

A bill for an act
relating to gambling; providing and modifying definitions; modifying
expenditure restrictions; clarifying certain game requirements, prize amounts,
and making other changes to lawful gambling; amending Minnesota Statutes
2006, sections 349.12, subdivisions 25, 25d, by adding a subdivision; 349.15,
subdivision 1; 349.163, by adding a subdivision; 349.17, subdivision 8; 349.211;
repealing Minnesota Statutes 2006, section 349.19, subdivision 2b.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2006, section 349.12, is amended by adding a
subdivision to read:

Subd. 16a. **Fraternal organization.** "Fraternal organization" means a nonprofit
organization which is a branch, lodge, or chapter of a national or state organization
registered by the Internal Revenue Services as a 501(c)8 or a 501(c)10 nonprofit
organization and exists for the common business, fraternal, or other interests of its
members. The term does not include college and high school fraternities and sororities.

Sec. 2. Minnesota Statutes 2006, section 349.12, subdivision 25, is amended to read:

Subd. 25. **Lawful purpose.** (a) "Lawful purpose" means one or more of the
following:

(1) any expenditure by or contribution to a 501(c)(3) or festival organization, as
defined in subdivision 15a, provided that the organization and expenditure or contribution
are in conformity with standards prescribed by the board under section 349.154, which
standards must apply to both types of organizations in the same manner and to the same
extent;

(2) a contribution to or expenditure for goods and services for an individual or family suffering from poverty, homelessness, or disability, which is used to relieve the effects of that suffering;

(3) a contribution to a program recognized by the Minnesota Department of Human Services for the education, prevention, or treatment of problem gambling;

(4) a contribution to or expenditure on a public or private nonprofit educational institution registered with or accredited by this state or any other state;

(5) a contribution to an individual, public or private nonprofit educational institution registered with or accredited by this state or any other state, or to a scholarship fund of a nonprofit organization whose primary mission is to award scholarships, for defraying the cost of education to individuals where the funds are awarded through an open and fair selection process;

(6) activities by an organization or a government entity which recognize military service to the United States, the state of Minnesota, or a community, subject to rules of the board, provided that the rules must not include mileage reimbursements in the computation of the per diem reimbursement limit and must impose no aggregate annual limit on the amount of reasonable and necessary expenditures made to support:

(i) members of a military marching or color guard unit for activities conducted within the state;

(ii) members of an organization solely for services performed by the members at funeral services;

(iii) members of military marching, color guard, or honor guard units may be reimbursed for participating in color guard, honor guard, or marching unit events within the state or states contiguous to Minnesota at a per participant rate of up to \$35 per diem; or

(iv) active military personnel and their immediate family members in need of support services;

(7) recreational, community, and athletic facilities and activities intended primarily for persons under age 21, provided that such facilities and activities do not discriminate on the basis of gender and the organization complies with section 349.154;

(8) payment of local taxes authorized under this chapter, taxes imposed by the United States on receipts from lawful gambling, the taxes imposed by section 297E.02, subdivisions 1, 4, 5, and 6, and the tax imposed on unrelated business income by section 290.05, subdivision 3;

(9) payment of real estate taxes and assessments on permitted gambling premises owned by the licensed organization paying the taxes, or wholly leased by a licensed

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veterans organization under a national charter recognized under section 501(c)(19) of the Internal Revenue Code;

(10) a contribution to the United States, this state or any of its political subdivisions, or any agency or instrumentality thereof other than a direct contribution to a law enforcement or prosecutorial agency;

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

(12) payment of the reasonable costs of an audit required in section 297E.06, subdivision 4, provided the annual audit is filed in a timely manner with the Department of Revenue and paid prior to June 30, 2006;

(13) a contribution to or expenditure on projects or activities approved by the commissioner of natural resources for:

(i) wildlife management projects that benefit the public at large;

(ii) grant-in-aid trail maintenance and grooming established under sections 84.83 and 84.927, and other trails open to public use, including purchase or lease of equipment for this purpose; and

(iii) supplies and materials for safety training and educational programs coordinated by the Department of Natural Resources, including the Enforcement Division;

(14) conducting nutritional programs, food shelves, and congregate dining programs primarily for persons who are age 62 or older or disabled;

(15) a contribution to a community arts organization, or an expenditure to sponsor arts programs in the community, including but not limited to visual, literary, performing, or musical arts;

(16) an expenditure by a licensed fraternal organization or a licensed veterans organization for payment of water, fuel for heating, electricity, and sewer costs for a building wholly owned or wholly leased by and used as the primary headquarters of the licensed veterans organization or fraternal organization;

(17) expenditure by a licensed veterans organization of up to \$5,000 in a calendar year in net costs to the organization for meals and other membership events, limited to members and spouses, held in recognition of military service. No more than \$5,000 can be expended in total per calendar year under this clause by all licensed veterans organizations sharing the same veterans post home;

(18) payment of fees authorized under this chapter imposed by the state of Minnesota to conduct lawful gambling in Minnesota; or

(19) a contribution or expenditure to honor an individual's humanitarian service as demonstrated through philanthropy or volunteerism to the United States, this state, or local community.

(b) Notwithstanding paragraph (a), "lawful purpose" does not include:

(1) any expenditure made or incurred for the purpose of influencing the nomination or election of a candidate for public office or for the purpose of promoting or defeating a ballot question;

(2) any activity intended to influence an election or a governmental decision-making process;

(3) the erection, acquisition, improvement, expansion, repair, or maintenance of real property or capital assets owned or leased by an organization, unless the board has first specifically authorized the expenditures after finding that (i) the real property or capital assets will be used exclusively for one or more of the purposes in paragraph (a); (ii) with respect to expenditures for repair or maintenance only, that 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 that no rental fee is charged for the use; (iii) with respect to expenditures, including a mortgage payment or other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building, a building owned by the organization and destroyed or made uninhabitable by fire or catastrophe, provided that the expenditure may be only for that part of the replacement cost not reimbursed by insurance; (iv) with respect to expenditures, including a mortgage payment or other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building a building owned by the organization that was acquired from the organization by eminent domain or sold by the organization to a purchaser that the organization reasonably believed would otherwise have acquired the building by eminent domain, provided that the expenditure may be only for that part of the replacement cost that exceeds the compensation received by the organization for the building being replaced; or (v) with respect to an expenditure to bring an existing building into compliance with the Americans with Disabilities Act under item (ii), an organization has the option to apply the amount of the board-approved expenditure to the erection or acquisition of a replacement building that is in compliance with the Americans with Disabilities Act;

(4) an expenditure by an organization which is a contribution to a parent organization, foundation, or affiliate of the contributing organization, if the parent organization, foundation, or affiliate has provided to the contributing organization within one year of the contribution any money, grants, property, or other thing of value;

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(5) a contribution by a licensed organization to another licensed organization unless the board has specifically authorized the contribution. The board must authorize such a contribution when requested to do so by the contributing organization unless it makes an affirmative finding that the contribution will not be used by the recipient organization for one or more of the purposes in paragraph (a); or

(6) a contribution to a statutory or home rule charter city, county, or town by a licensed organization with the knowledge that the governmental unit intends to use the contribution for a pension or retirement fund.

Sec. 3. Minnesota Statutes 2006, section 349.12, subdivision 25d, is amended to read:

Subd. 25d. **Linked bingo prize pool.** "Linked bingo prize pool" means the total of all prize money that each participating organization has contributed to ~~the~~ a linked bingo game prize and includes any portion of the prize pool that is carried over from one occasion to another in a progressive linked bingo game. ~~No participating organization may contribute more than \$300 per bingo occasion to a linked bingo prize pool.~~

Sec. 4. Minnesota Statutes 2006, section 349.15, subdivision 1, is amended to read:

Subdivision 1. **Expenditure restrictions.** Gross profits from lawful gambling may be expended only for lawful purposes or allowable expenses as authorized by the membership of the conducting organization at a monthly meeting of the organization's membership. Provided that no more than 70 percent of the gross profit ~~less the tax imposed under section 297E.02, subdivision 1,~~ from bingo, and no more than 60 percent of the gross profit from other forms of lawful gambling, may be expended biennially during the term of the license for allowable expenses related to lawful gambling. For licenses issued after June 30, 2006, compliance with this subdivision will be measured on a biennial basis that is concurrent with the term of the license. Compliance with this subdivision is a condition for the renewal of any license beginning on July 1, 2008. For licenses renewed with an effective date between July 1, 2006, and June 30, 2008, an organization shall carry forward an amount equal to 15 percent of any positive allowable expense carryover amount. This balance must be used to offset any future negative expense balance at the time of license renewal.

Sec. 5. Minnesota Statutes 2006, section 349.163, is amended by adding a subdivision to read:

Subd. 6b. **Commercial products.** The board shall not deny approval of a pull-tab or tipboard game solely because the game is similar to or bears the name or image of a licensed commercial product.

Sec. 6. Minnesota Statutes 2006, section 349.17, subdivision 8, is amended to read:

Subd. 8. **Linked bingo games.** (a) A licensed organization may conduct or participate in a not more than two linked bingo game in association with one or more other licensed organizations games per occasion, one of which may be a progressive game in which a portion of the prize is carried over from one occasion to another until won by a player achieving a bingo within a predetermined amount of bingo numbers called.

(b) Each participating licensed organization shall contribute to each prize awarded in a linked bingo game in an amount not to exceed \$300 ~~per occasion.~~

(c) The board may adopt rules to:

(1) specify the manner in which a linked bingo game must be played and how the linked bingo prizes must be awarded;

(2) specify the records to be maintained by a linked bingo game provider;

(3) require the submission of periodic reports by the linked bingo game provider and specify the content of the reports;

(4) establish the qualifications required to be licensed as a linked bingo game provider; and

(5) any other matter involving the operation of a linked bingo game.

Sec. 7. Minnesota Statutes 2006, section 349.211, is amended to read:

349.211 PRIZE LIMITS.

Subdivision 1. **Bingo.** Except as provided in subdivisions 1a and 2, prizes for a single bingo game may not exceed \$200 except prizes for a cover-all game, which may exceed \$200 if the aggregate value of all cover-all prizes in a bingo occasion does not exceed \$1,000. Total prizes awarded at a bingo occasion may not exceed \$2,800, unless a cover-all game is played in which case the limit is \$3,800. A prize may be determined based on the value of the bingo packet sold to the player. For purposes of this subdivision, a cover-all game is one in which a player must cover all spaces except a single free space to win and includes a game in which all odd or all even numbers are designated by the organization as covered prior to the start of the game.

Subd. 1a. **Linked bingo prizes.** Prizes for a linked bingo game shall be limited as follows:

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(1) no organization may contribute more than \$300 per occasion to a linked bingo game to a linked bingo prize pool; and

~~(2) if an organization contributes to a linked bingo game prize pool, the organization's aggregate value of cover-all prizes available during the bingo occasion must be reduced by the amount contributed to the linked bingo game prize pool.~~ no organization may award more than \$200 for a linked bingo game consolation prize. For purposes of this subdivision, a linked bingo game consolation prize is a prize awarded by an organization after a prize from the linked bingo prize pool has been won; and

(3) for a progressive linked bingo game, if no player declares a valid bingo within the predetermined amount of bingo numbers called, a portion of the prize is carried over to another occasion until the accumulated prize is won. The portion of the prize that is not carried over must be awarded to the first player or players who declares a valid bingo as additional numbers are called. If a valid bingo is declared within the predetermined amount of bingo numbers called, the entire prize pool for that game is awarded to the winner. The annual limit for progressive bingo game prizes contained in subdivision 2 must be reduced by the amount an organization contributes to progressive linked bingo games during the same calendar year.

Subd. 2. **Progressive bingo games.** Except as provided in subdivision 1a, a prize of up to \$2,000 may be awarded for a progressive bingo game, including a cover-all game. The prize for a progressive bingo game may start at \$500 and be increased by up to \$100 for each occasion during which the progressive bingo game is played. A consolation prize of up to \$200 for a progressive bingo game may be awarded in each occasion during which the progressive bingo game is played and the accumulated prize is not won. The total amount awarded in progressive bingo game prizes in any calendar year may not exceed \$48,000.

Subd. 2a. **Pull-tab prizes.** The maximum prize which may be awarded for any single pull-tab is \$599, not including any cumulative or carryover prizes. Cumulative or carryover prizes in a pull-tab game shall not exceed \$2,500. An organization may not sell any pull-tab for more than ~~\$2~~ \$5.

Subd. 2b. **Paddlewheel prizes.** The maximum cash prize which may be awarded for a paddleticket is \$70. An organization may not sell any paddleticket for more than \$2.

Subd. 2c. **Tipboard prizes.** The maximum prize which may be awarded for a tipboard ticket is \$599, not including any cumulative or carryover prizes. Cumulative or carryover prizes in tipboard games shall not exceed \$2,500. An organization may not sell any tipboard for more than \$5.

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8.1 Subd. 3. **Other gambling.** The board by rule shall establish a schedule of prize
8.2 limits for all other forms of gambling consistent with the purposes set out in section
8.3 349.11. The schedule may include daily and annual prize limits and prize limits for each
8.4 game, raffle or operation of a gambling device.

8.5 Subd. 4. **Prize value.** (a) Merchandise prizes must be valued at their fair market
8.6 value. For purposes of sections 349.11 to 349.22 "prizes" do not include free plays
8.7 awarded.

8.8 (b) Merchandise prizes for a paddlewheel consisting of 30 numbers or less or a
8.9 tipboard consisting of 30 tickets or less may be paid for by the organization up to 30 days
8.10 after the prize is received by the organization.

8.11 Sec. 8. **REPEALER.**

8.12 Minnesota Statutes 2006, section 349.19, subdivision 2b, is repealed.

8.13 Sec. 9. **EFFECTIVE DATE.**

8.14 Section 4 is effective July 1, 2007. Sections 5 to 8 are effective the day following
8.15 final enactment.