

CHAPTER 7860
CHARITABLE GAMBLING CONTROL BOARD
LAWFUL GAMBLING

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7860.0010 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 7860.0010 to 7860.0310 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 and 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 at which a series of one or more successive bingo games is played.

Subp. 5. **Board.** "Board" means the Minnesota Charitable Gambling Control Board.

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.

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

Subp. 9. **Distributor.** "Distributor" is a person who sells or furnishes gambling equipment to a licensed organization.

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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 100 paddletickets.

Subp. 11. **Fraternal organization.** "Fraternal organization" means a nonprofit 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. 12. **Gambling equipment.** "Gambling equipment" means bingo cards and devices for selecting bingo numbers, pull-tabs, ticket jars, paddlewheels, paddletickets, and tipboards.

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

Subp. 14. **Gross receipts.** "Gross receipts" means the total amount collected by an organization from participants in lawful gambling, or from the leasing or subleasing of their site to another organization for gambling.

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 enhancing their opportunity for religious or educational advancement, by relieving or protecting them from disease, suffering or distress, by contributing to their physical well-being, by assisting them in establishing themselves in life as worthy and useful citizens, or by 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; or

D. improving, expanding, maintaining, or repairing real property owned or leased by an organization.

"Lawful purpose" does not include the erection or acquisition of any real property, unless the board specifically authorizes the expenditures after finding that the property will be used exclusively for one or more of the purposes specified in this clause.

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. 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.

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Subp. 20. **Organization.** "Organization" means any fraternal, religious, veterans, or other nonprofit organization that has been in existence for the most recent three years.

Subp. 21. **Other nonprofit organization.** "Other nonprofit organization" means an organization other than a fraternal, religious or veterans organization, and whose nonprofit status is evidenced by a certificate of nonprofit incorporation or has been recognized by the Internal Revenue Code as a nonprofit organization exempt from 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. **Profit.** "Profit" means the gross receipts collected from lawful gambling, less reasonable sums necessarily and actually expended for gambling supplies and equipment, prizes, rent, and utilities used during the gambling occasions, compensation paid to members for conducting gambling, taxes imposed by Minnesota Statutes, section 349.212, and maintenance of devices used in lawful gambling.

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 nonprofit 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.

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“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 349.151 subd 4*

History: *9 SR 1871*

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. 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 CLASSES OF LICENSES AND FEES.

Subpart 1. **Class A; all forms of lawful gambling.** Organizations obtaining a Class A license may operate bingo, raffles, paddlewheels, tipboards, and pull-tabs unless any of these forms of lawful gambling are prohibited by a city or county regulation adopted pursuant to Minnesota Statutes, section 349.213, subdivision 1. This shall be known as a Class A license.

Subp. 2. **Class B; all forms of lawful gambling except bingo.** Organizations obtaining a Class B license may operate raffles, paddlewheels, tipboards and pull-tabs, but not bingo, unless any of these forms of gambling are prohibited by a city or county regulation adopted pursuant to Minnesota Statutes, section 349.213, subdivision 1. This shall be known as a Class B license.

Subp. 3. **Class C; bingo only.** Organizations obtaining a Class C license may operate bingo only, unless prohibited by a city or county regulation adopted pursuant to Minnesota Statutes, section 349.213, subdivision 1. This shall be known as a Class C license.

Subp. 4. **Fees.** The following license fees are established:

- A. an annual license fee for a Class A license is \$100;
- B. an annual license fee for a Class B license is \$50; and
- C. an annual license fee for a Class C license is \$50.

License fees are not prorated or refundable.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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;

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- 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 or agents of the board may enter upon the site to observe the lawful gambling being conducted and to enforce the law for any unauthorized game or practice; and
- T. 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; and

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 they first apply for a license to conduct games of chance. The original applicants of March 1, 1985, have until September 1, 1985, to comply with this requirement.

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 30 days unless the governing body adopts a resolution disapproving the license and so informs the board within 30 days. The clerk will sign an acknowledgement of receipt of the copy of the license application and notification.

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

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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 these rules 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.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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 post-dated checks.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

7860.0070 ADVERTISING.

Subpart 1. Not gambling expense. Advertising, although not prohibited, may not be taken as an expense against gambling proceeds. The expense for advertising shall not be paid from the general gambling bank 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 subd 4*

History: *9 SR 1871*

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*

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7860.0090 LEASE AGREEMENTS.

Subpart 1. **Requirements of lease.** All leases of premises where lawful gambling is to be conducted 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.

E. If the lease is of a portion of a building or place of business, a brief description of the general area being leased within the building or place of business (a sketch must be attached).

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.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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, 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, or assisting in the playing of lawful gambling at the leased premises.

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 349.151 subd 4*

History: *9 SR 1871*

7860.0110 PREMISES LEASED TO TWO OR MORE ORGANIZATIONS.

Subpart 1. **Limit on number of occasions per week.** There may be no more than four bingo occasions per week on a premises unless written approval is obtained from the board.

Subp. 2. **Written request required.** A written request to have more than four bingo occasions per week on a premises used by two or more organizations must be filed with the board and the clerk of the local governing body where the premises is located, pursuant to part 7860.0040, subpart 4, at least 60 days prior to the time when more than four occasions per week are desired. The request must be made by the owner of the premises and on a form supplied by the board which will require the following information:

A. the name and address of the owner of the premises;

B. the lawful gambling license number of the owner of the premises if the owner is licensed to conduct lawful gambling;

C. the phone number of the owner of the premises;

D. address of premises for which waiver is requested;

E. the name(s), address(es), and license number(s) of organization(s) presently leasing the premises;

F. the number of additional bingo occasions per week requested;

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G. the reasons for the necessity of more than four bingo occasions per week;

H. a statement explaining why allowing additional bingo occasions is consistent with:

- (1) preventing commercialization of gambling;
- (2) insuring the integrity of operations; and
- (3) providing for use of the profits only for lawful purposes.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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. The records must be retained for a period of three years from the end of the month for which the records are kept unless the organization is released by the board from this requirement as to any particular record or records.

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. 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. This report must be filed at the same time and as part of the organization's monthly tax return.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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 board and its agents to inspect the bank records of the organization's gambling bank account.

Interest income must be included in gross receipts.

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

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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.

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.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

7860.0160 EXPENSES.

Subpart 1. **Expenses allowed.** Reasonable sums that are necessarily and actually expended for the following items, 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;
- F. taxes imposed by Minnesota Statutes, section 349.212; and
- G. maintenance of devices used in lawful gambling.

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 reasonable 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.

F. Taxes mean the tax on gross receipts minus prizes actually paid out.

G. 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.

Subp. 3. **Unallowable expenses.** The following may not be taken as expenses from lawful gambling receipts:

A. advertising costs (advertising does not include bingo programs distributed on site);

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

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

D. decorations of the site.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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.

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Subp. 4. **Two signatures required on tax returns.** Both the gambling manager and the chief executive officer of the organization or their respective designees must sign the tax return.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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 three years; and
- K. comply with the statutory prize limits.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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;

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- 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, and people in supervisory and management positions. A distributor personnel form must be completed for each of these individuals;
- I. the address of facility into which all gambling equipment and supplies is unloaded prior to sale in this state;
- 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, manager, or gambling manager, of any organization conducting lawful gambling shall be an officer, director, shareholder, directly or indirectly, proprietor, or employee of a distributorship, nor shall the person have any direct or indirect financial interest whatsoever in such distributorship.
- C. 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.

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D. 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.

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 100 paddleticket cards, each paddlewheel, each bingo card that is used or intended to be used for more than one bingo game, and each device for selecting bingo numbers that is sold or otherwise disposed of. This rule 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.

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 six years records that contain the following information relative to the purchase and sale, lease, rental, or loan of gambling equipment.

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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 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;
- (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,

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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 re-issues 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.

Subp. 21. **Renewal date.** All distributor licenses must be renewed on March 1 of each year. There will be no proration of the license fee.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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.** Effective September 1, 1985, 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 subd 4*

History: *9 SR 1871*

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 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 each bingo card that is used or intended to be used for more than one game. Disposable bingo cards do not require a registration stamp, but will be considered registered when the distributor records on the invoice the series number and card numbers sold;

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

Subp. 2. **Registration of certain equipment.** Prior to the use of nonregistered gambling equipment possessed by organizations on or after March 1, 1985, organizations must apply for and affix registration stamps to all such gambling equipment (except bingo cards) in the manner specified in subpart 1. Organizations must affix registration stamps to all nonregistered bingo cards used or intended to be used for more than one game by September 1, 1985. The board, upon receiving from an organization notification of the manufacturer's game serial numbers, or other identifying information if manufacturer serial numbers are not available, for each item of gambling equipment to be registered, will assign state registration numbers to the gambling equipment and will supply the organization with the appropriate registration stamps, free of charge, which the organization must affix to the corresponding gambling equipment.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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.

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Q. Immediately upon a bingo player declaring a winning combination of letters and numbers, the winning card number shall be stated aloud by an organization employee. The 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 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 non-cash, awarded;

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

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

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

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comparison must be provided to the board within five days of the bingo occasion.

Subp. 11. Limit on number of bingo occasions per week and per year. Organizations may not conduct more than two bingo occasions per week or more than 104 bingo occasions per year unless written approval is obtained from the board.

A written request to have more than two bingo occasions per week or more than 104 bingo occasions per year must be filed with the board and the clerk of the local governing body in which the premises where the additional bingo occasions will be conducted is located, pursuant to part 7860.0040, subpart 4, at least 60 days prior to the time when the additional occasions are desired. The request must be made on a form supplied by the board, which will require the following information:

- A. the name and address of the organization;
- B. the address of the premises for which the waiver is requested;
- C. the license number of the license for the premises for which the waiver is requested;
- D. the license numbers of any other lawful gambling licenses held by the organization;
- E. the name, address, and telephone number of the gambling manager for the premises for which the waiver is requested;
- F. the number of additional bingo occasions per week and per year requested;
- G. the reasons for the necessity of more than two bingo occasions per week or 104 bingo occasions per year; and
- H. a statement explaining why allowing additional bingo occasions is consistent with:
 - (1) preventing commercialization of gambling;
 - (2) ensuring the integrity of operations; and
 - (3) providing for the use of the profits only for lawful purposes.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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.

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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 \$500.

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.

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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 three 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.

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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.
- (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 three 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;

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- (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 349.151 subd 4*

History: *9 SR 1871*

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.

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.

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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.

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 three years following the end of the month in which that series was played and reported.

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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 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; and

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

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 three 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 349.151 subd 4*

History: *9 SR 1871*

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;

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- 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 three 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 \$50,000 per organization in a calendar year.

B. Cash prizes may not exceed \$500 per day which may be awarded:

(1) as a single prize; or

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

(3) 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.

E. Raffles that pre-exist November 20, 1984, must be allowed to continue after March 1, 1985, if the raffle was authorized by the local unit of government.

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 349.151 subd 4*

History: *9 SR 1871*

7860.0280 RULES OF PLAY, ODDS, AND HOUSE PERCENTAGES.

A licensed organization must prominently post the rules of play and the odds or the house percentages on each form of lawful gambling conducted by the organization. The odds or house percentages must be displayed on the flare accompanying a deal of pull-tabs and the master flare accompanying a sealed grouping of tipboards or 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 349.151 subd 4*

History: *9 SR 1871*

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.

All pull-tabs and tipboard tickets sold in this state must conform to the following standards:

A. No operator shall put out for play, and no distributor shall sell or otherwise furnish, any deal of pull-tabs or tipboard tickets unless there is conspicuously set forth thereon a stamp, seal, or label which identifies its manufacturer and the city and state of its manufacturer. This item shall be effective September 1, 1985.

B. Each individual pull-tab and 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 pull-tab and tipboard ticket by a distributor to an organization. This item shall be effective September 1, 1985.

C. Deals of pull-tabs and tipboard tickets must be manufactured, assembled, and packaged in such a manner that none of the winning pull-tab or tipboard tickets, nor the location or approximate location of 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 manufacture, assembly, packaging, markings, or by the use of a light. Winning pull-tabs must be randomly distributed and mixed among all other pull-tabs in the deal to the state of art. The deal must be assembled and packaged with special care so as to eliminate any pattern as between deals, or portions of deals, from which the location or approximate location of any of the winning tabs may be determined. When the deal is packaged in more than one package, box, or other container, the entire deal of individual pull-tabs must be mixed in such a manner that no person can determine the position or approximate location of any of the winning pull-tabs or determine whether any one package or portion of a deal contains a larger or smaller percentage of winning pull-tabs than the balance of the deal. The packages, boxes, or other containers must not be numbered as to distinguish one from the other and have no marking other than the deal serial number. Each deal of pull-tabs and group of tipboards must contain a packing slip placed inside the package containing the name of manufacturer, serial number, date the deal or group was packaged, and the name or identification of the person who packaged the deal.

D. (1) Pull-tabs and tipboards must be constructed so that it is impossible to determine the covered or concealed number, symbol, or set of symbols, on the pull-tab or tipboard until it has been dispensed to and opened by the player, by any method or device, including but not limited to the use of a marking, variance in size, variance in paper fiber, or light.

(2) All pull-tabs, except banded and latex covered pull-tabs must be constructed using a two or three ply paper stock construction.

(3) The serial number and the name of the manufacturer or label or trademark identifying the manufacturer must be conspicuously printed on the face or cover sheet. On banded pull-tabs and tipboard tickets, the serial number and the name of the manufacturer must be printed so both are readily visible prior to opening the pull-tab or tipboard ticket.

(4) The cover sheet must be color coded when individual serial numbers are repeated and may show the consumer how to open the pull-tab to determine the symbols or numbers. The cover sheet must contain either or both perforated or clean-cut openings centered over the symbols or numbers on the back of the face sheet in such a manner as to allow easy opening by the consumer after purchase of the pull-tabs while at the same time not permitting pull-tabs to be opened prematurely in normal handling. Perforation must exist on both horizontal lines of the opening with either perforated or clean-cut on the vertical or elliptical line where the tab must be grasped for opening after bending

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the edge of ticket down. On latex covered pull-tabs or tipboard tickets, either the face or back of the pull tab must be color coded when individual serial numbers are repeated and may show the consumer how to remove the latex to determine the symbols or numbers. On banded pull-tabs, the band must be color coded when individual serial numbers are repeated.

(5) All pull-tabs within a single pull-tab deal must be of the same thickness.

(6) All pull-tabs within a single pull-tab deal must be uniform in length or width and not vary by more than $\frac{3}{64}$ inch, provided that in no case shall winning pull-tabs be identifiable by visible variation in dimension.

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

Statutory Authority: *MS s 349.151 subd 4*

History: *9 SR 1871*

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*