

CHAPTER 7863
GAMBLING CONTROL BOARD
DISTRIBUTORS

7863.0010 DISTRIBUTORS.

7863.0020 DISTRIBUTOR OPERATIONS,
ACCOUNTS, AND REPORTS.**7863.0010 DISTRIBUTORS.**

Subpart 1. **Definitions.** For purposes of this chapter, the definitions contained in part 7861.0010 apply.

Subp. 2. **License required.** No person may sell, offer for sale, or otherwise furnish gambling equipment without having obtained a distributor's license. Annual application must be made for a distributor's license.

Subp. 3. **Qualifications.** A license may not be issued to a person or to a corporation, firm, or partnership which has any officer, director, or other person in a supervisory or management position or employee eligible to make sales who:

- A. has ever been convicted of a felony;
- B. has ever been convicted of a crime involving gambling;
- C. has ever been convicted of:
 - (1) assault;
 - (2) a criminal violation involving the use of a firearm; or
 - (3) terroristic threats;

- D. is or has ever been engaged in an illegal business;

- E. owes \$500 or more in delinquent taxes;

- F. has had a sales and use tax permit revoked by the commissioner of revenue within the last two years;

- G. after demand, has not filed tax returns required by the commissioner of revenue;

or

- H. is a wholesale distributor of alcoholic beverages or an employee of a wholesale distributor of alcoholic beverages.

Subp. 4. **Restrictions.** No distributor or any representative, agent, affiliate, or employee of a distributor may:

- A. be involved in the conduct of lawful gambling by an organization;

- B. keep or assist in keeping an organization's financial records, accounts, or inventories;

- C. prepare or assist in the preparation of the reports required to be submitted under part 7861.0120, subpart 3;

- D. provide to a lessor of gambling premises any compensation, gift, gratuity, premium, or other thing of value;

- E. participate in any gambling activity at any gambling premises where gambling equipment purchased from that distributor is used in the conduct of lawful gambling;

- F. alter or modify any gambling equipment, except to add a last ticket sold pay sticker;

- G. recruit a person to become a gambling manager or identify to an organization a person as a candidate to become a gambling manager;

- H. identify for an organization a potential gambling location;

- I. purchase gambling equipment from any person not licensed as a manufacturer under part 7864.0010;

- J. lease premises to an organization for the conduct of lawful gambling; or

- K. be an officer or director of an organization which conducts lawful gambling.

Subp. 5. **Length of license.** A distributor license expires one year from the effective date of the license.

Subp. 6. Contents of application. The application must be on a form provided by the board, and must contain the following information:

- A. the complete name of the applicant and any other names used;
- B. the mailing address of the applicant;
- C. the office address, if different than the mailing address;
- D. the telephone number of the applicant;
- E. the legal nature of the applicant (corporation, firm, partnership, or sole partnership);
- F. the Minnesota tax identification number of the applicant, if any;
- G. a list of all persons with a direct or indirect financial interest in the applicant;
- H. a list of the owners, partners, officers, directors, managers, supervisors, and employees eligible to make sales on behalf of the applicant;
- I. the address of the facility where gambling equipment and supplies are unloaded in this state prior to sale;
- J. a statement regarding the restrictions contained in subpart 2, item E;
- K. the name, address, and account number of all business bank accounts for the applicant;
- L. the signature of the chief executive officer; and
- M. additional information as necessary to identify the applicant and ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

Subp. 7. Attachments to application. The following items apply to attorney attachments to a distributor's application:

A. A distributor personnel form must be completed by each owner, partner, director, officer, manager, supervisor, or person eligible to make sales on behalf of the distributor. The form, prescribed by the board, must contain the following information:

- (1) name, phone number, and full address of applicant;
- (2) full name, home or business address, date of birth, place of birth, social security number, and full name of spouse;
- (3) driver's license number, including state of registration;
- (4) branch of military service, if any, and dates of service;
- (5) country of citizenship;
- (6) position with distributor and work phone number;
- (7) employment history for past ten years;
- (8) places of residence for past ten years;
- (9) criminal history statement (except petty misdemeanors);
- (10) name, address, and license or exemption permit number of any organization of which the person is a member;
- (11) signature of person and date signed; and
- (12) additional information as necessary to properly identify the person and ensure compliance with Minnesota Statutes, section 349.11 to 349.23.

B. A distributor personnel affidavit must be completed, signed, and notarized by the owners, partners, officers, directors, managers, supervisors, and persons eligible to make sales on behalf of the distributor. "A person eligible to make sales" means a person who participates in or represents a distributor in any portion of a transaction that results in the sale of gambling equipment.

C. A current photograph of the applicant.

Subp. 8. Identification card. Before a person may perform employment services, including sales, for a distributor, the board must issue the person an identification card. The identification card must be in the possession of the employee at all times the employee is performing services on behalf of the distributor. The identification card must be on a form prescribed by the board and must contain:

- A. a picture of the person;

- B. the name of the person;
- C. the name of the distributor;
- D. the license number and expiration date of the distributor's license;
- E. the address and business phone number of the distributor;
- F. the signature of the distributor; and
- G. the date of issue and the signature of the director.

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

No person may be employed by or possess a picture identification card from more than one licensed distributor.

Subp. 9. Changes in application information. If any information submitted in the application changes, the distributor must notify the board in writing within ten days of the change.

Subp. 10. License fee. The annual fee for a distributor's license is \$2,500. License fees are not prorated or transferable.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116*

7863.0020 DISTRIBUTOR OPERATIONS, ACCOUNTS, AND REPORTS.

Subpart 1. Purchase of gambling equipment. A distributor may not purchase or otherwise obtain gambling equipment from any manufacturer unless the manufacturer selling or otherwise providing the gambling equipment has a valid license issued by the board.

A distributor may not purchase any deal of pull-tabs or tipboards from a manufacturer unless the manufacturer meets the requirements in part 7864.0020.

Subp. 2. Sale of gambling equipment. The following items apply to sales of gambling equipment:

A. Sales to organizations:

(1) A distributor may not sell or furnish to any organization any gambling equipment unless the organization has a valid license issued by the board, is exempt from licensing and holds a valid exemption permit, or is excluded from licensing under Minnesota Statutes, section 349.166.

(2) A distributor may not sell or furnish to any organization any gambling equipment before the effective date of the organization's license.

(3) A distributor may not sell or furnish to any organization any deal of pull-tabs or tipboards unless the deal meets all the requirements in part 7864.0020.

B. A distributor, or a representative, agent, affiliate, or employee of a distributor, may not directly or indirectly give gifts, trips, prizes, loans of money, premiums, or other gratuities to gambling organizations, or their employees, other than nominal gifts not to exceed a value of \$25 per organization in a calendar year.

C. Rebates of purchase prices or discounts offered by a distributor must be separately stated on the original purchase invoice or separately invoiced on a credit memo referencing the original sales invoice and contained in the monthly pricing report.

D. Gambling equipment sold for in-state use must be delivered to the gambling manager or the gambling manager's authorized representative.

E. Gambling equipment sold by distributors to out-of-state customers for use out of state must be shipped directly from the distributor to the out-of-state site.

F. No mechanical or coin-operated pull-tab dispensing device shall be sold or otherwise furnished to any organization in this state.

Subp. 3. Registration of gambling equipment. The following items apply to the registration of gambling equipment:

A. A distributor may not sell, transfer, furnish, or otherwise provide any gambling equipment unless the equipment has been registered with the board and has a registration stamp affixed.

B. For gambling equipment actually held in inventory by a distributor before August 1, 1990, the distributor shall place a state registration stamp on the flare of each deal of pull-tabs and each flare for a tipboard.

C. For gambling equipment received by a distributor from a manufacturer on or after August 1, 1990, a distributor shall place a state registration stamp on each master flare for a group of 100 paddleticket cards, on the front of each paddlewheel, on the front of each paddlewheel table, and on each device for selecting bingo numbers. This requirement does not apply to sales by distributors to out-of-state customers for use out of state.

D. The board shall furnish consecutively numbered state registration stamps to each distributor at the cost of five cents each. For equipment that the distributor is required to register, the distributor shall write legibly in ink the manufacturer's game serial number and state registration number on the stamp and affix the stamp directly to the front of the flare of a pull-tab game, the flare for a tipboard, and the master flare for all paddleticket cards before making delivery to any organization.

E. Registration stamps must be placed by a distributor on items that are authorized for use within Minnesota.

F. A distributor may not transfer or furnish Minnesota registration stamps to any person, distributor, or manufacturer.

G. The distributor shall return any and all unused state registration stamps in its possession to the board within five days after the distributor ceases doing business.

Subp. 4. **Records and reports required.** The following items apply to records and reports of distributors:

A. Sales invoice:

(1) A distributor who sells, leases, or otherwise provides gambling equipment must record the transaction on a sales invoice.

(2) A sales invoice must be on a standard form prescribed by the commissioner of revenue and must contain the following information:

- (a) the license number of the distributor;
- (b) the complete business name and address of the organization;
- (c) the license number and expiration date of the license of the organization or the exemption permit number of the organization;
- (d) the invoice number;
- (e) the date the gambling equipment was shipped;
- (f) 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;
- (g) a full description of each item of gambling equipment sold;
- (h) state registration stamp numbers for each item of gambling equipment sold;
- (i) the ideal gross receipts for each type of pull-tab, tipboard, and paddleticket game;
- (j) the ideal net receipts for each type of pull-tab, tipboard, and paddleticket game;
- (k) the identity of the manufacturer from which the distributor purchased the equipment;
- (l) the date of the sale of the gambling equipment;
- (m) the name of the person who ordered the equipment;
- (n) the name of the person who received the equipment;
- (o) for bingo cards or sheets sold on or after January 1, 1991, the individual number of each card; and
- (p) the serial number of the equipment.

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 by the distributor on a standard form prescribed by the board and furnished to the board upon demand.

C. A licensed distributor must submit a monthly pricing report to the board on a form approved by the board and must include:

- (1) the name, license number, and full address of distributor;
- (2) the month and year of the report; and
- (3) the form, description, card count, top winners, gross profit, percent to players, deals per case, price per deal, and volume discounted price, exclusive of transportation costs.

The report must be filed no later than the first day of each month. Amendments must be filed within five days of the filing. A computer-generated form may be used with the approval of the director if the form complies with the requirements of this subpart.

D. Each distributor shall mail a copy of each sales invoice, as described in this subpart, to the commissioner of revenue to be received by the 15th of the month following the month in which the sale was completed along with the corresponding registration stamp log.

E. Report of delinquent organization required:

(1) A distributor shall notify the board by registered mail if a licensed organization is more than 35 days delinquent in its payment to the distributor of tax obligations or costs of equipment.

(2) The board shall notify the licensed organization of the delinquency and direct the organization to eliminate the delinquency, if one exists.

(3) 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.

(4) A distributor may not sell, offer for sale, or furnish 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 of a tax obligation or the costs of gambling equipment.

(5) When the delinquency is paid, the distributor must immediately notify the board and the board shall notify all licensed distributors.

F. The board, the commissioner of revenue, the commissioner of public safety, and their agents may examine the books and records of any distributor without notice at any time during normal business hours.

G. Each distributor shall maintain records of the purchase and sale, lease, rental, or loan of gambling equipment for 3-1/2 years.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 17 SR 2711*