Authority:** *MS s 349.151*

**History:** *23 SR 831*