CHAPTER 7861

GAMBLING CONTROL BOARD

GAMBLING; GENERAL PROVISIONS

7861.0010 Subpart 1. [Repealed, 31 SR 1239]

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Subp. 1b. [Repealed, 31 SR 1239]

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7861.0210 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of chapters 7861, 7863, 7864, and 7865, the terms in this chapter have the meanings given them in this part or Minnesota Statutes, sections 349.11 to 349.23.

Subp. 2. **Agent of the organization.** "Agent of the organization" means a person who, by mutual consent of both parties, acts on behalf of the organization.

Subp. 2a. **Application software.** "Application software" means those computer programs that direct an electronic game system to perform those specific information-processing activities that permit the operation of electronic pull-tab games or electronic linked bingo games, permit the collection and recording of game information, and permit the reporting of that information to the Gambling Control Board and the Department of Revenue. The application software overlays the operating system software and is unable to function without the operating system software.

Subp. 2b. **Bingo board.** "Bingo board" means a disposable sealed bingo placard that is used as a bingo number selection device, containing 75 randomly placed bingo letter and number combinations, using each of the numbers 1 through 75, under numbered seals.

Subp. 3. **Bingo numbers.** "Bingo numbers" means the letter and number that correspond with one of the following letter and number combinations:

A. bingo numbers with the letter "B" may only contain numbers 1 through 15;

B. bingo numbers with the letter "I" may only contain numbers 16 through 30;

C. bingo numbers with the letter "N" may only contain numbers 31 through 45;

D. bingo numbers with the letter "G" may only contain numbers 46 through 60; and

E. bingo numbers with the letter "O" may only contain numbers 61 through 75.

Subp. 4. **Bingo paper package.** "Bingo paper package" means a bingo paper sheet packet to which an organization has added individual bingo paper sheets, or means bingo paper sheets that an organization will sell as a single unit.

Subp. 5. **Bingo paper sheet.** "Bingo paper sheet" means a bingo sheet containing a face or faces that is manufactured from paper with or without preprinted numbers. A sealed bingo paper sheet and a linked bingo paper sheet are considered a bingo paper sheet. The following also apply to bingo paper sheets.

A. "Face number" refers to the number appearing on each bingo paper sheet face in a series that allows for the verification of a winning bingo paper sheet face against a master record containing all of the faces in the series.

B. "Series" means a specific group of faces that has been assigned consecutive face numbers by a manufacturer. Series are typically identified by the first and last face number in the group of faces, such as "1 to 9,000 series."

C. "ON's" means the number of bingo faces contained on a bingo paper sheet. For example, the term "twelve on" in reference to a bingo paper sheet means that the bingo paper sheet contains 12 bingo faces.

Subp. 6. **Bingo paper sheet packet.** "Bingo paper sheet packet" means a group of bingo paper sheets that is manufactured, collated, and sold by the manufacturer as a unit. Bingo paper sheet packets must not be sold as individual bingo paper sheets. When used in reference to a bingo paper sheet packet, the term "UP's" means the number of bingo paper sheets contained in a bingo paper sheet packet. For example, the term "twelve up" means that the bingo paper sheet packet contains 12 bingo paper sheets.

Subp. 7. **Bingo pattern.** "Bingo pattern" means a predetermined and preannounced arrangement of spaces or numbers to be covered on a bingo hard card, bingo paper sheet face, or facsimile of a bingo paper sheet by a player to win a bingo game.

Subp. 7a. **Board.** "Board" means the Gambling Control Board.

Subp. 7b. **Bonus play.** "Bonus play" means a feature of an electronic pull-tab game in which certain tickets in the pull-tab deal give players the opportunity to make additional selections to reveal or determine the value of the prize won for the initially opened electronic pull-tab ticket.

Subp. 8. **Breakopen bingo game.** "Breakopen bingo game" means a bingo game in which the organization randomly selects a predetermined quantity of bingo numbers and posts the selected bingo numbers. A breakopen bingo game must be conducted using sealed bingo paper sheets or bingo faces that are electronically generated only after the face has been purchased by the player.

Subp. 9. **Case paper.** "Case paper" means uncollated bingo paper sheets sold by the manufacturer in case lots. Case paper may be provided in either single bingo paper sheets or in a tablet from which the organization removes single bingo paper sheets.

Subp. 9a. **Central server.** "Central server" means the manufacturer's computer equipment that houses the operating system, supporting hardware, electronic gaming application software, communications network system, and databases required for electronic game operations, and stores and manages electronic gaming data between individual electronic gaming points of sale. Central servers must be located in Minnesota.

Subp. 10. [Repealed, 35 SR 1276; 35 SR 1528]

Subp. 10a. **Chance ticket.** "Chance ticket" means one of a predetermined number of paper pull-tab tickets contained in a chance ticket display attached or adjacent to the game flare which corresponds to the number of qualifying winning tickets in a multiple chance game.

Subp. 10b. **Chance ticket display.** "Chance ticket display" means the tamper-resistant sealed, perforated, or covered display containing the chance tickets in a multiple chance game.

Subp. 11. **Civic celebration.** "Civic celebration" means an event conducted in Minnesota that is sponsored by a local unit of government having jurisdiction over the event.

Subp. 11a. **Communications network.** "Communications network" means an Internet-based communications system used for the data transfer of all transactions associated with the conduct of electronic games. For lawful gambling purposes, communications network includes data transmission service and equipment required to provide the Internet signal at the lawful gambling premises up to the first piece of equipment required at the point of sale system maintained by the licensed organization as part of an approved electronic gaming system.

Subp. 12. **Compensation.** "Compensation" means wages, salaries, and all other forms of payment for services provided by a person.

Subp. 13. **Continuation bingo game.** "Continuation bingo game" means a bingo game where up to three games may be played concurrently on one bingo paper sheet face, bingo hard card, or facsimile of a bingo paper sheet; all completed winning patterns are verified independently; and no restrictions are placed on the order of completing the required patterns. Each portion of the continuation game is considered a complete game, even though the numbers selected for the previous game or games are not made available again for selection until all of the games have been completed.

Subp. 14. **Control number.** "Control number" means a unique alphanumeric or numeral code assigned by the organization to identify a bingo paper sheet, bingo paper sheet packet, or bingo paper package. The control number of the bingo paper sheet may be the serial number printed on the bingo paper by the manufacturer.

Subp. 15. **Cumulative pull-tab or tipboard game.** "Cumulative pull-tab or tipboard game" means a pull-tab or tipboard game that is played with two or more deals containing the same form number but unique serial number for each deal, has a portion of each deal's predetermined prize payout designated to a cumulative prize pool, and is packaged by the manufacturer as a cumulative game.

Subp. 15a. **Electronic gambling equipment.** "Electronic gambling equipment" means:

A. electronic pull-tab devices;

B. electronic bingo devices;

C. programmable electronic devices;

D. electronic pull-tab systems;

E. electronic linked bingo game systems;

F. electronic paddlewheels;

G. upgrades or changes to previously approved and tested equipment;

H. other technical hardware devices used in conjunction with lawful gambling equipment; and

I. software applications and version upgrades used in conjunction with lawful gambling equipment.

Subp. 15b. **Electronic game occasion.** "Electronic game occasion" means a consecutive period of time during which credits are sold for the purchase of electronic pull-tabs or electronic linked bingo or credits from the play of electronic pull-tabs or electronic linked bingo are redeemed.

Subp. 15c. **Electronic game system.** "Electronic game system" means all components in electronic, computer, mechanical, or other technologic form that function together to support the play of one or more electronic pull-tab games and electronic linked bingo games, including all functions required by the standards in parts 7863.0270, 7864.0230, and 7864.0235.

Subp. 16. **Event game.** "Event game" means a single pull-tab game in which certain prizes are determined by the selection of a bingo number, the opening or uncovering of a seal or seals, the spin of a paddlewheel, or by another alternative method approved by the board.

Subp. 17. **Facsimile of a bingo paper sheet.** "Facsimile of a bingo paper sheet" means an electronic representation of a bingo paper face with its face number displayed in an electronic bingo device used by a bingo player. The following also apply to a facsimile of a bingo paper sheet.

A. "Face number" refers to the number appearing on each facsimile of a bingo paper sheet in a series that allows for the verification of a winning facsimile of a bingo face against a master record containing all of the faces in the series.

B. "Series" means a specific group of faces that has been assigned consecutive face numbers by a manufacturer. Series are typically identified by the first and last face number in the group of faces.

Subp. 17a. **Facsimile of a pull-tab ticket.** "Facsimile of a pull-tab ticket" means an electronic representation resembling a pull-tab ticket where symbols are revealed to the player in an automated format and the winning symbols are arranged in a straight-line method.

Subp. 18. **Fair market value.** "Fair market value" is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. Fair market value for purposes of merchandise prizes must be related to the manufacturer's suggested retail price, list price, advertised price, or actual cost. The price or cost is determined when the merchandise prize is acquired by the organization.

Subp. 19. **Family.** "Family" means a group of pull-tab or tipboard games with the same name.

Subp. 20. **Family member.** "Family member" means a pull-tab or tipboard game with the same name as another family member but with a different form number.

Subp. 21. **Flashboard.** "Flashboard" means an electronic device that displays the numbers and letters of called bingo numbers.

Subp. 22. **Form number or part number.** "Form number" or "part number" means an alphanumeric code assigned by the manufacturer to uniquely identify a game as required by the commissioner of revenue.

Subp. 23. [Repealed, 35 SR 1276; 35 SR 1528]

Subp. 24. **Fund-raising costs.** "Fund-raising costs" means the total general fund expenses incurred in soliciting gifts, grants, and other contributions and includes but is not limited to expenses for:

A. publicizing and conducting fund-raising campaigns or special events;

B. soliciting contributions from foundations or other organizations or government grants;

C. preparing and distributing fund-raising manuals, instructions, and other related materials;

D. conducting special events that generate contributions;

E. allocating a portion, if any, of expenses and salaries for the organization's chief officer and that officer's staff that pertain to fund-raising activities; and

F. conducting fund-raising meetings.

For purposes of this definition, fund-raising costs does not include lawful gambling allowable expenses.

Subp. 25. **Gambling bank account.** "Gambling bank account" means all the accounts maintained by an organization at any banks, savings and loan institutions, or credit unions located within Minnesota in which the organization deposits all gambling receipts and over which the organization has any control, including checking and savings accounts, certificates of deposit, and trust and escrow accounts.

Subp. 26. **Gambling volunteer.** "Gambling volunteer" means an individual not compensated by an organization but who performs activities in the conduct of that organization's lawful gambling.

Subp. 27. **Immediate family.** "Immediate family" means spouse, children, parents, and siblings.

Subp. 28. **Jar ticket.** "Jar ticket" means a single pull-tab ticket that is folded and banded or is a grouping of folded and banded tickets.

Subp. 29. **Lawful gambling.**

A. "Lawful gambling" is the operation, conduct, or sale of bingo, raffles, paddlewheels, tipboards, and pull-tabs.

B. Lawful gambling does not include:

(1) the conduct of a combination of any lawful gambling activity identified in item A where the outcome of one of the activities is dependent on the outcome of one of the other activities, except as otherwise permitted by law or rule;

(2) betting related to the outcome of an athletic or sporting event, except as otherwise permitted by law or rule; and

(3) the use of promotional tickets as defined in subpart 43 and Minnesota Statutes, section 349.12, subdivisions 18 and 31.

Subp. 30. **Leased premises.** "Leased premises" means a building or place of business, or a portion of it, that is not owned by a licensed organization and is leased by the organization only for the conduct of lawful gambling.

Subp. 31. **Leased bingo premises.** If bingo and other forms of lawful gambling are conducted during a bingo occasion on a leased premises and the rent amount is based on the square footage of the leased premises, the "leased bingo premises" includes:

A. sale areas;

B. lawful gambling receipts accounting areas;

C. participant playing areas;

D. prize display areas;

E. areas to draw, display, and post bingo numbers;

F. restrooms;

G. the organization's gambling equipment storage areas; and

H. entrance foyers used exclusively by bingo players or the organization's gambling employees.

Other areas not used exclusively by bingo players or the organization's gambling employees are not included in leased bingo premises. Measurements of leased areas are taken from internal wall to internal wall.

Subp. 32. **Limiting bingo number count.** "Limiting bingo number count" means a bingo game in which a bingo player must complete an announced bingo pattern within a predetermined quantity of called bingo numbers. All limiting bingo number counts must be prominently displayed before the start of the bingo occasion. If not completed within the count, the game continues until a consolation winner is determined and a consolation prize awarded.

Subp. 33. **Linked bingo equipment.** "Linked bingo equipment" means the equipment used in the conduct of a linked bingo game, including linked bingo paper sheets, electronic bingo devices, and facsimiles of linked bingo paper sheets.

Subp. 33a. **Local server.** "Local server" means a computer server, located at the physical location where lawful gambling activity will occur, that stores the game application software and which stores and communicates all game play information and accounting and inventory data records to a central server, to which a licensed distributor or linked bingo game provider has access.

Subp. 34. **Management and general costs.** "Management and general costs" means the total general fund expenses incurred for the function and management of the organization and includes but is not limited to expenses for:

A. salaries and expenses of the organization's chief officer and staff, excluding any portion that is allocated to fund-raising or program services;

B. meetings of directors or similar groups, committees, and staff but does not include expenses for fund-raising or specific program service meetings;

C. general legal services;

D. accounting and auditing;

E. general liability insurance;

F. office management and personnel;

G. preparation of annual reports; and

H. investment expenses.

For purposes of this definition, management and general costs does not include general fund expenses for the direct conduct of fund-raising activities or program services, and does not include lawful gambling allowable expenses.

Subp. 35. **Manufacturer's seal.** "Manufacturer's seal" means the sticker placed by the manufacturer on the outside of the box or container of pull-tabs, tipboards, raffle boards, or bingo boards but inside the shrink-wrap, ensuring that the game has not been opened or tampered with before delivery to the organization.

Subp. 36. **Merchandise prize.** "Merchandise prize" means a prize other than cash awarded to a winner or winners of a bingo game, pull-tab game, tipboard game, paddlewheel game conducted without a paddlewheel table, or raffle.

Subp. 36a. **Multiple chance game.** "Multiple chance game" means a pull-tab game in which qualifying winning tickets provide an option to the player to forfeit the qualifying winning ticket in exchange for a chance ticket in the chance ticket display that provides a chance to win a prize of lesser, equal, or greater value than the originally purchased ticket.

Subp. 37. **Multiple seal game.** "Multiple seal game" means a pull-tab or tipboard game in which select tickets are redeemed by players for a prize amount under a seal number matching the pull-tab ticket presented by the player or under a seal as determined by the player.

Subp. 38. **Net receipts.** "Net receipts" are gross receipts less prizes awarded.

Subp. 38a. **Operating system software.** "Operating system software" means nongambling software that communicates with the computer hardware to manage computer hardware resources and allows all applications, including gaming applications, to run.

Subp. 39. **Other nonprofit organization.** "Other nonprofit organization" means one of the following:

A. an organization other than a fraternal, religious, or veterans organization, whose nonprofit status is evidenced by a current letter of exemption from the Internal Revenue Service recognizing it as a nonprofit organization exempt from payment of income taxes or which is incorporated as a nonprofit corporation and registered with the secretary of state under Minnesota Statutes, chapter 317A; or

B. an affiliate, subordinate, or chapter of a statewide parent organization that meets the criteria of item A. This type of other nonprofit organization is recognized only for purposes of conducting lawful gambling under Minnesota Statutes, section 349.166.

Subp. 40. **Paddlewheel table.** "Paddlewheel table" is a table described in part 7864.0230 and used in the game of paddlewheels under part 7861.0300.

Subp. 40a. **Paddlewheel; mechanical, electronic.**

A. A mechanical paddlewheel is a manually operated vertical wheel that operates only with a free-spinning bearing system and the contact of the pointer with pegs. The vertical wheel is marked off into equally spaced sections, has protruding pegs on its face, and has a pointer positioned above the paddlewheel.

B. An electronic paddlewheel is an electronic representation of a paddlewheel that uses a random number generator to determine winning paddlewheel numbers.

Subp. 40b. **Point of sale.** "Point of sale" is the place where customers purchase chances for participation in a lawful gambling game.

Subp. 40c. **Point of sale system.** "Point of sale system" is a computerized checkout or cash register system that meets the standards in part 7861.0280, subpart 9.

Subp. 41. **Progressive bingo game.** "Progressive bingo game" is a game in which the established prize levels increase from one game or occasion to the next up to a predetermined amount if the required pattern is not completed within the specified number of bingo numbers selected and called during the previous game or occasion.

Subp. 42. **Progressive pull-tab or tipboard game.** "Progressive pull-tab or tipboard game" is a pull-tab or tipboard game that has a portion of its predetermined prize payout designated to one progressive jackpot prize. The jackpot prize increases from one deal to the next until the jackpot prize is won or the predetermined jackpot amount printed on the flare by the manufacturer is reached.

Subp. 43. **Promotional pull-tab or tipboard ticket.** "Promotional pull-tab or tipboard ticket" means a pull-tab or tipboard ticket for which no purchase or consideration is required. The only prizes available to be won are discounts on goods and services available at the site where the game is played. Cash prizes are not permitted with promotional pull-tab or tipboard games.

Subp. 43a. **Raffle board.** "Raffle board" means a board containing spaces, each of which serves as a certificate of participation for a player purchasing a chance in the raffle.

A. Raffle boards with stubs must contain uniform, detachable stubs that when removed are placed in a container for the random drawing of a raffle winner.

B. Raffle boards without stubs may only use a board-approved alternative method of selecting a raffle winner.

Subp. 44. **Random number generator.** "Random number generator" means a device that has an automated method of selecting game symbols or producing game outcomes based on a preset number of chances available for random selection.

A. This subpart is only applicable to electronic game systems or devices that utilize a random number generator, which must:

(1) be statistically independent;

(2) conform to the desired random distribution;

(3) pass various recognized statistical tests as identified in item B;

(4) allow for each possible permutation of game elements that produces winning or losing game outcomes to be available for random selection at the initiation of each play, unless otherwise denoted by the game; and

(5) not make a variable secondary decision that affects the result shown to the player, such as the random number generator choosing an outcome that the game will be a loser.

B. The random number generator and random selection process must be impervious to electromagnetic interference, electrostatic interference, radio frequency interference, and other influences from outside the system or device that may affect the game outcome. Recognized statistical tests used to determine whether or not the random values produced by the random number generator pass the desired confidence level of 99 percent include:

(1) chi-square test;

(2) equi-distribution (frequency) test;

(3) gap test;

(4) overlaps test;

(5) poker test;

(6) coupon collector's test;

(7) permutation test;

(8) Kolmogorov-Smirnov test;

(9) adjacency criterion tests;

(10) order statistic test;

(11) run tests (patterns of occurrences should not be recurrent);

(12) correlation test;

(13) tests on subsequences;

(14) Poisson distribution; and

(15) other recognized statistical tests determining the desired 99 percent confidence level.

C. The random number generator must meet the standards under parts 7863.0270, subpart 1; 7864.0230, subparts 5, 6, 9a, and 10a; and 7864.0235.

Subp. 45. **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. 46. **Seal card.** "Seal card" means a board or placard used in conjunction with a deal of pull-tabs or tipboards and contains a seal or seals that when opened or uncovered reveal predesignated winning numbers, letters, or symbols.

Subp. 47. **Sealed bingo paper sheet.** "Sealed bingo paper sheet" means a manufacturer-sealed bingo paper sheet constructed so that the bingo face is sealed in a manner that prevents revealing any part of the bingo face before the seal is opened by a bingo player. Sealed bingo paper sheet also includes facsimiles used with an electronic bingo device.

Subp. 47a. **Secured data transmission.** "Secured data transmission" means a method of data transmission employing encryption conforming to Advanced Encryption Standard (AES) specifications as defined by the National Institute of Standards and Technology (NIST) to protect the data from unauthorized access or tampering.

Subp. 48. **Shrink-wrap.** "Shrink-wrap" means a clear form-fitting plastic wrapping applied to a box or container of pull-tabs or tipboards by a licensed manufacturer.

Subp. 49. **State registration stamp.** "State registration stamp" means the stamp required by part 7863.0220, subpart 3, and Minnesota Statutes, section 349.162, subdivision 1, and attached to a bingo number selection device, pull-tab dispensing device, paddlewheel, or paddlewheel table.

Subp. 50. **Veterans organization.** "Veterans organization" means any congressionally chartered organization within Minnesota, or any branch, lodge, or chapter of a nonprofit national or state organization within Minnesota, with a membership consisting of persons who were members of the armed services or forces of the United States.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; 35 SR 1528; 38 SR 1613; 41 SR 137*

Published Electronically: *August 18, 2016*

7861.0215 INCORPORATION BY REFERENCE.

For the purposes of chapters 7861 to 7865, items A and B are incorporated by reference:

A. Advanced Encryption Standard (AES) specifications as defined by the National Institute of Standards and Technology (NIST) are incorporated by reference. The AES specifications are subject to change and are available to the public free of charge at the State Law Library and at http://csrc.nist.gov/publications.

B. The Institute of Electrical and Electronics Engineers (IEEE) Standards Association's IEEE 802.11 standards contained in the Wi-Fi Protected Access II (WPA2) are incorporated by reference. The IEEE 802.11 standards are subject to change and are available to the public free of charge at the State Law Library and at https://standards.ieee.org.

Statutory Authority: *MS s 349.151*

History: *38 SR 1613; 41 SR 137*

Published Electronically: *August 18, 2016*

7861.0220 LICENSED ORGANIZATION.

Subpart 1. **Organization license required.** An organization may not conduct lawful gambling unless it has received a license issued by the board. The license, when issued, is not transferable from one organization to another.

Subp. 2. **Organization licensing qualifications.** In addition to the qualifications in Minnesota Statutes, sections 349.155, subdivision 3, and 349.16, subdivision 2, an organization does not qualify for a license if:

A. an organization that has not been licensed to conduct lawful gambling within the preceding 12 months and its current chief executive officer and a person who will be its gambling manager have not completed a gambling manager seminar within the last six months;

B. the organization has not established a permanent location in Minnesota where the gambling records required by this chapter will be kept and has not established a gambling bank account within Minnesota;

C. the organization's conduct of lawful gambling is or would be inconsistent with Minnesota Statutes, sections 349.11 to 349.23, as indicated by lack of financial responsibility, demonstrated lack of control of lawful gambling, or incomplete consent order or termination plan requirements;

D. the organization does not have a gambling manager who will be licensed by the board when the organization obtains its license; and

E. the organization will not obtain at least one premises permit when the organization obtains its license.

Subp. 3. **Contents of organization license application.** The application must contain the following organization information:

A. legal name and any other names used;

B. business address and telephone number;

C. Minnesota tax identification number and federal employer identification number;

D. names, titles, dates of birth, and daytime telephone numbers of the chief executive officer and treasurer;

E. home address of the chief executive officer;

F. a designation of whether the organization is a fraternal, veterans, religious, or other nonprofit organization and the number of years the organization has existed;

G. number of active members;

H. day and time of regular meetings;

I. acknowledgment that the organization will file a license termination plan if the organization terminates lawful gambling;

J. for a 501(c)(3) organization or 501(c)(4) festival organization that chooses to make lawful purpose contributions to itself, an acknowledgment regarding the provisions of part 7861.0320, subpart 14; and

K. additional information that may be required by the board to properly identify the applicant and ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

Subp. 4. **Attachments to organization license application.** The organization must attach the following to the application:

A. proof of Internal Revenue Service income tax exempt status or current certificate of nonprofit status from the Minnesota secretary of state. If the organization is a 501(c)(3) organization or 501(c)(4) festival organization, the organization must attach documentation from the Internal Revenue Service showing proof of its income tax exempt status;

B. a copy of a charter of the parent organization, if chartered;

C. a membership list, signed by the organization's chief executive officer, with the first and last names of at least 15 active members as defined in Minnesota Statutes, section 349.12, subdivision 2, and date of membership;

D. an affidavit of the chief executive officer and treasurer, in a format prescribed by the board;

E. for a 501(c)(3) organization or 501(c)(4) festival organization that chooses to make lawful purpose contributions to itself, a copy of the organization's annual report on income and expenses provided to the Internal Revenue Service, or in a format prescribed by the board; and

F. a copy of the organization's by-laws, signed by the organization's chief executive officer.

Subp. 5. **Changes in organization license application information.** If any information submitted in the application changes, the organization must notify the board within ten days of the change.

Subp. 6. **Issuing or denying an organization license.** The following items apply to an organization license issued or denied by the board.

A. The board must issue a license to an organization that:

(1) submits the information required in the application and application attachments;

(2) pays the fee required by Minnesota Statutes, section 349.16, subdivision 6; and

(3) is eligible to receive a license under subpart 2. The license must be issued at the same time as any premises permits when the organization is applying for a license.

B. The board must deny the application if an organization:

(1) is ineligible under subpart 2; and

(2) failed to submit all information required by subparts 3 and 4 and the application has remained incomplete for more than 90 days after it was received by the board.

When the board determines that an application should be denied, the board must promptly give a written notice to the organization. The notice must contain the grounds for the action and reasonable notice of the rights of the organization to request an appeal under part 7865.0260, subpart 2.

C. All fees submitted with a license application are considered earned and are not refundable.

Subp. 7. **Effective date for organization license.** An organization license is effective on the first day of the month or as otherwise determined by the board.

Subp. 8. **Termination of organization license.** If an organization voluntarily or involuntarily terminates all of its gambling activities, it must submit a license termination plan to the board for approval on a form prescribed by the board. The board must require the organization to revise the plan if it does not meet with board approval. The plan must include but is not limited to the following information upon which board approval must be based:

A. documentation that provides information on how the organization will expend all remaining funds in the gambling account for lawful expenditures;

B. documentation of the return or disposal of all unused gambling equipment in the possession of the organization; and

C. an acknowledgment by the organization that it will resolve any pending compliance issues as noted in the termination plan as approved by the board as a condition of license reapplication in the future.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; 41 SR 137*

Published Electronically: *August 18, 2016*

7861.0230 GAMBLING MANAGER AND ASSISTANT GAMBLING MANAGER.

Subpart 1. **Gambling manager license required.** A person may not act as a gambling manager unless the person has obtained a license issued by the board. The license, when issued, is not transferable from one person to another.

Subp. 2. **Gambling manager licensing qualifications.** In addition to the qualifications in Minnesota Statutes, sections 349.155, subdivision 3, and 349.167, a person does not qualify for a new or continuing license if the person is any of the following:

A. the lessor, an employee of the lessor, a member of the lessor's immediate family, or a person residing in the same residence as the lessor, if the premises is leased;

B. a person who is not an active member of the organization;

C. a person who is the chief executive officer or the treasurer of the organization or to a person who was an officer of an organization at a time when an offense occurred that caused that organization's license to be revoked; or

D. a person who is the gambling manager or an assistant gambling manager for another organization.

Subp. 3. **Education requirements.**

A. To qualify for a continuing license the gambling manager must complete a continuing education class or complete the seminar required for initial gambling manager licensure by the end of each calendar year as required by Minnesota Statutes, section 349.167, subdivision 4.

B. Proof of identification is required for persons taking a gambling manager examination. Attendees at board-authorized seminars and continuing education classes must be prepared to present as proof of identification a valid driver's license or identification card issued by Minnesota, or a state or province of Canada contiguous to Minnesota, that contains the person's photograph and date of birth.

Subp. 4. **Contents of gambling manager license application.** The application must contain the following information for the person who will be the gambling manager:

A. name, date of birth, and Social Security number;

B. home address and daytime telephone number;

C. date the person became a member of the organization;

D. organization's name, address, and telephone number and name of the chief executive officer;

E. dates of attendance at the board-authorized gambling manager's seminar;

F. name of the provider and contract number for the bond required by Minnesota Statutes, section 349.167, subdivision 1, paragraph (a);

G. statement that the applicant is in compliance with the licensing qualifications in subpart 2;

H. acknowledgment that suits and actions related to the gambling manager's license, or acts or omissions, may be commenced against the gambling manager;

I. acknowledgment authorizing the Departments of Public Safety and Revenue to conduct a criminal background and tax check or review;

J. acknowledgment regarding the education requirements of subpart 3; and

K. signature of the gambling manager and the chief executive officer of the organization.

Subp. 5. **Changes in gambling manager license application information.** If any information submitted in the application changes, the gambling manager must notify the board no later than ten days after the change has taken effect.

Subp. 6. **Issuing or denying a gambling manager license; license for an emergency gambling manager.** The following items apply to a gambling manager license issued or denied by the board:

A. The board must issue a license to a person who:

(1) submits the information required in the gambling manager application;

(2) pays the fee as provided in Minnesota Statutes, section 349.167, subdivision 2; and

(3) is eligible to receive a license under subpart 2.

B. The board must deny the application if:

(1) a person is ineligible under subpart 2;

(2) the person failed to submit the information required by subpart 4 and the application remains incomplete for more than 90 days after it was received by the board; and

(3) the organization that employs the gambling manager is not licensed, failed to meet the qualifications of part 7861.0220, subpart 2, or has a lapsed license according to Minnesota Statutes, section 349.16, subdivision 3a.

When the board determines that an application must be denied, the board must promptly give a written notice to the licensee. The notice must contain the grounds for the action and reasonable notice of the rights of the licensee to request an appeal under part 7865.0260, subpart 2.

C. A gambling manager whose application was denied for failing to comply with this part may not apply for a license or for an emergency replacement gambling manager's license. The person may apply for a new gambling manager's license if the person attended the board-authorized gambling manager's seminar and passed the examination within the six months immediately preceding the effective date of the new license.

D. If a gambling manager quits, dies, or is unable to perform the duties, the organization, to continue its conduct of lawful gambling, must comply with Minnesota Statutes, section 349.167, subdivision 2, paragraph (d), for an emergency replacement gambling manager or otherwise discontinue its operation until the organization complies with Minnesota Statutes, section 349.167, subdivision 2, paragraph (e).

E. All fees submitted with a license application are considered earned and are not refundable.

Subp. 7. **Effective date of gambling manager license.** A gambling manager license issued by the board is effective on the first day of a month or as otherwise determined by the board.

Subp. 8. **Gambling manager duties.** A gambling manager's duties include but are not limited to:

A. determining the product to be purchased and put into play;

B. reviewing and monitoring the conduct of games;

C. supervising, hiring, firing, and disciplining all gambling employees;

D. ensuring that all receipts and disbursements have been properly accounted for in compliance with statute and rule requirements;

E. ensuring that all inventory records have been reconciled each month;

F. supervising all licensing and reporting requirements;

G. assuring that the licensed organization is in compliance with all laws and rules related to lawful gambling;

H. assuring that illegal gambling is not conducted at any premises where the organization is permitted to conduct lawful gambling; and

I. attending a majority of the regular meetings of the organization.

Subp. 9. **Assistant gambling manager duties and restrictions.** The following items apply to assistant gambling managers.

A. An assistant gambling manager is a person who performs any of the following duties:

(1) six or more of the functional responsibilities as defined in part 7861.0320, subpart 1, item D;

(2) hiring, disciplining, or firing gambling employees;

(3) completing the license and permit application requirements;

(4) negotiating leases; or

(5) determining product to be purchased.

B. An organization may employ one or more assistant gambling managers if:

(1) each assistant gambling manager is under the direct supervision of the organization's gambling manager;

(2) each assistant gambling manager is an active member or employee of the organization; and

(3) each assistant gambling manager does not participate in the conduct of lawful gambling for more than one organization except as allowed under item C.

C. An assistant gambling manager may be employed by more than one organization if the organizations lease space for the conduct of bingo in the same permitted premises, and the assistant gambling manager is not compensated directly or indirectly by the owner or lessor of the premises.

(1) Assistant gambling managers employed by more than one organization under this item may supervise gambling employees of organizations during bingo occasions and assist gambling managers with the duties contained in subpart 8.

(2) Assistant gambling managers employed by more than one organization under this item must not:

(a) supervise licensing and reporting requirements as required by statute and rule for the organization;

(b) hire, fire, or impose permanent discipline on gambling employees of the organization, except for temporary disciplinary action that may be necessary during a bingo occasion. If temporary disciplinary action is taken, the assistant gambling manager may make a recommendation to the gambling manager regarding permanent disciplinary action;

(c) determine the program content or prize level requirements for the organization;

(d) determine the product to be purchased and put into play;

(e) be a gambling employee or volunteer at any other site where the organization conducts lawful gambling; or

(f) be a gambling employee or volunteer for any other organization conducting lawful gambling at another site.

Nothing in this item diminishes the responsibilities and ultimate supervisory authority of a gambling manager contained in subpart 8.

D. A license is not required for an assistant gambling manager.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; L 2015 c 52 s 22; 41 SR 137*

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7861.0240 PREMISES PERMITS.

Subpart 1. **Premises permit required.** An organization must obtain a premises permit issued by the board for each premises it owns or leases where it will conduct lawful gambling. The permit, when issued, is not transferable from one site to another.

Subp. 2. **Contents of and attachment to premises permit application.** A premises permit application must contain the following information:

A. organization's legal name;

B. name and daytime telephone number of the organization's chief executive officer;

C. name and street address of the proposed gambling premises;

D. city and county or township and county where the proposed gambling premises is located;

E. address in Minnesota of any temporary or permanent storage space for gambling equipment and records, if different than the permitted premises;

F. bank name, address, and account number for each bank account in Minnesota into which gross receipts from gambling are deposited;

G. authorization permitting the board and agents of the board and the commissioners of revenue and public safety and their agents to inspect the bank records of the gambling account;

H. a statement giving consent to local law enforcement officers, the board or its agents, and the commissioners of revenue and public safety and their agents to enter and inspect the premises;

I. acknowledgment signed by the chief executive officer;

J. acknowledgment by the local unit of government that it has approved the application by resolution as authorized by Minnesota Statutes, section 349.213, subdivision 2; and

K. if the premises is leased, a copy of the lease as required by subpart 3.

Subp. 3. **Lease required for leased premises.** For premises not owned by the organization, a lease must be on a form prescribed by the board and contain at a minimum the following information:

A. name, business address, and telephone number of the legal owner of the premises and the lessor;

B. organization's name, business address, license number, and daytime telephone number;

C. name, address, and telephone number of the leased premises;

D. type of gambling activity to be conducted;

E. monetary consideration, if any, that may not be directly or indirectly supplemented above the amounts in Minnesota Statutes, section 349.18;

F. an irrevocable consent from the lessor that:

(1) the board and its agents, the commissioners of revenue and public safety and their agents, and law enforcement personnel have access to the permitted premises at any reasonable time during the business hours of the lessor;

(2) the organization has access to the permitted premises during any time reasonable and when necessary for the conduct of lawful gambling on the premises;

(3) the owner of the premises or the lessor will not manage the conduct of gambling at the premises;

(4) the lessor, the lessor's immediate family, and any agents or gambling employees of the lessor will not participate as players in the conduct of lawful gambling on the premises, except as authorized under Minnesota Statutes, section 349.181;

(5) the lessor, the lessor's immediate family, any person residing in the same residence as the lessor, and any agents or employees of the lessor will not require the organization to perform any action that would violate statute or rule, with a clause stating that the lessor must not modify or terminate the lease in whole or in part because of a violation of this provision. If there is a dispute as to whether a violation has occurred, the lease will remain in effect pending a final determination by the compliance review group. The lessor agrees to arbitration when a violation is alleged. For purposes of this subitem, the arbitrator must be the compliance review group of the board; and

(6) the lessor must maintain a record of all money received from the organization, and make the record available to the board and its agents and the commissioners of revenue and public safety and their agents. The record must be maintained for 3-1/2 years;

G. clauses pertaining to illegal gambling stating that:

(1) notwithstanding part 7865.0220, subpart 3, an organization is required to continue making rent payments, under the terms of the lease, if the organization or its agents are found to be solely responsible for any illegal gambling conducted at the site that is prohibited by part 7861.0260, subpart 1, item H, or Minnesota Statutes, section 609.75, unless the organization's agents responsible for the illegal gambling activity are also agents or employees of the lessor;

(2) the lessor must not modify or terminate the lease in whole or in part because the organization reported to a state or local law enforcement authority or the board the conduct at the site of illegal gambling activity in which the organization did not participate;

(3) the lessor is aware of the prohibition against illegal gambling in Minnesota Statutes, section 609.75, and the penalties for illegal gambling violations in part 7865.0220, subpart 3;

(4) to the best of the lessor's knowledge, the lessor affirms that any and all games or devices located on the premises are not being used, and are not capable of being used, in a manner that violates the prohibitions against illegal gambling in Minnesota Statutes, section 609.75, and the penalties for illegal gambling violations in part 7865.0220, subpart 3; and

(5) the lessor acknowledges the provisions of Minnesota Statutes, section 349.18, subdivision 1, paragraph (a);

H. a clause stating that the lessor must not impose restrictions on the organization with respect to providers of gambling-related equipment and services or in the use of net profits for lawful purposes; and

I. all other agreements between the organization and the lessor.

Subp. 4. **Changes in premises permit application and lease information.** The following items pertain to changes in application and lease information.

A. Except for items B and C, the organization must notify the board in writing when any information submitted in the application changes, no later than ten days after the change has taken effect.

B. For changes to a lease that do not include a change in the lessor, the organization must submit to the board a new lease at least ten days before the effective date of the change.

C. For a change in ownership of the site, the organization must submit to the board a new lease within ten days after the new lessor has assumed ownership.

Subp. 5. **Issuing or denying a premises permit; violation of lease agreement.** The following items apply to a premises permit issued or denied by the board.

A. The board must issue a premises permit when an application is complete and contains:

(1) information required in the application and application attachments;

(2) the fee required by Minnesota Statutes, section 349.165, subdivision 3; and

(3) local unit of government approval.

B. The board must deny the application if:

(1) the organization does not or will not have an organization license or licensed gambling manager when the premises permit is issued, or the organization license has lapsed according to Minnesota Statutes, section 349.16, subdivision 3a;

(2) the application has been denied by the local unit of government;

(3) illegal gambling was conducted at the proposed site within the 90 days immediately preceding the date of the application, and at a time when no licensed organization had a premises permit for the site;

(4) another organization's premises permit for the proposed site is under suspension or revocation for illegal gambling under part 7865.0220, subpart 3;

(5) a prior premises permit for the proposed site would have been subject to suspension or revocation for illegal gambling under part 7865.0220, subpart 3, and the suspension period or revocation that could have been imposed for that site has not elapsed;

(6) the organization has not submitted the information required by subpart 2, and for a leased site the organization has not submitted a lease as required by subpart 3, and the application remains incomplete for more than 90 days after it was received by the board; or

(7) the lessor, the lessor's immediate family, any person residing in the same residence as the lessor, or the lessor's agents or employees have required an organization to perform an action that would violate statute or rule, as referenced in the lease agreement. If such a violation of the lease agreement has occurred, any premises permit application for that site will not be considered for the following periods:

(a) up to one year from the date of the board's final decision on the matter; or

(b) up to two years from the date of the board's final decision on the matter for a second such violation, unless a complete change of ownership of the site occurred at the time of the first or second violation. "Complete change of ownership" has the meaning given in part 7865.0210, subpart 3, item C.

When the board determines that an application must be denied, the board must promptly give a written notice to the organization. The notice must contain the grounds for the action and reasonable notice of the rights of the organization to request an appeal under part 7865.0260, subpart 2.

C. All fees submitted with a permit application are considered earned and are not refundable.

Subp. 6. **Permit effective date.** A premises permit issued by the board is effective on the first day of a month or as otherwise determined by the board.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

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7861.0260 CONDUCT OF LAWFUL GAMBLING.

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

A. The term "employee" includes a "volunteer."

B. All playing of lawful gambling must be on a cash basis, in advance of any play. "Cash" means currency, money orders, cashier's checks, or traveler's checks. Cash does not include personal checks, credit cards, or debit cards, except that raffle tickets and certificates of participation may be purchased by personal check or debit card.

C. At each permitted premises, the organization must have:

(1) an inventory list of gambling equipment currently at the site;

(2) a clear, physical separation or a tangible divider between the organization's disposable gambling equipment stored at the premises and the lessor's business equipment; and

(3) the invoices or true and correct copies of the invoices for the purchase of all gambling equipment at the premises other than invoices for the purchase of electronic pull-tab games, and must make the invoices available for inspection by the board and its agents and the commissioners of revenue and public safety and their agents.

D. An organization must ensure that its compensated gambling employees are clearly identified by name to the public at all times when conducting lawful gambling.

E. An organization or organization employee must not engage in any act, practice, or course of operation that manipulates the outcome of any game.

F. An organization must only conduct lawful gambling at times when the premises is open for the conduct of its regular business.

G. An organization must not conduct any form of lawful gambling in a manner that tends to deceive the public or affects the chances of winning or losing.

H. Illegal gambling may not be conducted at a premises for which a licensed organization has a premises permit to conduct lawful gambling.

I. On leased bingo premises, food and beverages may be dispensed within the permitted premises. Gambling employees of the organization working during a bingo occasion may not provide this service. The organization must not pay for the cost of the food and beverages from the organization's gambling accounts.

Subp. 2. **Posting of information and house rules.** A licensed organization must prominently post the following information at each permitted premises in an area visible to players before they purchase a chance to participate in lawful gambling:

A. organization name, license number, and premises permit number;

B. notice of problem gambling information that must at a minimum include the toll-free telephone number established by the commissioner of human services;

C. statement that illegal gambling is prohibited;

D. house rules that include at a minimum the policies governing the conduct of lawful gambling at the premises, including any restrictions in addition to those imposed by Minnesota Statutes, section 349.181, on who may not participate in the conduct of lawful gambling at the premises. The house rules must be adequately lighted, legible, and at least 11 inches by 17 inches; and

E. for the conduct of bingo, the information required by this subpart may be contained in the bingo program as an alternative to posting the information.

Subp. 3. **Advertising.** Any promotional material, sign, or advertising of lawful gambling must identify the licensed organization permitted to conduct gambling at the premises and its license number, if the cost is paid by a licensed organization from its gambling account.

Subp. 4. **Prizes awarded; records required.**

A. The value of prizes awarded must not exceed the limits in this subpart or Minnesota Statutes, section 349.211. "Value" means the following:

(1) fair market value of merchandise prizes, which must not be an amount less than the organization paid for the prize. Merchandise prizes purchased by the organization at a discount and donated prizes must be valued at their fair market value and included in the determination of compliance with this subpart or Minnesota Statutes, section 349.211;

(2) fair market value of certificates for merchandise or service;

(3) assessed tax value of real property;

(4) dollar amount of the cash prize. For raffles, cash includes currency, coins, and negotiable instruments; and

(5) actual amount paid for a savings bond.

B. The maximum value of a prize for two or more winning pull-tab combinations including the last sale prize on a single pull-tab must not exceed the limits in Minnesota Statutes, section 349.211, subdivision 2a.

C. A prize must consist of cash, merchandise, certificates for merchandise, certificates for services, gift certificates, or gift cards with the following exceptions and restrictions:

(1) prizes must not consist of lawful gambling equipment;

(2) cash must not be substituted for merchandise prizes, certificates for services, gift certificates, or gift cards which have been won. This does not apply to multiple bingo winners for a merchandise prize that cannot be divided;

(3) coupons redeemable for bingo hard cards, bingo paper sheets, bingo paper sheet packets, bingo paper packages, and the use of an electronic bingo device may be awarded for bingo;

(4) a certificate for merchandise or services must contain:

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

(b) the vendor's name from whom the certificate must be redeemed; and

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

(5) for a paddlewheel game played with a table, only cash prizes may be awarded and must be awarded and redeemed through the use of chips; and

(6) for a paddlewheel game played without a table, a cash prize amount may not be a variable multiple of the standard price of a paddlewheel ticket.

D. An organization must pay for in full or otherwise become the owner, without lien or interest of others, of merchandise prizes before winners of the prizes are determined, except as allowed by Minnesota Statutes, section 349.211, subdivision 4, paragraph (b), or for raffles with gross receipts of $60 or less.

E. When an organization awards a prize that will require registration or licensure by a government agency as a condition of ownership, the organization must use a certificate for merchandise. The winner will be responsible for securing the required registrations or licenses and will be required to give proof of eligibility to receive the prize. An organization is responsible for ensuring that the prize is received by the winner.

F. Cash prizes must be awarded when they are won. This item does not pertain to a progressive bingo prize, linked bingo jackpots, a progressive pull-tab or tipboard jackpot prize, and raffles.

G. Merchandise prizes must be displayed in full view of the players in the immediate vicinity of the game and must not be redeemed for cash or converted into cash. When the winner of a merchandise prize is determined, the organization must immediately remove the prize from the display and award it to the winner. This requirement does not apply to raffles.

H. All prizes must be awarded consistent with current federal and state laws.

I. All merchandise prizes must be accounted for in a format prescribed by the board that includes at a minimum the following information:

(1) date the organization acquired the merchandise;

(2) fair market value of the merchandise;

(3) complete inventory of prize merchandise; and

(4) documentation on how the fair market value was determined.

J. For leased permitted premises, an organization may not purchase merchandise prizes from the lessor, except that an organization may purchase from the lessor a certificate for merchandise or gift card to be redeemed for food or beverages at the premises if:

(1) the certificate or card value has a redeemable monetary cash value;

(2) the certificate or card does not contain restrictions on its redemption, such as requiring a purchase of food or beverage of equal or greater value or redeemable for a specific item;

(3) the certificate or card may be redeemed at any time during the regular business hours of the permitted premises; and

(4) the cost to the organization is 50 percent or less of the redeemable cash value of the certificate or card.

Subp. 5. **Prize receipts required.**

A. When a prize is awarded, the organization must complete a prize receipt in a format prescribed by the board for the following:

(1) a bingo prize valued at $100 or more;

(2) a bingo game where the value of the prize cannot be determined and verbally announced to players prior to the beginning of the game;

(3) a winning paper pull-tab or tipboard ticket valued at $100 or more, or for any prize for redeeming the last ticket sold in a paper pull-tab or tipboard game for which the distributor has modified the flare to contain a last sale prize of $20 or more. The winning ticket, and winning seal tab if any, must be stapled to the prize receipt;

(4) cashing out an electronic linked bingo device with $600 or more in credits;

(5) cashing out an electronic pull-tab device with $600 or more in credits; and

(6) a paddlewheel prize valued at $100 or more, and the winning ticket must be stapled to the prize receipt.

B. A prize receipt must include at a minimum the following, in a legible format and in ink:

(1) the organization's name;

(2) the name of the gambling premises;

(3) the game serial number of the game from which the prize was won;

(4) the name of the game;

(5) the date and time the prize was won or, for electronic pull-tabs and electronic linked bingo, the date and time credits of $600 or more were cashed out;

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

(7) the winner's complete name and address, and driver's license number, including state of license registration:

(a) if the winner does not have a driver's license, the winner's complete name and identification number must be obtained from another form of government-issued picture identification belonging to the winner; or

(b) if a bingo winner does not have a driver's license or other form of government-issued picture identification, the prize receipt must contain the name and address of the winner, and a driver's license or other government-issued picture identification, including the complete name, identification number, and the signature in ink, of another person playing bingo during that occasion; and

(8) signatures, in ink, of the winner and the gambling employee or volunteer paying the winner.

Subp. 6. **Storing and securing equipment.** Gambling equipment may be stored on the leased permitted premises. Gambling equipment must be secured in an area that is under the organization's control.

Subp. 7. **Return of defective paper pull-tab or tipboard game and raffle boards to distributor or revenue.**

A. If, before being put into play, a paper pull-tab or tipboard game or raffle board is determined not to be manufactured according to the standards in part 7864.0230, the organization must return the game to the distributor. The game or raffle board must be returned within seven business days of determining that the standards, including the following, were not met:

(1) serial number or form number of the tickets or raffle board does not match the serial number or form number on the flare or raffle board stubs;

(2) all tickets in a deal or raffle board stubs do not have the same serial number in a deal;

(3) a pull-tab or tipboard game has the same serial number and form number as another pull-tab or tipboard game manufactured by that manufacturer, or a raffle board has the same serial number and form number as another raffle board manufactured by that manufacturer, in the organization's inventory;

(4) geographic outline of the state of Minnesota as required by Minnesota Statutes, section 349.163, subdivision 5, does not appear on the raffle board or on the flare for that game;

(5) bar code required by Minnesota Statutes, section 349.163, subdivision 5, does not appear on the raffle board or flare for that game;

(6) prize amount on a pull-tab or tipboard ticket does not correspond to the prize amount listed on the flare;

(7) pull-tab or tipboard ticket price does not correspond to the price listed on the flare; or

(8) a game or raffle board was received from a distributor with the manufacturer's seal broken.

B. If, during the play of a paper pull-tab or tipboard game or raffle board, the game or board is determined not to be manufactured according to the standards in part 7864.0230, the organization must immediately remove the game or raffle board from play and report it as a played game on the tax return.

(1) The organization must return the game or raffle board to the distributor with documentation that the game does not meet the standards, including but not limited to item A, subitems (4) to (7).

(2) For a game or raffle board not manufactured in compliance with item A, subitem (1), (2), or (3), the organization must surrender the game or raffle board to the commissioner of revenue.

C. If, after a paper pull-tab or tipboard game or raffle board is removed from play, the game or raffle board is determined not to be manufactured according to the standards in part 7864.0230, the organization must report the game or raffle board as played on the tax return.

(1) The organization must return the game or raffle board to the distributor with documentation that the game or raffle board does not meet the standards, including but not limited to applicable standards in item A, subitems (4) to (7).

(2) For a game or raffle board not manufactured in compliance with item A, subitem (1), (2), or (3), the organization must surrender the game or raffle board to the commissioner of revenue.

D. The organization must keep any game or raffle board that is returned by the distributor as a played game.

Subp. 8. **Return of defective linked bingo paper to linked bingo game provider.** Within seven business days of determining that linked bingo paper was not manufactured according to part 7864.0230, the organization must return the linked bingo paper to the linked bingo game provider with documentation that the paper does not meet the standards.

Subp. 8a. **Return of defective bingo boards.** Within seven business days of determining that a bingo board was not manufactured according to part 7864.0230, the organization must return the bingo board to the distributor with documentation that the bingo board does not meet the standards.

Subp. 9. **Closing an electronic game occasion; records and reports.**

A. At the end of each electronic game occasion, the point of sale system must produce:

(1) for devices that play both electronic pull-tab games and electronic linked bingo games, a record of the total value of credits purchased, the total value of credits redeemed, and the net value of credit for the electronic game occasion;

(2) a record of the gross electronic pull-tab receipts, the value of electronic pull-tab prizes awarded, and electronic pull-tab net receipts for the electronic game occasion;

(3) a record of the electronic linked bingo gross receipts, the value of electronic linked bingo prize contribution to be paid to the linked bingo game provider, and the electronic linked bingo net receipts for the electronic game occasion;

(4) a reconciliation of the cash in hand and the total net receipts that calculates the cash long or short amounts for the electronic game occasion; and

(5) separate summaries for all bar operation and booth operation electronic game activity conducted on the same day at the same premises.

B. If the lessor provides the starting cash bank, the lessor must transfer the net cash value of credits from the electronic game occasion to the licensed organization.

C. If the organization provides the starting cash bank, the net value of credits must be compared to the cash in hand amount to determine the cash long or short for the electronic game occasion.

D. An organization must keep electronic game occasion records and reports for 3-1/2 years following the end of the month in which the electronic game occasion was conducted and reported on the tax return. An organization may maintain or convert and store records and reports in an electronic format. An organization must make records and reports available in paper format to the board, the commissioner of revenue, the commissioner of public safety, or their agents upon request.

Subp. 10. **Defective electronic pull-tab game or electronic linked bingo game.** If an electronic pull-tab game or an electronic linked bingo game is found to be defective, the organization must immediately:

A. suspend the electronic pull-tab game or electronic linked bingo game from play;

B. close the game; and

C. notify the distributor or the linked bingo game provider and the board of the defective electronic pull-tab game or defective electronic linked bingo game within one business day.

Subp. 11. **Defective, altered, lost, or stolen electronic pull-tab device or electronic linked bingo device.**

A. If an electronic pull-tab device or an electronic linked bingo device is found to be defective or altered, the organization must immediately remove the device from play and notify the distributor or the linked bingo game provider and the board.

B. If an electronic pull-tab device or an electronic linked bingo device is lost or stolen, the organization must immediately notify the distributor or the linked bingo game provider and the board.

C. The organization must report to the board any removal of a defective or an altered electronic pull-tab device or electronic linked bingo device, or any lost or stolen device, at a site within one business day.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

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7861.0270 BINGO.

Subpart 1. **Restrictions and definitions.** In addition to the restrictions and requirements in part 7861.0260, the following restrictions and definitions apply to the conduct of bingo.

A. The term "bingo paper" means bingo paper sheets, linked bingo paper sheets, bingo paper sheet packets, bingo paper sheet packages, or facsimile of a bingo paper sheet.

B. The term "packet" means bingo paper sheet packets.

C. The term "package" means bingo paper sheet packages.

D. The term "sealed paper" means a sealed bingo paper sheet.

Subp. 2. **Posting of bingo information and house rules.** In addition to the information required by part 7861.0260, subpart 2, an organization must prominently post at the point of sale, display on all active electronic linked bingo devices, or state in its bingo program the following information:

A. house rules which include, at a minimum:

(1) policy on declaring bingo and last bingo number called; and

(2) reasons for potentially canceling bingo occasions; and

B. a notice that includes:

(1) the price for each bingo hard card, bingo paper, and electronic bingo device;

(2) a statement that only cash sales are permitted;

(3) if duplicate bingo hard cards are in play, unless the organization has otherwise notified all players before purchase of bingo hard cards for a game or number of games; and

(4) if breakopen bingo games are conducted, that identical sealed bingo paper sheet faces may occur during the game, the color of all original sealed paper, and the price at which the original and trade-in, if any, sealed paper must be sold.

Subp. 3. **Bingo equipment to be used.** An organization must comply with the following for the conduct of bingo.

A. If bingo balls are used, the 75 bingo balls must be available for inspection and inspected by at least one player before a bingo occasion begins to determine that all are present and in operating condition. Each bingo ball may bear no more than one letter and one number. Each bingo ball in the set must be equal in size, weight, shape, balance, and all other characteristics that control their selection, and must be free from any defects. Except for continuation bingo games, each bingo ball must be present in the bingo ball selection device before each bingo game begins.

B. If a bingo board is used, the bingo board must be available for inspection and be inspected by at least one player before a bingo occasion begins to determine that the placard seals have not been altered or tampered with, and are free from defects.

C. Video cameras and monitors may be used.

D. An organization must maintain in sound working condition all equipment used in the conduct of a bingo game.

E. Linked bingo paper sheets or facsimiles of linked bingo paper sheets must not be included as part of a packet or package. All linked bingo paper sheets or facsimiles of linked bingo paper sheets must be sold as a separate item.

F. An organization must not reserve bingo cards, bingo paper, or an electronic bingo device for any person.

G. An organization must not use sets of bingo paper sheets or packets containing identical faces during a single bingo game, except that identical faces may occur on sealed bingo paper sheet faces during a breakopen bingo game. Identical faces may not occur on facsimiles of sealed bingo paper sheet faces used with an electronic bingo device during a breakopen bingo game.

H. Sealed paper sheets or facsimiles of sealed paper sheets must be used for any bingo game for which, prior to the selection of the first bingo number, a person could determine whether a particular bingo face is more likely to win the game than another bingo face or more likely to win a higher alternative prize.

I. An organization or its employees or agents must not:

(1) duplicate or make copies of bingo hard cards or bingo paper;

(2) cut bingo paper sheets (case paper);

(3) separate or cut packets (collated paper); or

(4) break open any part of a bingo board, including seals, or otherwise alter or tamper with a bingo board prior to the start of a game.

J. An organization with gross bingo receipts exceeding $150,000 in its last fiscal year, after any coupon discounts have been applied by the organization, may not use bingo hard cards. This restriction does not apply to the use of Braille bingo hard cards.

K. An organization may permit a player who is legally blind to bring and use a Braille or large print hard card. A Braille hard card must contain the letters and numbers required by part 7861.0210, subpart 3, in a format that can be verified by sight by a person who is not able to read Braille. An organization may disallow the use of a Braille or large print hard card that does not comply with requirements for bingo hard cards or linked bingo paper. For the use of a personal Braille or large print hard card, an organization must charge a person who is visually impaired the same price charged for a bingo hard card or bingo paper sheet face. Large print hard cards may not be used to participate in electronic linked bingo games.

Subp. 3a. **Use of electronic bingo devices.** An organization may offer electronic bingo devices, as defined by Minnesota Statutes, section 349.12, subdivision 12a, to be used by players if the following requirements are met.

A. The number of bingo faces that may be played per game must be limited to 36 for each device.

B. A player is limited to the use of not more than two electronic bingo devices so long as one is used exclusively for the play of electronic linked bingo.

C. The device may be used with a facsimile of a bingo paper sheet. If a facsimile is used, the organization must provide the player with a sales receipt at the point of sale. This provision does not apply to electronic bingo devices used to conduct electronic linked bingo.

D. The device must be used as part of a bingo occasion and must have no added function as a gambling or entertainment device according to part 7864.0230, subpart 6, except that an electronic bingo device that is used for electronic linked bingo games may be used as an electronic pull-tab device.

E. The organization must offer the use of an electronic bingo device for the same price options to all players.

F. The organization must record all voids before the start of the second bingo game in a bingo occasion. For a malfunction that occurs after the start of the second bingo game, the organization must record and document the reason for the void and report the voids to the board within three business days.

G. Only licensed manufacturers, distributors, or authorized organization employees may perform service or maintenance on an electronic bingo device.

H. An organization must not modify the assembly or operational functions of an electronic bingo device or any of its components. If the electronic bingo device has an audio function, the organization may activate the audio function for all players or may limit the use of the audio function to players who are visually impaired.

Subp. 4. **Bingo programs made available.** Bingo programs must be made available to all players before the start of each bingo occasion.

A. Hard card and paper bingo programs must include at a minimum the following information:

(1) organization's name, name of the permitted premises, and license number;

(2) for each game, a written description and illustration of the winning bingo pattern or bingo game requirement;

(3) for bingo games played on bingo paper sheets, a description of the bingo paper to be used, including:

(a) color of the paper, and a description of the border, if any;

(b) number of bingo faces on each sheet;

(c) for packets, the number of sheets in each packet; and

(d) for packages, the number and type of bingo paper sheets added by the organization to the packets;

(4) prizes to be offered by the organization and any factors used to determine the prize payout structure for each game;

(5) date the program is implemented;

(6) days and times the program will be used; and

(7) explanation of limiting bingo number counts, if used.

B. Electronic linked bingo programs must include at a minimum the following information:

(1) name and license number of the linked bingo game provider;

(2) for each game, a written description and illustration of the winning bingo pattern or bingo game requirements;

(3) prizes to be offered and any factors used to determine the prize payout structure for each game; and

(4) explanation of winning bingo number counts, if used.

Electronic linked bingo programs must be posted at the point of sale or be available for viewing on each electronic linked bingo device.

C. The organization must maintain a copy of the hard card or paper bingo program in use for each bingo occasion conducted and must make the program available to the board upon request.

Subp. 5. **Sales to bingo players; use of coupons.** An organization must comply with the following for sales made to bingo players.

A. Coupons may be used to reduce the selling price of bingo paper to the players from the price stated on the distributor invoice or to reduce the selling price of hard cards to the players if the following information is maintained for each redeemed coupon:

(1) the person's name and address;

(2) the monetary difference between the price of the bingo paper as listed on the distributor's invoice and the price paid by the person redeeming the coupon; and

(3) the printed name and signature, in ink, of the person redeeming the coupon.

B. The sale of bingo hard cards or bingo paper and the rental of electronic bingo devices must comply with the following.

(1) The sales must be on a cash basis and take place at the permitted premises during or immediately preceding the bingo occasion for which they are sold. Sales of gift certificates for bingo hard cards, bingo paper, or for the use of an electronic bingo device may be conducted at any time at the permitted premises.

(2) All linked bingo paper sheets must be sold for the same price to all players.

(3) Before the start of a specific bingo game, players must pay for bingo hard cards and bingo paper. This restriction does not pertain to the sale of sealed paper used in a breakopen bingo game.

(4) Before selling packets or packages after the first game in a bingo occasion has started, an organization must deface the bingo paper for games already played or in play.

(5) Bingo paper is valid only for the bingo occasion for which it was purchased by a player.

(6) The price of a bingo face played on a device may not be less than the price of a face on a bingo paper sheet sold for the same game at the same occasion.

(7) An organization must not offer free or discounted bingo hard cards or bingo paper, unless the price is reduced with a coupon.

Subp. 6. **Beginning a bingo game.** A bingo game begins with the first letter and number called.

A. Before the start of a bingo game, the bingo pattern or bingo game requirement must be described and verbally announced to the players. In games where players fill in the numbers on bingo paper sheet faces or facsimiles used with an electronic bingo device, the numbers must correspond to the appropriate columns on a bingo paper sheet face and the required pattern. Only the numbers 1 to 15 may be placed in the "B" column, 16 to 30 in the "I" column, 31 to 45 in the "N" column, 46 to 60 in the "G" column, and 61 to 75 in the "O" column. A bingo pattern or bingo game requirement may not be completed with fewer than three bingo numbers having been drawn.

B. Before the start of a bingo game, the prize amount must be verbally announced to players. For games with alternative prize levels, the factors determining the prize amount must be verbally announced to players before the start of the game.

C. All numbers and letters announced must be clearly and audibly called.

D. Immediately following the selection of each bingo number:

(1) if a bingo ball selection device is used, the caller must display that portion of the bingo ball that shows the letter and the number to the players. After a bingo ball has been drawn, it must not be returned to the receptacle until the game is completed;

(2) except for bar bingo, the caller must make sure that the majority of players are able to see the selected letter and number during the game; and

(3) the corresponding letter and number on the flashboard, if used, must be lit.

E. If a bingo board is used, the caller must do the following:

(1) sequentially open one seal on the bingo board, starting with the number 1; and

(2) immediately announce the letter and number revealed.

No additional windows may be opened after a winning bingo has been called and verified, unless the game is a continuation game.

F. For bingo conducted with a bingo board, the caller must make sure that at least two players are able to see the selected letter and number during the game.

G. If the bingo caller discovers a wrong number has been called, the caller must:

(1) announce that a wrong number has been called;

(2) call the correct number; and

(3) correct the flashboard, if used, and continue the game.

H. The letter and number selected must be called before the next bingo number is selected, except when conducting a bingo game where the selected letter and number do not pertain to the pattern being played.

I. In a bingo game with a pattern that does not require all available bingo numbers, the caller must verbally state before the game begins that selected bingo numbers not pertaining to the pattern will not be called.

Subp. 7. **Closing a bingo game.** Except for linked bingo games, an organization must close each bingo game with the following procedure.

A. The game must be stopped after a player has declared a valid bingo.

B. The next bingo ball out of the device for selecting bingo numbers must be removed from the device before shutting the device off, and must be the next bingo ball called if the bingo is not valid.

(1) In a continuation bingo game, the next bingo ball out of the device must be held and used as the first bingo ball called for the next game.

(2) In a bingo game where a drawn ball does not pertain to the pattern being played, the bingo ball must be removed from the device before shutting the machine off. If the drawn ball pertains to the pattern being played, the bingo ball must be the next bingo ball called if the bingo is not valid.

C. Every winning bingo face must be verified by at least one neutral player who is not an immediate family member of the player declaring bingo plus an organization employee must read aloud the numbers in the winning bingo if an electronic verification device is not used.

D. After a bingo winner has been determined and verified, the bingo caller must ask the players at least twice if there are any other bingos. If no one answers, the caller must announce that the game is completed.

Subp. 8. **Awarding bingo prizes.** When awarding bingo prizes, an organization must comply with the following.

A. An organization must award a prize if:

(1) the serial number and face number of the winning bingo paper or the face number on the winning bingo hard card was sold at that occasion;

(2) the player completed a predetermined bingo pattern or bingo game requirement with the letters and numbers called; and

(3) the bingo is verified by the organization.

An organization may not award a prize or consolation prize based upon any other method, including any element of chance.

B. If there are multiple winners for a cash prize, the organization must divide the cash amount into equal amounts and award the divided amount for each verified winning bingo face. The organization may round fractional dollars to the nearest higher dollar.

C. If there are multiple winners for a merchandise prize that cannot be divided, the organization must award substitute prizes of equal value for each verified winning bingo. Cash may be awarded as a substitute prize.

Subp. 9. **Breakopen bingo game.** In addition to other requirements contained in this part, a breakopen bingo game must also comply with the following.

A. At the start of the breakopen bingo game an organization must announce:

(1) the color of all original sealed paper; and

(2) the price of original sealed paper, and the price of trade-in sealed paper, if used.

B. A breakopen bingo game begins when, in the presence of players, the organization calls and posts, either manually or by use of a flashboard, a predetermined quantity of bingo numbers.

C. For each breakopen game held during a bingo occasion, the organization must use a separate set of bingo balls and one of the following:

(1) a separate bingo ball selection device;

(2) a separate tray within a bingo ball selection device; or

(3) a separate bingo ball container.

If an organization uses a separate tray or bingo ball container, the bingo balls must be in view of the players at all times during the game.

D. If using a bingo board, the board or placard must be in view of players and seals must be opened in numerical order or as indicated on the board or placard.

E. Sealed paper or facsimiles of sealed paper may be sold throughout the bingo occasion. However, no sealed paper or facsimiles of sealed paper for the game may be sold after the organization has resumed calling bingo numbers for the breakopen game.

F. After the predetermined quantity of bingo numbers has been called and posted and immediately before the selection of the next bingo number, the caller must ask if any player has completed the designated pattern or bingo game requirement.

(1) All players who complete the pattern or bingo game requirement within the predetermined quantity of bingo numbers called are considered winners, regardless of the last number called.

(2) If a player or players declare bingo based on the predetermined quantity of numbers selected and the bingo is verified, the player or players must be awarded the designated prize and the game ends.

(3) If no bingo is declared and verified, the organization must resume calling bingo numbers until one or more players declare bingo, the bingo is verified, and the designated prize or consolation prize is awarded.

G. Except for progressive breakopen bingo games, a breakopen bingo game must be played at a bingo occasion until the game is completed.

H. An organization may allow players to trade in sealed paper. The organization must account for the trade-in of sealed paper in the following manner.

(1) If a trade-in sealed paper is used, the organization must use two sets of sealed paper for each game. One set, known as the "original set," must be a different color than the second set, known as the "trade-in set."

(2) All sealed paper in the original set must be sold for the same price. All sealed paper in the trade-in set must be sold for the same price as other sealed paper in the trade-in set.

(3) After purchasing sealed paper from the original set, players may continue to purchase sealed paper from the original set. Players may trade in sealed paper from the original set for sealed paper from the trade-in set.

I. An electronic bingo device may be used with facsimiles of sealed bingo paper for a breakopen bingo game. The organization may not allow trade-ins of facsimiles of sealed bingo paper.

Subp. 10. **Linked bingo game.** In addition to other requirements in this part and in conjunction with a licensed linked bingo game provider under parts 7863.0250 and 7863.0260, an organization must also comply with the following for the conduct of a linked bingo game.

A. An organization must only sell approved linked bingo paper sheets or facsimiles of linked bingo paper sheets for a linked bingo game. Duplicate linked bingo paper sheet faces or duplicate facsimiles of linked bingo paper sheet faces are not allowed in the same linked bingo game.

B. All bingo numbers must be selected at a location approved by the board.

C. The bingo numbers must be recorded in the order in which they were selected.

D. An organization must be registered and approved by the linked bingo game provider before participating in any linked bingo game.

E. The organization must report the sales to the linked bingo game provider before the first bingo number is selected.

F. A linked bingo game may be stopped once a winning bingo pattern has been completed.

G. A winning pattern or bingo game requirement must be verified in the following manner:

(1) after a winning pattern or bingo game requirement has been declared by a player for a linked bingo game conducted with paper bingo sheets, the winning linked bingo paper face or facsimile of the winning linked bingo paper face must be verified by the participating organization and confirmed by the linked bingo game provider; or

(2) after a winning pattern or bingo game requirement has been achieved by a player for an electronic linked bingo game, the winning linked bingo face must be electronically verified by the linked bingo game provider.

H. After a winner has been declared and verified for a linked bingo game conducted with paper bingo sheets, the participating organization at the permitted premises where the win occurred must notify the linked bingo game provider of the winner's name, address, and all information required for federal and Minnesota tax requirements before any payment is issued. If applicable, any participating organization other than the organization at the winning location may continue play of the game at the permitted premises and award a consolation prize.

I. After a winner has been declared and verified for a linked bingo game conducted on an electronic bingo device, the participating organization at the permitted premises where the win occurred must notify the linked bingo game provider of the winner's name, address, and all information required for federal and Minnesota tax requirements before any payment is issued to a winner of a prize of $600 or greater. For any prize won of less than $600, the prize amount must be credited to the player's account on the electronic device.

Subp. 11. **Bingo records and reports.** Bingo records and reports must be completed in ink by the organization, and kept for 3-1/2 years following the end of the month in which the occasion was conducted and reported on the tax return. Each organization using bingo paper must maintain inventory records in a format prescribed by the board. Any changes or amendments made to bingo records and reports must contain the initials, in ink, of the person making the changes or amendments. With the exception of completed prize receipt forms, coupons, and unplayed bingo boards, records and reports may be maintained or converted and stored in an electronic format. Upon request, records and reports must be made available in paper format to the board, the commissioner of revenue, the commissioner of public safety, or their agents.

Subp. 12. **Perpetual inventory records required for case paper.** For each case of bingo paper sheets, the organization must include in its inventory records, at a minimum, the following information:

A. organization name and premises permit number;

B. serial number;

C. control number assigned by the organization;

D. color;

E. series;

F. number of faces per sheet (ON's);

G. description of face patterns, if any;

H. distributor name, invoice number, and date of invoice;

I. distributor's invoiced bingo paper price, and number of bingo paper sheets being invoiced;

J. retail selling price for each bingo paper sheet; and

K. perpetual inventory information for each case of bingo paper sheets (case paper).

Subp. 13. **Perpetual inventory records required for linked bingo paper.** For linked bingo paper sheets, the organization must include in its inventory records, at a minimum, the following information:

A. organization name and premises permit number;

B. serial number;

C. control number assigned by the organization;

D. color;

E. linked bingo game provider name, invoice number, and date of invoice;

F. linked bingo game provider's invoiced bingo price and number of bingo paper sheets being invoiced;

G. retail selling price for each linked bingo paper sheet; and

H. perpetual inventory information for linked bingo paper sheets.

Subp. 14. **Perpetual inventory records required for packets.** For each set of packets, the organization must include in its inventory records, at a minimum, the following information:

A. organization name and premises permit number;

B. serial number;

C. control number assigned by the organization to the packet. The control number may be the serial number of each bingo sheet in the packet, or the serial number from the top sheet in each packet if the invoice shows that only the serial number from the top sheet is provided;

D. distributor name, invoice number, and date of invoice;

E. distributor's invoiced bingo paper price, and number of packets being invoiced;

F. number of sheets per packet (UP's);

G. number of faces per sheet (ON's);

H. description of face patterns, if any;

I. color of each sheet in the packet, in the order of collation;

J. retail selling price for each packet; and

K. perpetual inventory information for each set of packets.

Subp. 15. **Perpetual inventory records required for packages.** For each package, the organization must assign a control number and account for all components of the package. The organization must include in its inventory records, at a minimum, the following information:

A. organization name and premises permit number;

B. serial number;

C. control numbers of the paper used to build the package;

D. for each component of the package, the color, series number, number of faces per sheet (ON's), number of sheets per packet (UP's), and distributor invoiced cost;

E. retail selling price for the package;

F. control number assigned to the package; and

G. perpetual inventory information for each type of package.

Subp. 16. **Physical inventory records and discrepancy report required for all bingo paper.** For bingo paper, the organization must include in its monthly physical inventory summary, at a minimum, the following information:

A. organization name and premises permit number;

B. by type, the quantity of bingo paper sheets, packets, and packages;

C. control numbers;

D. distributor's invoiced cost for bingo paper sheets and packets; and

E. date and signature, in ink, of the person completing the form.

The organization must reconcile the monthly physical inventory to the perpetual inventory. Any discrepancies of more than $50 in the selling price of inventory must be reported to the board, in a format prescribed by the board, by the 20th of the month following the completion of month-end physical inventory records.

Subp. 17. **Bingo occasion records required for hard cards.** For bingo hard cards, the organization must maintain the following information for each bingo occasion:

A. copy of the caller verification form prescribed by the board;

B. total number of bingo hard cards sold for each game and the selling price of each card;

C. total amount of cash collected for all sales of bingo hard cards, and the total dollar amount of all redeemed coupons and all gift certificates sold and redeemed;

D. dollar amount of the cash prize, or the actual cost of the merchandise prize awarded for each bingo game and the face number of each winning card;

E. cash on hand at the beginning and end of the occasion;

F. completed prize receipts, redeemed coupons, and redeemed gift certificates;

G. copy of the checker's record that includes the number of cards played in each game, the face number of each winning card, and prize awarded to the winning card, with the date and signature, in ink, of the checker; and

H. name of each volunteer or employee working at the occasion.

Subp. 18. **Bingo occasion records required for all bingo paper and facsimiles of bingo paper sheets.** For bingo paper, including facsimiles of bingo paper sheets, the organization must maintain the following information for each bingo occasion and include:

A. the total amount by control number of packages, packets, or sheets available for sale at the occasion and returned to inventory at the end of the occasion. Each seller working at the bingo occasion must complete a separate form;

B. a summary of total admission sales, including total cash on hand at the beginning of the occasion, total cash receipts from admission sales, quantity by dollar value of all coupons redeemed and gift certificates sold and redeemed, and net admission sales;

C. for each bingo game conducted, the number of bingo paper sheets and selling price of each bingo paper sheet sold by each floor seller;

D. a summary of income from the rental of electronic bingo devices, including quantity rented and amount charged per unit;

E. the total value of prizes awarded for each game and the serial number and face number of each winning bingo paper sheet face, and for linked bingo games the amount contributed to the jackpot prize;

F. a copy of the caller verification form prescribed by the board;

G. a bingo occasion summary, including total gross and net sales and any cash discrepancies; and

H. completed prize receipts, redeemed coupons, and redeemed gift certificates.

Subp. 19. **Gross receipt and discrepancy report required for bingo hard cards and bingo paper.** An organization must prepare a gross receipt and discrepancy report for each bingo occasion in a format prescribed by the board.

A. For bingo hard cards, an organization employee must compare the gross receipts to the checker's records. The gambling manager must verify the records. If a discrepancy of more than $50 is found, the organization must submit a discrepancy report to the board within five days of the bingo occasion.

B. For bingo paper, an organization employee must reconcile the gross receipts of each bingo occasion to the occasion records. The gambling manager must verify the records. If a discrepancy of more than $50 is found, the organization must submit a discrepancy report to the board within five days of the bingo occasion.

Subp. 20. **Records required for electronic bingo devices.** For electronic bingo devices, the following information, at a minimum, must be maintained:

A. the quantity of devices in inventory;

B. the quantity of devices rented for each occasion, amount charged for each device, number of voids, and total amount collected which must be reported as prescribed by the commissioner of revenue; and

C. the distributor or linked bingo game provider name, invoice date, and invoice number for the lease of electronic bingo devices.

Subp. 21. **Disposal of bingo records.** The following items apply to the disposal and destruction of records.

A. An organization is required to keep records for 3-1/2 years following the end of the month in which the occasion was conducted and reported on the tax return.

B. The organization may destroy bingo records after the retention period in item A expires, except as required in item C.

C. An organization must keep the records after the retention period in item A expires if they are notified by the board, commissioner of revenue, commissioner of public safety, or their agents that an audit, compliance review, or investigation is being conducted.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

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7861.0280 PAPER PULL-TABS.

Subpart 1. **Paper pull-tab restrictions.** In addition to the restrictions and requirements in part 7861.0260, the following apply to the conduct of paper pull-tabs.

A. The pull-tab seller must not assist players in the selecting or opening of purchased paper pull-tabs or in the selection of a chance ticket in a multiple chance game.

B. For multiple seal and multiple chance games, the seller must not allow a player to physically touch the flare or chance ticket display. Once the player has selected a seal or chance ticket, the pull-tab seller must open that seal or section of the chance ticket display containing the chance ticket and hand the chance ticket to the player.

C. An organization must not award a prize for paper pull-tab tickets that were sold by another organization.

D. An organization must not transfer games in play from one permitted premises to another.

E. At a leased permitted premises, an organization must not transfer paper pull-tab games in play between a booth and bar operation.

F. If an organization owns the permitted premises, the organization may transfer paper pull-tab games in play between its booth and bar operation.

Subp. 1a. **Paper pull-tab sales at premises offering electronic pull-tab sales.** For purposes of Minnesota Statutes, section 349.1721, subdivision 4, paragraph (a), clause (3), the following apply to paper pull-tab sales at premises offering electronic pull-tab sales:

A. At a bar operation premises, paper pull-tabs must be offered for sale during all times electronic pull-tabs are offered for sale.

B. Electronic pull-tab games may be conducted at a booth operation premises only if paper pull-tabs are offered for sale during all times the booth is open.

Subp. 2. **Posting of information and paper pull-tab flare.** In addition to the information required by part 7861.0260, subpart 2, an organization must post the flare for each deal of paper pull-tabs in play.

A. The flare must be attached to the receptacle or pull-tab dispensing device containing the deal of pull-tabs or prominently posted at the point of sale.

B. The entire flare must be visible to players.

C. An organization may not change the flare except:

(1) to post a progressive jackpot amount; or

(2) to record the method of selecting a winning ticket for a paper pull-tab event game.

D. An organization may not use a flare that it receives in an altered or defaced condition except for flares that contain a last sale sticker added by the distributor.

E. If a progressive paper pull-tab game is played, the organization must also post the flare containing the current progressive jackpot amount while the game is in play.

F. If a cumulative paper pull-tab game is played, the organization must also post the prize pool board while the game is in play.

G. If a multiple chance game is played, the chance ticket display must be prominently visible when the game is in play.

Subp. 3. **Operation of paper pull-tab or event game.** Paper pull-tab games must be conducted in the following manner.

A. A deal of paper pull-tabs may not be placed out for play in the original container in which it was received. When a deal of paper pull-tabs is put into play, all of the paper pull-tabs must be placed out for play at the same time. All of the paper pull-tabs must be randomly removed from the original containers and thoroughly mixed before a deal of paper pull-tabs is offered for sale. Tiered containers may not be used for the sale of paper pull-tabs.

B. An organization may not put into play any paper pull-tab or pull-tab flare that has been marked, defaced, altered, or tampered with, or operate a paper pull-tab game in a manner that tends to deceive the public or affects the chances of winning or losing.

C. Separate cash banks must be maintained for each deal unless a point of sale system that meets the standards in this part is used or the deal is played through a paper pull-tab dispensing device.

D. Each paper pull-tab must be sold for the price on the flare. A paper pull-tab may not be given to a player free of charge or for any other consideration.

E. An organization may not award a prize to a player unless the player redeems a winning paper pull-tab. A prize payout must not be made to any player for a lost, marked, defaced, or altered paper pull-tab, or for any winning paper pull-tab that left the permitted premises where the deal is in play.

F. The pull-tab seller must immediately deface each winning paper pull-tab when it is redeemed by the player.

G. For paper pull-tab event games where a winning ticket is determined by a method other than an instant win the following apply:

(1) if more than one method of selecting the winning ticket or tickets is provided on the flare by the manufacturer, the organization must determine the method to be used and record the determination on the flare prior to making the game available for play;

(2) the organization must prominently post the flare prior to the sale of any tickets; and

(3) a player with a potential winning (hold) ticket is not required to be in attendance to win and must be given a receipt by the seller for notification purposes if the ticket is selected as a winner. If the hold ticket is selected as a winning ticket, the organization must notify the player within two business days of selecting the winning ticket.

Subp. 3a. **Operation of a multiple chance paper pull-tab game.** In addition to the requirements of subpart 3, the following pertains to the conduct of multiple chance paper pull-tab games.

A. The chance ticket display containing the chance tickets must be prominently visible when the game is in play.

B. For multiple chance games, forfeiting a qualifying winning ticket for a chance ticket is not a consideration.

C. When a qualifying winning ticket is presented to the pull-tab seller:

(1) the player must indicate in ink on the qualifying winning ticket whether the player elects to:

(a) forfeit the qualifying winning ticket for a chance ticket; or

(b) redeem the prize indicated on the qualifying winning ticket;

(2) if the player chooses to forfeit the qualifying winning ticket, the player may choose a chance ticket contained in the chance ticket display adjacent to the game flare. The seller may not choose the chance ticket;

(3) the seller must open that section of the chance ticket display surrounding the selected chance ticket and hand the chance ticket to the player; and

(4) the seller must staple the forfeited qualifying ticket to the chance ticket, along with a prize receipt if required, and retain in the game's records for 3-1/2 years.

D. When the seller is away from the point of sale or the site is closed for business, the chance ticket display must be secured.

E. The organization must immediately close a deal when there is compromised security of the multiple chance game, tickets, flare, or chance ticket display.

F. Any chance tickets remaining in the chance ticket display at the close of the game must remain sealed in the chance ticket display and be maintained with the game's records for 3-1/2 years.

Subp. 4. **Operation of cumulative paper pull-tab game.** In addition to the requirements of subpart 3 the following items pertain to the conduct of a cumulative paper pull-tab game.

A. Cumulative paper pull-tab games may only be played with deals having the same form number from the same family and manufacturer.

B. An organization may have more than one deal in a cumulative paper pull-tab game in play at the same time but may not commingle deals.

C. The organization must post the prize pool board until the cumulative game is completed or is discontinued by the organization.

D. When a seal winner is determined for a deal, the seller must open or uncover the seal on the prize pool board and award the prize.

E. When closing or discontinuing a deal within a cumulative paper pull-tab game, the organization must immediately open or uncover the seal for that deal to determine a winner, if any.

Subp. 5. **Operation of multiple seal paper pull-tab game.** In addition to the requirements of subpart 3, the following items pertain to the conduct of a paper pull-tab game with multiple seals.

A. When a ticket with a seal number is presented to a seller, the seller must open or uncover the seal as designated on the ticket and award the prize.

B. When the game is closed, all unclaimed and unsold seals must remain sealed or covered.

Subp. 6. **Operation of progressive paper pull-tab game.** In addition to the requirements of subpart 3, the following items pertain to the conduct of a progressive paper pull-tab game.

A. A progressive paper pull-tab game may only be played with deals having the same form number from the same family and manufacturer.

B. Each deal in a progressive paper pull-tab game must contribute the same amount towards the progressive jackpot. When the progressive jackpot reaches the jackpot amount listed on the flare, no additional contribution may be made to the progressive jackpot.

C. The holder of a paper pull-tab ticket that allows the player to be a potential jackpot winner must also complete a contact information form that includes the organization and game information, holder's name, address, telephone number, and the selected progressive jackpot window or windows to be opened or uncovered if the player is the seal prize winner.

D. If the seal prize winner is present, the winner must select a progressive jackpot window or windows to be opened or uncovered by the seller. If the winner is not present, the seller opens or uncovers the window or windows the player has selected and recorded on the contact information form.

E. If there is no seal prize winner or the progressive jackpot is not won, the next deal may be put in play or the progressive paper pull-tab game may be closed.

F. When the progressive jackpot is won, the organization must:

(1) have the winner complete and sign a progressive paper pull-tab jackpot prize receipt. If the winner is not present when the jackpot window or windows are opened or uncovered, the organization must send the prize receipt and notification letter to the winner by certified mail within two business days. If the jackpot winner does not claim the prize within 30 days of the date the certified letter was mailed, the prize will be forfeited by the player;

(2) pay the winner by check within four business days of receipt of the signed prize receipt. The organization may pay the winner with cash if the jackpot prize is less than $600 and the seal prize winner is present when the winning seal is opened or uncovered;

(3) furnish the winner with appropriate federal and state tax forms;

(4) collect completed federal and state tax forms from the winner; and

(5) process payment after withholding taxes.

Subp. 7. **Use of a paper pull-tab dispensing device.** If a paper pull-tab dispensing device is used, the organization must comply with the following.

A. No more than three paper pull-tab dispensing devices in total may be installed or operated at a permitted premises by all organizations at the premises.

B. An organization may not install or operate a paper pull-tab dispensing device at a permitted premises that does not have a valid license for on-premises sales of intoxicating liquor or 3.2 percent malt beverages, except as allowed by Minnesota Statutes, section 349.151, subdivision 4b.

C. An organization may not install or operate a paper pull-tab dispensing device at a permitted premises where persons under age 18 are allowed to participate as players in bingo occasions conducted by exempt or excluded organizations.

D. The paper pull-tab dispensing device must be located within view of a gambling employee or volunteer.

E. An organization may not use in a paper pull-tab dispensing device any paper pull-tab game that has a last sale prize.

F. An organization must assign a unique identification code to every person authorized to access a paper pull-tab dispensing device. An organization must maintain an access log, in a format prescribed by the board, for each paper pull-tab dispensing device that it operates. The active access log must be kept in an interior compartment and when completed must be removed and kept with the organization's records.

G. An organization must identify for players the paper pull-tab games that are placed in the individual columns of each pull-tab dispensing device.

H. When adding games to a paper pull-tab dispensing device, an organization must randomly put the entire deal into one or more columns. When tickets remain in only one column, the tickets may continue to be sold without further splitting into multiple columns.

I. An organization must maintain complete control of its paper pull-tab dispensing devices. The gambling manager is responsible for all keys to each paper pull-tab dispensing device with the following requirements.

(1) For each paper pull-tab dispensing device, the organization must maintain a key log on a form prescribed by the board. The key log must contain, at a minimum, the following information:

(a) names of organization employees who are assigned custody of one or more keys and the dates the keys were assigned; and

(b) any instance in which the custody of any key changes from one organization employee to another, including the date of the change and the name of the organization employee accepting the key.

(2) If one or more keys is lost or stolen, the organization must have the entire lockset replaced by a licensed distributor or the licensed manufacturer of the paper pull-tab dispensing device.

(3) A duplicate key to any exterior door or interior compartment must not be made.

(4) Keys to the cash compartment may not be assigned to the lessor or lessor's employees unless the paper pull-tab dispensing device has a separate locked cash box within the cash compartment, and the lessor or lessor's employees needs the key to remove and secure the cash box at the close of business for the day. The lessor or lessor's employees must record the currency meter readings in the access log whenever they open the cash compartment to remove the cash box. An organization may not assign the keys to the cash box to a lessor or lessor's employees.

J. If there is a catastrophic failure of a paper pull-tab dispensing device, the organization must notify the board and receive its approval before clearing, erasing, or replacing the access and accounting indicators.

K. An organization employee opening the cash compartment must remove all the cash and record the currency meter readings in the access log.

L. Only licensed manufacturers, distributors, or authorized organization employees may perform service or maintenance on paper pull-tab dispensing devices. An organization must not modify the assembly or operational functions of a pull-tab dispensing device or any of its components.

Subp. 8. **Commingled deals in a paper pull-tab dispensing device.** The following items apply to commingled deals of paper pull-tabs.

A. An organization may commingle two or more single deals of paper pull-tabs in a paper pull-tab dispensing device if:

(1) the deals are identical in the type of game, ticket, color, form number, and quantity of paper pull-tabs per deal;

(2) each deal has a separate flare displaying the bar code and serial number; and

(3) the flares have the same ticket price, amount of prizes, and prize denominations.

B. An organization must remove commingled deals from play at the end of each month for the purpose of reporting the sales from the deals on that month's tax return as prescribed by the commissioner of revenue. The organization must report on the tax return the deals for which all tickets have been sold or the deals that the organization chooses not to return to play. The organization may return commingled deals to play when the required information has been determined.

C. The board may prohibit an organization from commingling deals of paper pull-tabs if it determines that the organization cannot account for the amount of actual cash profit from each commingled deal of paper pull-tabs.

Subp. 9. **Standards for point of sale systems for paper pull-tab games.** If an organization uses a point of sale system in the conduct of paper pull-tabs, the point of sale system must:

A. be protected by a surge protector and an uninterruptible power supply so that all existing data is preserved if electrical power to the point of sale system is interrupted;

B. have at least one keyed lock with a multiple function position capable of restricting access to accounting and auditing functions;

C. have an operating switch or lock that will allow the point of sale system to operate only when a unique identification code has been entered;

D. create a paper or magnetic media duplicate transaction journal following each transaction;

E. be capable of accepting a game's serial number and ticket price before that game is put into play;

F. have a screen that will display the value of currency given by the player and the amount of currency, if any, to be returned to the player;

G. be capable of recording the following information for each sale of a paper pull-tab:

(1) date of the sale;

(2) operator's unique identification code;

(3) serial number of the game from which the paper pull-tab is purchased;

(4) quantity of paper pull-tabs purchased; and

(5) ticket price;

H. be capable of recording the following information for each redeemed winning paper pull-tab:

(1) date of the prize payout;

(2) operator's unique identification code;

(3) serial number of the winning paper pull-tab; and

(4) amount of the prize payout;

I. be capable of recording and maintaining the information required for each game of paper pull-tabs in play, and be capable of producing a printout for any or all of the games in play at any time; and

J. be capable of printing out the final game record and deleting the game from its transaction records after a paper pull-tab game is closed.

Subp. 10. **Use of point of sale system; monthly audit and reconciliation report for paper pull-tabs.** If an organization uses a point of sale system in the conduct of paper pull-tabs, the organization must:

A. use the point of sale system exclusively for the conduct of lawful gambling;

B. be able to identify, by transaction, each employee or volunteer who uses a point of sale system to sell and redeem paper pull-tabs;

C. have sole responsibility for all keys used to operate the point of sale system;

D. enter the following information into the point of sale system before placing a paper pull-tab deal into play:

(1) the game's serial number; and

(2) the ticket price, which must be identical to the ticket price on the flare;

E. ensure that the gambling employee or volunteer:

(1) uses the point of sale system key that corresponds to the game from which the player is purchasing the paper pull-tab;

(2) enters the number of paper pull-tabs purchased; and

(3) enters the dollar value of the currency given by the player;

F. ensure that when redeeming a winning paper pull-tab the gambling employee or volunteer:

(1) uses the point of sale system key that corresponds to the game from which the winning paper pull-tab is being redeemed; and

(2) enters the prize payout amount;

G. record as a paper pull-tab sale and as a redeemed paper pull-tab a transaction in which a player chooses to receive a paper pull-tab instead of a cash prize payout;

H. count cash at the end of each work period and record it in a format prescribed by the board. If the cash amount does not reconcile to the point of sale system totals for each game in play, the organization must prepare a point of sale system discrepancy report in a format prescribed by the board; and

I. on the last day of the month, perform an audit of all paper pull-tab games in play and reconcile the results to the cash register bank on a form prescribed by the board.

(1) For each game in play, the information must include:

(a) game name and serial number;

(b) ideal and actual gross receipts;

(c) total value of unsold tickets;

(d) total value of prizes paid; and

(e) net receipts.

(2) The reconciliation of the cash bank must include:

(a) total amount of cash in the point of sale system less the starting cash bank amount, if any;

(b) amount of cash long or short, if any; and

(c) the adjustments made, if any, to balance the amount of cash in the register to the total net receipts for the games in play.

The board may prohibit an organization from using a point of sale system for paper pull-tabs if it determines that the organization cannot account for the amount of the actual gross receipts from sales, the actual value of prizes awarded, and cash short or cash long from each deal of paper pull-tabs.

Subp. 11. **Paper pull-tab records and reports.**

A. An organization must keep all records, reports, and prize receipts relating to a paper pull-tab game for 3-1/2 years following the end of the month in which the game was removed from play.

B. An organization must complete records, reports, and prize receipts for paper pull-tab games in ink.

C. With the exception of completed prize receipt forms, unsold and winning tickets, chance tickets, and chance ticket displays containing any unopened chance tickets, an organization may maintain or convert and store records and reports in an electronic format.

D. The organization must make records and reports available in paper format to the board, the commissioner of revenue, the commissioner of public safety, or their agents upon request.

E. While a paper pull-tab deal is in play, an organization must keep all records, reports, and prize receipts for the deal at the permitted premises.

F. For each deal of paper pull-tabs the organization must keep the flare, with the bar code attached, and all redeemed and unsold pull-tabs separated by game serial number. Commingled deals of paper pull-tabs that were commingled while in play must be separated by game serial number after being removed from play. The organization must not open any unsold or defective paper pull-tabs or chance tickets or chance ticket displays.

G. For each deal of paper pull-tabs removed from play during that month, an organization must complete a monthly report in a format prescribed by the commissioner of revenue, as required by Minnesota Statutes, section 297E.06.

H. When using point of sale systems for paper pull-tab games, an organization must keep all cash count, discrepancy, and reconciliation reports, along with all other records for the game.

I. When using a paper pull-tab dispensing device, an organization must keep all access logs along with all other records for each paper pull-tab game dispensed from the device.

J. When separate cash drawers are used for each deal of paper pull-tabs in play, the organization must record the following information for each paper pull-tab deal on a form or in a format prescribed by the board:

(1) the daily beginning and ending cash drawer balance;

(2) the initials of all pull-tab sellers on each date;

(3) any additions to or reductions in the starting cash bank;

(4) the date put in play and date closed;

(5) the signature of the person putting the game in play and removing the game from play;

(6) the total cash on hand at closing of game;

(7) the amount of bank deposit;

(8) the dated signature of person preparing and making deposit;

(9) the total value of prizes paid for the game;

(10) the total value of unsold tickets for the game; and

(11) the dated signature of the person who audited the game to determine the amounts in subitems (9) and (10).

Subp. 12. **Disposal of paper pull-tab games and records.** The following items apply to the disposal and destruction of paper games and records.

A. The organization must keep played paper pull-tab games, flares, prize pool boards that contain unopened seals, chance tickets and the corresponding chance ticket displays containing any unopened chance tickets, and all records for any such game for 3-1/2 years following the end of the month in which the game was played and reported as a played game on the tax return.

B. The organization may destroy a played paper pull-tab game and the records for that game when the retention period in item A expires, except as required by item C. The game must be completely destroyed using a method such as shredding or burning.

C. An organization must keep paper pull-tab games and records after the retention period in item A expires if the organization is notified by the board, commissioner of revenue, commissioner of public safety, or their agents that an audit, compliance review, or investigation is being conducted.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

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7861.0285 ELECTRONIC PULL-TABS.

Subpart 1. **Operation of electronic pull-tab games.** In addition to the restrictions and requirements in part 7861.0260, the following apply to the conduct of electronic pull-tabs.

A. While an electronic pull-tab game is in play, an organization's employee, agent, or volunteer may not provide any information on the game's actual gross receipts, prizes paid, net receipts, or value of unsold tickets to anyone other than the person or persons with authority to remove the game from play or to complete reports required by the Department of Revenue.

B. Once an electronic deal of pull-tabs is made available for play, the deal may not be manually paused or taken out of play for any reason and then reinstated for play. If the deal is manually paused or taken out of play, the game must be permanently closed from play.

C. All credits maintained on the electronic pull-tab device when removed from play may be redeemed by the player or used for play upon reactivation.

D. When a deal of electronic pull-tabs is put into play, all of the pull-tabs must be randomly dispensed.

E. An organization may not put into play any electronic pull-tab game that has been altered or tampered with, or operate an electronic pull-tab game in a manner that tends to deceive the public or affects the chances of winning or losing.

F. An organization may not commingle more than two electronic pull-tab games.

G. A single cash bank is allowed for all electronic pull-tab deals in play for each site. Game deposits and reconciliation will be based on total daily activity from all electronic pull-tab games in play.

H. Each electronic pull-tab must be sold for the price on the flare. An electronic pull-tab may not be given to a player free of charge or for any other consideration.

I. The value of winning electronic pull-tabs must be credited to the electronic device and allow for the continuation of play or redemption by the player at any time. A prize payout must not be made to any player for a lost or an altered electronic pull-tab device or an electronic pull-tab device that left the permitted premises where the deal is in play.

J. The pull-tab seller must record all payments to the player in the point of sale system.

K. An electronic game occasion must end any time that the sale and redemption of credits switches from a booth operation to a bar operation or from a bar operation to a booth operation.

L. Any unclaimed credits left in the electronic pull-tab device will be retained by the organization and reported as other income.

M. At the end of each month, an organization must report in a format prescribed by the commissioner of revenue the value of total sales, prizes paid, and net receipts from electronic pull-tab activity during the month.

Subp. 1a. **Operation of multiple chance electronic pull-tab game.** In addition to the requirements of subpart 1, when a predetermined qualifying winning electronic ticket, not to exceed the prize value in Minnesota Statutes, section 349.1721, subdivision 5, provides an option to the player to forfeit the ticket for a chance of a prize greater than, equal to, or less than the qualifying winning ticket, the player must choose to redeem or forfeit the qualifying winning ticket.

A. If the qualifying winning ticket is redeemed, the player is awarded the winning amount in the form of credits.

B. If the qualifying winning ticket is forfeited, the value of the initial winning credits is also forfeited, and the player must select from the available chances to reveal the award. The player is awarded the winning amount of the chance, if any, in the form of credits.

Subp. 2. **Operation of multiple seal electronic pull-tab game.** In addition to the requirements of subpart 1, when a ticket with one or more seal (bonus win) indicators is presented to a player, the player must open or uncover the seal or seals in the manner designated on the ticket to reveal the prize.

Subp. 3. **Operation of progressive electronic pull-tab game.** In addition to the requirements of subpart 1, the following items pertain to the conduct of a progressive electronic pull-tab game:

A. A progressive electronic pull-tab game may only be played with deals having the same form number from the same family and manufacturer.

B. Each deal in a progressive electronic pull-tab game must contribute the same amount towards the progressive jackpot. When the progressive jackpot reaches the jackpot amount listed on the flare, no additional contribution may be made to the progressive jackpot.

C. The player with a pull-tab ticket that allows the player to be a potential jackpot winner must select a progressive jackpot window or windows to be opened or uncovered.

D. If there is no seal prize winner or the progressive jackpot is not won, the next deal may be put in play or the progressive electronic pull-tab game may be closed.

E. When the progressive jackpot is won, the organization must:

(1) have the winner complete and sign a progressive electronic pull-tab jackpot prize receipt;

(2) pay the winner by check within four business days of receipt of the signed prize receipt. The organization may pay the winner immediately with cash if the jackpot prize is less than $600;

(3) furnish the winner with appropriate federal and state tax forms;

(4) collect completed federal and state tax forms from the winner; and

(5) process payment after withholding taxes.

Subp. 4. **Commingled deals in an electronic pull-tab device.** An organization may commingle up to two single deals of pull-tabs in an electronic pull-tab device if:

A. the deals are identical in the type of game, ticket, price, color, form number, prize structure, and quantity of pull-tabs per deal;

B. all tickets from both deals in play are combined and randomly distributed when deals are commingled;

C. each deal has a separate flare displaying the serial number or all serial numbers when deals are commingled; and

D. there is notice on each device indicating that the game is a commingled game.

Subp. 5. **Electronic pull-tab records and reports.**

A. For each deal of electronic pull-tabs, the organization must keep the game summary report identifying the serial number of the game, tickets sold, prizes redeemed, net receipts, and dates the game was in play. The organization must keep game summary records for 3-1/2 years following the month in which the game was removed from play.

B. For electronic pull-tabs, the organization must complete a monthly report identifying the total sales, prizes paid, and net receipts in a format prescribed by the commissioner of revenue, as required by Minnesota Statutes, section 297E.06.

C. The organization must keep records and reports relating to electronic pull-tab games for 3-1/2 years following the end of the month in which the electronic game occasion was conducted and reported on the tax return.

D. The organization may maintain or convert and store records and reports in an electronic format. The organization must make records and reports available in paper format to the board, the commissioner of revenue, the commissioner of public safety, or their agents upon request.

Subp. 6. **Disposal of electronic pull-tab games and records.** An organization must keep electronic pull-tab game records and reports after the retention period in subpart 5 expires if the organization is notified by the board, the commissioner of revenue, the commissioner of public safety, or their agents that an audit, compliance review, or investigation is being conducted.

Statutory Authority: *MS s 349.151*

History: *38 SR 1613; 41 SR 137*

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7861.0290 TIPBOARDS.

Subpart 1. **Restrictions.** In addition to the restrictions and requirements in part 7861.0260, the following apply to conduct of tipboards.

A. An organization must not redeem tickets that were sold by another organization.

B. An organization must not transfer games in play from one permitted premises to another.

C. At a leased permitted premises, an organization must not transfer games in play between a booth and bar operation.

D. If an organization owns the permitted premises, the organization may transfer games in play between its booth and bar operations.

Subp. 2. **Posting of information and flare.** In addition to the information required by part 7861.0260, subpart 2, an organization must prominently post at the point of sale the flare of a tipboard deal.

A. If a progressive tipboard game is played, the organization must also post the flare containing the current progressive jackpot amount while the game is in play.

B. An organization may not change the prizes printed on the tipboard by the manufacturer except to post a progressive jackpot amount.

C. The organization may not use a tipboard that it receives in an altered or defaced condition except for flares that contain a last sale sticker added by the distributor.

Subp. 3. **Operation of tipboard game.** The following items apply to the game of tipboards.

A. All tipboard tickets for a tipboard deal must be placed out for play at the same time.

B. An organization must sell the tipboard tickets or group of banded tickets for the price printed on the flare. A tipboard ticket may not be given to a player free of charge or for any other consideration.

C. An organization may not pay a player unless the player redeems a winning tipboard ticket.

D. A prize may not be awarded to any player for a lost, marked, defaced, or altered ticket, or for any winning tipboard ticket that left the permitted premises where the game is in play.

E. The seller must immediately deface a winning tipboard ticket when it is redeemed by the player.

F. When discontinuing or closing a tipboard deal, an organization must immediately open or uncover the seal to determine a seal winner, if any.

Subp. 4. **Operation of progressive tipboard game.** In addition to the requirements of subpart 3, the following items pertain to the conduct of a progressive tipboard game.

A. A progressive tipboard game may only be played with deals having the same form number from the same family and manufacturer.

B. Each deal in a progressive tipboard game must contribute the same amount towards the progressive jackpot. When the progressive jackpot reaches the jackpot amount listed on the flare, no additional contribution may be made to the progressive jackpot.

C. The holder of a tipboard ticket that allows the player to sign a predesignated line on the tipboard flare must also complete a contact information form that includes the organization and game information, holder's name, address, telephone number, and the progressive jackpot window selected to be opened or uncovered if the player is the seal prize winner.

D. If the seal prize winner is present, the winner must select a progressive jackpot window or windows to be opened or uncovered by the seller. If the winner is not present, the seller opens or uncovers the window or windows the player has selected and recorded on the contact information form.

E. If there is no seal prize winner or the progressive jackpot is not won, the next deal may be put in play or the progressive tipboard game may be closed.

F. When the progressive jackpot is won, the organization must:

(1) have the winner complete and sign a progressive tipboard jackpot prize receipt. If the winner is not present when the jackpot window or windows are opened or uncovered, the organization must send the prize receipt and notification letter to the winner by certified mail within two business days. If the jackpot winner does not claim the prize within 30 days of the date the certified letter was mailed, the prize will be forfeited by the player;

(2) pay the winner by check within four business days of receipt of the signed prize receipt. The organization may pay the winner immediately with cash if the jackpot prize is less than $600 and the seal prize winner is present when the winning seal is opened or uncovered;

(3) furnish the winner with appropriate federal and state tax forms;

(4) collect completed federal and state tax forms from the winner; and

(5) process payment after withholding taxes.

Subp. 5. **Operation of tipboard game with multiple seals.** In addition to the requirements of subpart 3, the following items pertain to the conduct of a tipboard game with multiple seals.

A. An organization may not commingle deals of tipboard games with multiple seals.

B. When a player presents a winning ticket for a predesignated seal, the seller must immediately open or uncover the predesignated seal on the flare and award the prize.

C. An organization may discontinue the play of a tipboard game with multiple seals before all tickets are sold in a deal.

Subp. 6. **Operation of cumulative tipboard game.** In addition to the requirements of subpart 3 the following items pertain to the conduct of a cumulative tipboard game.

A. Cumulative tipboard games may only be played with deals having the same form number from the same family and manufacturer.

B. An organization may have more than one deal in a cumulative tipboard game in play at the same time but may not commingle deals.

C. The organization must post the prize pool board until the cumulative game is completed or is discontinued by the organization.

D. When a seal winner is determined for a deal, the seller must open or uncover the seal on the prize pool board and award the prize.

E. When closing or discontinuing a deal within a cumulative tipboard game, the organization must open or uncover the seal for that deal to determine a winner, if any.

Subp. 7. **Tipboard records and reports.**

A. An organization must keep all records, reports, and prize receipts for a tipboard game for 3-1/2 years following the end of the month in which the lawful gambling occasion was conducted and reported on the tax return.

B. An organization must complete records, reports, and prize receipts for tipboard games in ink.

C. With the exception of completed prize receipt forms and unsold and winning tickets and stubs, an organization may maintain or convert and store records and reports in an electronic format.

D. An organization must make records and reports available in paper format to the board, the commissioner of revenue, the commissioner of public safety, or their agents upon request.

E. While a tipboard deal is in play, an organization must keep all records, reports, and prize receipts for the deal at the permitted premises.

F. For each tipboard game an organization must keep the flare, with bar code attached, and all redeemed and unsold tipboard tickets separated by game serial number. The organization must not open any unsold or defective tipboard tickets.

G. For each progressive tipboard game, an organization must record at a minimum the following information in a format prescribed by the board:

(1) date that each deal was placed into play;

(2) deal information, including serial number, form number, and quantity of tickets sold for that deal;

(3) amount contributed to the progressive jackpot;

(4) date the winner of the progressive jackpot was determined and notified; and

(5) date the progressive jackpot was redeemed.

H. For each tipboard game removed from play during that month, an organization must complete a monthly report in a format prescribed by the commissioner of revenue, as required by Minnesota Statutes, section 297E.06.

Subp. 8. **Disposal of played tipboards and records.** The following items apply to the disposal and destruction of games and records.

A. An organization must keep a played tipboard game, flare, and all records for that game for 3-1/2 years following the end of the month in which the tipboard was played and reported as a played game on the tax return.

B. An organization may destroy a played tipboard game and the records for that game when the retention period in item A expires, except as required by item C. The game must be completely destroyed using a method such as shredding or burning.

C. An organization must keep the tipboard game and records after the retention period in item A expires if the organization is notified by the board, commissioner of revenue, commissioner of public safety, or their agents that an audit, compliance review, or investigation is being conducted.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; 38 SR 1613*

Published Electronically: *June 24, 2014*

7861.0300 PADDLEWHEELS.

Subpart 1. **Restrictions.** In addition to the restrictions and requirements in part 7861.0260, the following apply to the conduct of paddlewheels.

A. Paddlewheels must be played using paddletickets, paddleticket cards, and a paddlewheel. A game of paddlewheels may be conducted with or without a paddlewheel table.

B. Each paddleticket card must have a paddleticket card number preprinted on the stub and on each attached paddleticket. Each paddleticket card must have a different paddleticket card number. An organization must not have two paddleticket cards with the same number in its possession.

C. An organization must use paddletickets that are attached to a paddleticket card.

D. All paddletickets on a paddleticket card must be sold before the paddlewheel is spun. If all the paddletickets on the card cannot be sold, the organization must refund the cost of the paddletickets to the players. The unplayed paddletickets must be returned to and defaced by the organization.

E. The mechanical paddlewheel must be spun by the paddlewheel operator and make at least four complete revolutions before stopping. If four complete revolutions are not made, the spin is not valid and the paddlewheel must be spun again. An organization may not have multiple spins of the paddlewheel to award multiple prizes for one paddleticket card.

F. The winning number is determined by the position of the pointer when the paddlewheel stops spinning. If the pointer stops on top of a peg, the number preceding the peg is the winning number.

G. Prizes may only be awarded to a holder of a winning paddleticket.

H. An organization must not transfer paddlewheel games in play to another permitted premises.

Subp. 2. **Balancing, opening, closing, maintenance, and inspection of mechanical paddlewheels.** The following requirements for the balancing, opening, closing, maintenance, and inspection of paddlewheels apply to all paddlewheel games.

A. To open a paddlewheel, the paddlewheel operator must inspect each peg and the pointer for uneven wear and replace any worn peg or worn pointer.

B. The paddlewheel operator must check the balance of the paddlewheel by:

(1) inspecting the back of the paddlewheel for a foreign object that may affect the paddlewheel's balance;

(2) positioning the pointer so it does not interfere with the spin of the paddlewheel; and

(3) slowly rotating the paddlewheel 45 to 90 degrees at a time in one direction. The paddlewheel operator must determine whether there is any abnormality in the rotation or any reverse rotation after the paddlewheel stops. The wheel must continue to be rotated until the entire wheel has been evaluated by this method in both directions. If the paddlewheel is out of balance, the organization must balance the paddlewheel before conducting paddlewheels.

C. To close a paddlewheel, the paddlewheel operator must place a cover over the paddlewheel or otherwise make it inoperable.

Subp. 2a. **Testing and maintenance of an electronic paddlewheel.** The following requirements for the testing and maintenance of an electronic paddlewheel apply to all paddlewheel games.

A. Prior to initial operation, the organization must register the electronic paddlewheel with the board and receive board approval of the electronic paddlewheel.

B. The organization must secure the electronic paddlewheel when not in use to prevent any tampering or unauthorized use.

C. The organization must restrict log-in access to the operation of the electronic paddlewheel to the operator of the game, the gambling manager, and the distributor.

D. Prior to the acceptance of any wager, the operator of the game shall run a test game to verify the electronic paddlewheel is operating according to the manufacturing standards for the device.

E. The organization must maintain a log-in report identifying the time and date of each instance the electronic paddlewheel was accessed for testing purposes or for actual play. The log-in report must include start and end times of access.

Subp. 3. **Posting of information for paddlewheels without a paddlewheel table.** In addition to the information required by part 7861.0260, subpart 2, an organization must prominently post at the point of sale:

A. clear and legible house rules that include, at a minimum, the following information:

(1) all paddletickets on a card must be sold before the paddlewheel is spun;

(2) the paddlewheel must make at least four complete revolutions before the pointer stops. If the pointer stops on top of a peg, the number preceding the peg is the winning number;

(3) the winner is not required to be present when the paddlewheel is spun; and

(4) the winner must claim the prize by the conclusion of the activity for the day;

B. the master flare for the paddlewheel game, which the organization may not change; and

C. a clear and legible sign stating the amount of any cash prize and the fair market value of all merchandise prizes to be awarded for each spin.

Subp. 4. **Conduct of paddlewheels without a paddlewheel table.** The following items apply to the conduct of paddlewheels without a paddlewheel table.

A. The sale of paddletickets must comply with the following:

(1) Each ticket on a paddlecard must be sold for the same price and must be a separate and equal chance to win as all other paddletickets with the same paddleticket card number.

(2) In order to play, a person may not be required to purchase more than one paddleticket or pay for anything other than the ticket.

(3) The paddletickets must be sold on the permitted premises on the same day the paddlewheel is spun.

B. The redemption of a winning paddleticket and the awarding of a prize must comply with the following.

(1) To be eligible for the prize, a player is not required to be present when the paddlewheel is spun.

(2) All winning tickets must be redeemed before the conclusion of the activity for that day. Otherwise, the player forfeits the prize.

(3) For each redeemed winning paddleticket, an organization must keep a record of the date played and the cash prize amount or merchandise prize awarded.

(4) In addition to the prize awarded to the winning number, prizes may be awarded to the numbers immediately adjacent to the winning number on the paddlewheel.

Subp. 5. **Posting of information for paddlewheels with a paddlewheel table.** In addition to the information required by part 7861.0260, subpart 2, an organization must prominently post at the point of sale clear and legible information including, at a minimum, the following:

A. information required by subpart 3, item A, subitems (1) and (2);

B. the master flare for the paddlewheel game, which the organization may not change;

C. cash denominations at which paddlewheel chips issued by the organization are sold and redeemed;

D. a player must first purchase paddlewheel chips from the paddlewheel operator;

E. chips must be safeguarded. A chip dropped into a table betting slot must be retrieved by authorized organization employees;

F. a player must purchase with chips only as many paddletickets as the player desires to bet on the immediate next spin of the paddlewheel;

G. a player is assigned a unique identification number that the player must write on the back of purchased paddletickets;

H. the player places a bet by inserting a paddleticket in a selected betting slot on the paddlewheel table. Jammed tickets are void;

I. a player may not touch a paddleticket after the paddlewheel operator announces "bets closed" and until the operator announces "place bets";

J. a winning "odd" or "even" bet is determined by a winning number of only the designated colored circle. However, a player loses all "odd" and "even" bets if the pointer stops on a specially designated "house number." This rule must be posted only if an "odd" or "even" bet is accepted;

K. a prize payout is made in chips that must be redeemed through the cashier; and

L. a player must be present to win.

Subp. 6. **Conduct of paddlewheels with a paddlewheel table.** The following items pertain to the conduct of paddlewheels with a paddlewheel table.

A. Before conducting a paddlewheel game with a paddlewheel table, the organization's gambling manager must attend a board-authorized class on the conduct of paddlewheels with a paddlewheel table. Thereafter a replacement gambling manager must attend a board-authorized class on the conduct of paddlewheels with a paddlewheel table within 60 days of the effective date of the new gambling manager's license. If a gambling manager fails to meet board-authorized class requirements, the organization must discontinue the conduct of paddlewheels with a paddlewheel table until the replacement gambling manager has attended the board-authorized class.

B. No more than two paddlewheel tables may be at a permitted premises. If there are two paddlewheel tables at a permitted premises, each table and its drop boxes must have a separate and unique paddlewheel table identification number.

C. To open a paddlewheel for use, a gambling employee or volunteer must inspect the cavity of the table for any paddleticket, paddlewheel chip, or foreign object that may have fallen through the slots, and must attach a paddlewheel chip tray and lock a paddlewheel drop box to the table.

D. For the sale of paddlewheel chips and paddletickets the organization must comply with the following.

(1) All paddletickets must be sold on the permitted premises immediately before a spin to be valid for that spin.

(2) Each ticket on the paddlecard must be sold for the same price and must be a separate and equal chance to win with all other paddletickets sold for the spin.

(3) The player must purchase paddlewheel chips and paddletickets from the paddlewheel operator at the paddlewheel table.

(4) A player must purchase paddletickets only with paddlewheel chips, except that paddletickets for the immediate next spin may be purchased directly with cash in an amount equal to the value of the tickets.

(5) When a player first purchases paddlewheel chips, the operator must give the player a card containing a unique identification number. The player must return the card to the operator when the player stops playing.

(6) Only chips may be used that comply with the standards in subpart 9.

E. Upon receiving currency from a player for the purchase of paddlewheel chips or paddletickets, the operator must:

(1) spread each bill of currency face down and flat, in sequence of denomination, in the inner table area perpendicular to the chip tray, and momentarily move the operator's hands away from the currency so the currency is within the camera's view;

(2) spread the paddlewheel chips or purchased paddletickets out on the playing surface, and momentarily move the operator's hands away from the chips or paddletickets so that the chips or paddletickets are within the camera's view;

(3) restack the chips and push them to the player; and

(4) place the currency in the drop box after giving the player the chips or paddletickets.

F. The placement of bets must comply with the following.

(1) Each player must write the player's assigned identification number on the back of the player's paddletickets before placing the tickets in a betting slot on the paddlewheel table.

(2) A player must bet all of the player's purchased paddletickets on the immediate next spin. Any purchased but unplayed tickets are not valid, must not be used on any other spin of the paddlewheel, and must be given back to the operator who must treat them as losing tickets.

(3) To bet, a player must place the purchased paddleticket in a betting slot on the paddlewheel table. If the player forces the ticket all the way through the slot into the cavity of the table, the paddleticket is not valid and must be treated as a losing ticket.

(4) The paddlewheel operator must announce "bets closed" when the paddlewheel operator has determined that:

(a) no other player wants to purchase a paddleticket for the immediate next spin;

(b) there is no partially sold paddleticket card; and

(c) the players have bet all their tickets.

After that, a player may not bet a paddleticket, change a bet of a previously placed ticket, touch any ticket, or place the player's hands on top of the paddlewheel table.

(5) The paddlewheel operator may assist a player with a disability if the operator first verbally announces to all players at the table that assistance is being given.

G. The paddlewheel operator must record each spin in the following manner.

(1) The paddlewheel operator must sequentially number each paddlewheel spin for each day of activity beginning with "one" for the first spin of the day, progressing until activity for the day is completed.

(2) The spin number must be written with a nonerasable marker in a consistent manner either on:

(a) the face of the first paddleticket card stub for which paddletickets have been sold for a particular spin; or

(b) the back of the last stub from which tickets have been sold for a particular spin.

(3) All spin numbers must be recorded in the same location on the stub.

(a) When the sale of tickets for a particular spin continues into a new sealed grouping of paddleticket cards, the sequential spin number must then be written on the face of the first stub of the group from which tickets are continuing to be sold.

(b) For each subsequent spin of the same group of paddleticket cards, the spin number must be written in a consistent manner on either the face of the first stub for which paddletickets have been sold or on the back of the last stub from which tickets have been sold.

(4) All tickets sold for a spin must have the same prize payout. If more than one group of paddletickets is sold for a spin, the master flare for each group of tickets must be posted. At the end of the spin, the old flare must be removed.

(5) The paddlewheel operator must initial each paddleticket card stub with a nonerasable marker.

(6) After each spin, the paddlewheel operator must record with a nonerasable marker the winning number or numbers on:

(a) the face of the paddleticket card stub with the lowest serial number of the cards related to that spin of the paddlewheel; or

(b) the back of the paddleticket card stub with the highest serial number of the cards related to that spin of the paddlewheel.

H. When redeeming a winning paddleticket and awarding a prize, the organization must comply with the following.

(1) The paddlewheel operator must remove all losing paddletickets from the slots on the paddlewheel table and in view of the players tear in half and discard the torn tickets in a container that is not easily accessible by a player.

(2) Next, the operator must pay off the winning tickets, if any, slot by slot. To pay off the winning tickets, the operator must:

(a) circle or record, in ink, the winning number or set of numbers on the face or on the back of the winning ticket;

(b) pay off the winning ticket in chips to the player who has the card containing the unique identification number written on the back of the ticket; and

(c) record the prize amount in ink on the face or on the back of the winning ticket.

I. To close a paddlewheel, a paddlewheel operator must tell the players that their paddlewheel chips must be redeemed through the cash bank cashier. A paddlewheel operator must collect all identification cards from the players.

Subp. 7. **Use of digital video recorder (DVR) system for paddlewheels with a paddlewheel table.** The following items apply to the conduct of paddlewheels with a paddlewheel table.

A. Within 14 calendar days of the initial operation of a paddlewheel table or within 14 calendar days of switching to a DVR system, the organization must send to the board a video recording of at least one day's activity. The board must review the video recording to verify that the organization is complying with rule requirements. If the board does not receive a video recording or if the board determines the video recording does not meet rule requirements, the organization must make corrections before resuming paddlewheel activity.

B. An organization must use a DVR system that meets, at a minimum, the following requirements:

(1) record at the same time the operator, paddlewheel table rail to rail, and a picture of the wheel pointer and number of the paddlewheel table;

(2) not have an audio recorder;

(3) record real date and time of activity in a location on the video that does not obscure the view of the paddlewheel table or the wheel pointer;

(4) allow for immediate verification of the value of chips, placement and payment of bets, the pointer, the winning number on the paddlewheel, and drop box slot;

(5) show the identification number of the paddlewheel table when an organization conducts more than one paddlewheel table;

(6) record in color and be capable of variable focus;

(7) have sufficient clarity to distinguish the numbers on the table and the denominations of chips and bills;

(8) record at a rate of at least 30 frames per second; and

(9) be programmable with a seven-day memory backup.

C. When using a DVR system, the paddlewheel table and paddlewheel must be in plain view and not be blocked.

D. Security of the DVR system must meet the following:

(1) the DVR must be in a locked cabinet;

(2) the DVR and camera must not be plugged into an outlet that can be switched off;

(3) the DVR and camera must be plugged into a surge protector; and

(4) the DVR monitor, if any, will not be visible to the customers or operators.

E. The organization must maintain the DVR equipment to ensure the quality of the recording of activity at the paddlewheel table. The organization must close the paddlewheel table if the DVR system is not properly operating or fails to comply with this subpart.

F. Only a gambling manager or an authorized organization member or organization employee may start and stop the DVR system from the time a paddlewheel table is open for the day to the closing of the paddlewheel table or access an organization's DVR system and recordings.

A paddlewheel table operator or cashier, lessor, lessor's immediate family, and lessor's employees are specifically excluded from the activities in this item.

The system may be preprogrammed to start and stop at set times. The system must be locked and inaccessible to the paddlewheel table operator.

G. Each week the gambling manager or an authorized organization member or organization employee, excluding the paddlewheel table operator or cashier, lessor, lessor's immediate family, or lessor's employees, must review at a minimum one day's activity per table. A log must be kept showing who conducted the review and when it was conducted.

H. The organization must keep the recordings of each day's paddlewheel with a paddlewheel table activity in a safe and secure storage place for 90 days. The recordings may not be accessible to the paddlewheel table operator.

I. The organization must submit the recordings to the board upon request in a format approved by the board. The recordings must be viewable frame by frame and at high speed.

Subp. 8. **Operating procedures and internal controls for paddlewheels with a paddlewheel table.** The following operating procedures and internal controls apply to the conduct of paddlewheels with a paddlewheel table.

A. An organization is responsible for the safeguarding and secure storage of paddleticket cards and paddlewheel chips.

B. An organization must redeem paddlewheel chips for cash at the value for which they were sold. The chips must be redeemed only through the paddlewheel chip and cash bank cashier. The organization must keep the cash bank used to redeem paddlewheel chips separate from all other organization cash. Until the organization completes the records for the time period during which the chips were redeemed, the organization must keep redeemed chips separate and apart from the chip bank.

C. All tips must be made only with paddlewheel chips. A paddlewheel operator must redeem paddlewheel chips received as tips through the paddlewheel chip and cash bank cashier and may not exchange those chips for other chips from any chip tray.

D. An organization may not transfer or make change of chips directly from one table to another table.

E. When paddlewheel chips are distributed to a paddlewheel table from the chip bank, the paddlewheel chip and cash bank cashier must prepare a fill slip. The fill slip must be at least a two-part carbonless form and include at a minimum the following information:

(1) date and time;

(2) denomination of chips;

(3) quantity and total dollar value, by denomination, of chips;

(4) total dollar value of chips; and

(5) if there is more than one paddlewheel table located at the permitted premises, the table identification number.

The cashier must keep the original copy of the fill slip. The paddlewheel operator must deposit the duplicate copy of the fill slip in the paddlewheel table drop box.

F. When paddlewheel chips are returned from the paddlewheel table to the chip bank, the paddlewheel operator must prepare a credit slip which must be at least a two-part carbonless form. The same information must be recorded on the original and duplicate credit slip as on a fill slip. The paddlewheel operator must deposit the original copy of the credit slip in the paddlewheel table drop box, and the cashier must keep the duplicate copy of the credit slip.

G. After play has started, the paddlewheel operator must keep the money plunger in the paddlewheel table drop box slot while the drop box is attached to the table. The paddlewheel operator must remove the money plunger when coin, currency, or forms are being inserted into the drop box.

H. The paddlewheel operator must immediately place all cash received for paddlewheel chips into the drop box. The contents of the drop box may not be accessed by any person before the drop box cash count.

I. An organization employee or volunteer, who is not the paddlewheel operator or paddlewheel chip and cash bank cashier, must keep and control the key to at least one lock securing the contents of the paddlewheel drop box during the time a paddlewheel is in play.

J. At the end of the activity, the paddlewheel operator must remove and secure the unopened drop box.

K. The drop box must be opened and the cash counted by two organization employees or volunteers, only one of which may be the paddlewheel operator or the chip and cash bank cashier.

Subp. 9. **Standards for paddlewheel chips for paddlewheels with a paddlewheel table.** The following standards apply to paddlewheel chips used with a paddlewheel table.

A. Paddlewheel chips must not be made of plastic, wood, or paper.

B. An organization must issue paddlewheel chips in denominations of $1, $2, $5, or $25. $1 chips must be white, $2 chips must be yellow, $5 chips must be red, and $25 chips must be green.

C. Each chip must have permanent edge spots that are different in color than the rest of the chip.

D. Each paddlewheel chip must be clearly and permanently impressed, engraved, or imprinted with the organization's license number and the dollar value of the chip.

Subp. 10. **Bet and prize payout restrictions for paddlewheels with a paddlewheel table.** The following bet and prize payout restrictions apply to the conduct of paddlewheels with a paddlewheel table.

A. A player must not place a bet that exceeds one or more of the following limits:

(1) $50 in aggregate for a spin of the paddlewheel;

(2) $10 on a single number;

(3) $25 for a line bet; and

(4) $25 on either "odd" or "even."

A bet is void if it exceeds one or more of these limits. The paddletickets used to make the excess portion of the bet must be treated as losing tickets.

B. The prize payout must be a predetermined variable multiple of the amount wagered, must be made in paddlewheel chips, and must not exceed the following ratios:

(1) 40 to 1 for a bet on a single number in the outer concentric circle of the paddlewheel;

(2) 20 to 1 for a bet on a single number in the middle concentric circle of the paddlewheel;

(3) 10 to 1 for a bet on a single number in the inner concentric circle of the paddlewheel;

(4) 5 to 1 for a line bet; or

(5) 2 to 1 for an "odd" or "even" bet.

Subp. 11. **Paddlewheel records and reports.**

A. An organization must keep all records, reports, and prize receipts for a paddlewheel game for 3-1/2 years following the end of the month in which the lawful gambling occasion was conducted and reported on the tax return.

B. An organization must complete records, reports, and prize receipts for paddlewheel games in ink.

C. With the exception of completed prize receipt forms and unsold tickets and stubs, an organization may maintain or convert and store records and reports in an electronic format. An organization must make records and reports available in paper format to the board, the commissioner of revenue, the commissioner of public safety, or their agents upon request.

D. For each paddlewheel game, an organization must keep the master flare, all redeemed and unsold paddletickets, and all paddlecard stubs.

E. When using a paddlewheel with a table, an organization must complete forms prescribed by the board that account for cash banks, chips, receipts, operator sales, prize receipts, and operator percent of hold. An organization must keep records to account for the paddletickets, paddleticket cards, paddlewheel chips, gross receipts, actual net receipts, actual cash profit, and cash long or short for each separate time period on each day that a paddlewheel table is open for play.

F. For each separate time period that a paddlewheel table is in use, an organization must keep a record of the following information:

(1) premises permit number;

(2) table identification when the organization uses more than one table;

(3) dates and times that the paddlewheel was open for play;

(4) starting and ending cash bank amount;

(5) starting and ending paddlewheel chip inventories by denomination and total dollar value; and

(6) denomination and total dollar value of paddlewheel chips taken to the table from inventory, taken from the table to inventory, and redeemed for cash.

G. The organization must deface all unsold paddleticket cards when closing a grouping of paddleticket cards.

H. At the end of the month, the organization must close from play all partially played groupings of paddleticket cards and report as unsold any unplayed paddleticket cards.

I. For each sealed grouping of 100 or fewer sequentially numbered paddleticket cards from which paddletickets were sold that month and closed from play, an organization must complete a monthly report in a format prescribed by the commissioner of revenue, as required by Minnesota Statutes, section 297E.06.

Subp. 12. **Disposal of played paddlewheel tickets and records.** The following items apply to the disposal and destruction of tickets and records.

A. An organization must keep redeemed paddlewheel tickets, unsold tickets, and master flares for 3-1/2 years following the end of the month in which the game was played and reported as a played game on the tax return.

B. An organization may destroy paddlewheel records, redeemed paddletickets, unsold tickets, and master flares when the retention period in item A expires, except as required by item C. The game must be completely destroyed using a method such as shredding or burning.

C. An organization must keep the game and records after the retention period in item A expires if they are notified by the board, commissioner of revenue, commissioner of public safety, or their agents that an audit, compliance review, or investigation is being conducted.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; 38 SR 1613; 41 SR 137*

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7861.0310 RAFFLES.

Subpart 1. **Raffle ticket requirements.** Raffle ticket requirements are as follows.

A. Raffle tickets must have a detachable section and both parts must be sequentially numbered, starting with the number "1" and continuing through the maximum number of tickets to be sold. This does not pertain to raffle tickets that may be used only by exempt or excluded organizations under Minnesota Statutes, section 349.173, paragraph (a).

B. Organizations may purchase sequentially numbered raffle tickets in a quantity to be used for more than one raffle of the same type that occur only during the same month. Raffle tickets must have a detachable section and both parts must be sequentially numbered starting with the number "1" and continuing through the entire quantity of tickets purchased. Tickets purchased under this subpart must be tracked using an inventory format prescribed by the board.

C. Except for raffle board stubs, the detachable section must contain spaces for the purchaser's name, address, and telephone number.

D. The following information must be printed on each ticket:

(1) organization name and license or exemption number;

(2) date, time, and location of the selection or determination of winning entries;

(3) sequential number of the ticket;

(4) ticket price; and

(5) at a minimum the three most valuable prizes to be awarded, including a statement regarding the winner's responsibility for any applicable fees or taxes. If all prizes are not listed on the raffle ticket, the ticket must contain the statement "A complete list of additional prizes is available upon request."

E. Raffle tickets must not contain the words "suggested donation" or any other implied request for money, other than the price printed on the raffle ticket.

F. The invoice or documentation for the printing of the tickets must show who printed the tickets, the quantity of tickets printed for each price level, the range of the sequential numbers, and the selling price printed on the tickets.

G. All raffle tickets must be the same size, shape, and thickness.

Subp. 2. **Multiple pricing levels of raffle tickets.** A raffle may consist of multiple sets of tickets sold at different prices if the tickets comply with the following requirements.

A. Each price level of tickets must have a separate set of sequentially numbered tickets starting with number "1" through the maximum number of tickets to be sold at that price level.

B. Each set of tickets must be clearly identifiable from other tickets for the same raffle sold at a different price level.

C. All raffle tickets must be the same size, shape, and thickness.

D. The invoice for the printing of the tickets must show the quantity of tickets printed for each price level, the range of the sequential numbers, and the selling price printed on the tickets.

E. The organization must keep a separate raffle log for each set of tickets.

Subp. 3. **Posting of information and house rules.** In addition to the information required by part 7861.0260, subpart 2, items A and B, an organization must prominently post clear and legible house rules at the point where winners are determined. The house rules must include, at a minimum, the following:

A. method and policy of selecting or determining winners;

B. statement that the winner need not be present;

C. policy on accepting checks and debit card payments;

D. statement that the purchase of only one ticket or certificate of participation is required to enter the raffle;

E. explanation of multiple pricing levels, if any;

F. persons under age 18 may not purchase a raffle ticket or certificate of participation or win a prize; and

G. if wine, beer, or intoxicating liquors are awarded as a raffle prize, persons must be age 21 and older to win, as required by Minnesota Statutes, section 340A.707.

Subp. 4. **Conducting a raffle.** The following items apply to the conduct of raffles as allowed under Minnesota Statutes, section 349.173.

A. Each entry in a raffle must have an equal chance to win in the raffle.

B. The organization may not require a person to purchase more than one ticket or certificate of participation, or to pay for anything else to enter a raffle.

C. An organization must sell each ticket for the price printed on the ticket. The organization must not give a player any ticket free of charge or for any other consideration.

D. The organization may not require a person to be present at a raffle to be eligible to win a prize.

E. Each seller must return to the organization all unsold tickets and the stubs or other detachable section of all tickets sold before the drawing.

F. Tickets or certificates of participation must not be sold after the organization has started the prize selection process.

G. When tickets are used, the following apply:

(1) before the first drawing for a prize, the organization must place all the stubs or other detachable section of every ticket sold into a receptacle from which the winning tickets must be drawn; and

(2) the receptacle must be designed so that each ticket placed in it has an equal chance to be drawn.

H. The organization must account for all proceeds and unsold tickets.

Subp. 4a. **Conducting a raffle using a raffle board.**

A. Organizations excluded from raffle licensing requirements under Minnesota Statutes, section 349.166, subdivision 1, paragraph (c), may not conduct raffles using a raffle board.

B. Raffles using raffle boards are subject to the conduct requirements in subpart 4.

C. All chances for a raffle conducted with a raffle board must be available on one raffle board and be sold for the same price.

D. Raffles conducted with a raffle board may only be sold at the permitted premises where the winner of the raffle will be determined.

E. The following information must be written, in ink or permanent marker, by the organization on the raffle board prior to the sale of the first raffle board entry:

(1) organization name and license number;

(2) date, time, and location of winner selection;

(3) the price per raffle entry;

(4) the board-approved method of winner selection; and

(5) at a minimum, the three most valuable prizes to be awarded, including a statement regarding the winner's responsibility for any applicable fees or taxes. If all prizes are not listed on the raffle board, the raffle board must contain the statement "A complete list of additional prizes is available upon request."

F. Raffle boards must not contain the words "suggested donation" or any other implied request for money, other than the entry price printed on the raffle board.

G. Each square on a raffle board must have a unique number. If the board includes stubs, each detachable stub must have an identical number matching its square for determining a winning selection.

H. A participant's proper name and contact information must be recorded on the selected square as entry into the raffle.

I. Detachable stubs must be uniform in size and attached to each raffle board square that, when sold and removed, are placed in a container for a random drawing of a raffle winner.

J. The drawing of the winning raffle stub must not occur earlier than the time printed on the raffle board or more than 30 minutes after the time printed on the raffle board.

K. Unsold stubs attached to a raffle board may not be removed from the raffle board.

L. Raffle boards may not leave the permitted premises once the first raffle entry is sold until after the winner has been determined.

M. Entries on a raffle board may not be sold after the prize selection process has begun.

N. The person conducting the raffle board must date and sign the raffle board upon conclusion of the raffle.

O. The organization must retain raffle boards for 3-1/2 years.

Subp. 5. **Conducting a calendar raffle.** An organization may conduct a calendar raffle in which the raffle ticket is a calendar containing a detachable stub.

A. A licensed organization may conduct drawings for a calendar raffle on more than one date.

B. An exempt organization must conduct drawings for a calendar raffle on the date or dates authorized by the board in compliance with Minnesota Statutes, section 349.166.

Subp. 6. **Conducting an alternative raffle.** If an organization uses an alternative method of selecting winners other than as prescribed in subpart 4, item G, the organization must obtain prior approval of the board. The request must include at a minimum:

A. organization's name and license or exemption number;

B. premises name and address where the raffle will be conducted;

C. type of random selection process to be used for determining winners;

D. details of the operation and conduct of the raffle, including method for selling certificates of participation;

E. record-keeping and accounting procedures for the raffle;

F. date organization membership approved the raffle and alternative method of selecting winners; and

G. signature of chief executive officer.

In considering the request, the board must ensure that the raffle and the alternative method of selecting winners comply with statutory and rule requirements for raffles. If approved, the alternative method may be used for future raffles by all organizations without additional board approval. The approval or denial must be made available upon request and must be posted on the board's Web site.

Subp. 7. **Conducting a button raffle.** An organization may conduct a "button raffle" allowed under Minnesota Statutes, section 349.173, paragraph (b), clause (2).

A. When a button is used as a certificate of participation, the button:

(1) must be sequentially numbered and have a corresponding ticket for the drawing;

(2) may be used by the holder for a free or reduced entry fee to an event that is sponsored by the organization, community, or other entity if there is no cost to the organization for the additional value of the button; and

(3) may be used to obtain merchandise for a reduced price or free.

The organization must account for all sold and unsold buttons and keep all corresponding tickets from the unsold buttons. Unsold buttons may be discarded.

B. When a button is provided with a certificate of participation:

(1) the certificate of participation must contain the information required in subpart 1, item D, and comply with subpart 1, items E, F, and G;

(2) the provisions of item A, subitem (2), apply; and

(3) the organization must account for all sold and unsold certificates. Unsold buttons may be discarded.

Subp. 7a. **Conducting a 50/50 raffle.** An organization may conduct a raffle in which the prize amount is 50 percent or any other percentage of the raffle's gross receipts.

A. The percentage of the gross receipts to be awarded as a prize must be clearly printed on the raffle tickets.

B. Prior to the drawing, the gross receipts must be tallied and the prize amount must be announced.

Subp. 8. **Raffle date.** An organization must select all raffle winners at the date, time, and location printed on the raffle tickets or certificates of participation.

A. An organization may request that the board's director allow the organization to change the raffle date if:

(1) weather has caused a postponement of the event at which the selection or determination of raffle winners was to occur;

(2) not enough tickets were sold to cover the cost of the prizes. The fact that a desired level of profit will not be reached is not a basis for extending the date; or

(3) other circumstances exist beyond the organization's control.

B. If a raffle date change is approved by the board's director, the organization must publicize that fact to purchasers of the tickets and document the approved date change in its monthly meeting minutes.

Subp. 9. **Canceling a raffle; issuing refunds.** To cancel a raffle an organization must comply with the following.

A. A raffle may only be canceled with approval of the board's director.

B. After receiving approval, the organization must return all money to persons who purchased a chance to participate in the raffle. If the organization is unable to locate a person within 30 days after reasonable attempts via mail and telephone, the organization must deposit the receipts and report them on the monthly tax return.

C. The organization must keep documentation with the raffle records showing the attempts made to reach all persons who purchased a chance to participate in the raffle.

D. A person is entitled to claim a refund for up to one year from the date of the canceled raffle.

Subp. 10. **Raffle log required.** An organization must maintain a raffle log including, at a minimum:

A. organization name;

B. total quantity of tickets printed or the sequential numbers of the tickets used in each raffle;

C. price per ticket;

D. date of the raffle; and

E. information for each person given tickets to sell, including:

(1) person's name and telephone number;

(2) quantity and sequential number of tickets given to each person for sale;

(3) quantity of tickets sold;

(4) quantity and ticket numbers of the tickets returned unsold;

(5) actual gross receipts reported by each person;

(6) actual cash or debit card payment received from each person; and

(7) cash long or short reported by each person.

F. A raffle conducted using a raffle board is exempt from the raffle log requirement.

Subp. 11. **Raffle records and reports.** For each raffle conducted, an organization must keep the following records for 3-1/2 years from the end of the month on which the raffle was reported as played on the tax return:

A. total amount of gross receipts;

B. total value of all prizes awarded in each raffle;

C. when tickets are used, the winning ticket stubs;

D. raffle log;

E. copy of the raffle ticket for each price level;

F. all unsold tickets;

G. raffle board, and if a raffle board is used, items D and E are not applicable;

H. for licensed organizations, if tickets are used, a copy of the invoice or documentation for the printing of the tickets showing who printed the tickets, the quantity of tickets printed, the range of the sequential numbers used, and selling price printed on the tickets; and

I. if certificates of participation were used, records that comply with the information required in this subpart.

With the exception of unsold and winning raffle ticket stubs and raffle boards, an organization may maintain or convert and store raffle records and reports in an electronic format. An organization must make records and reports available in paper format to the board, the commissioner of revenue, the commissioner of public safety, or their agents upon request.

Subp. 12. **Disposal of raffle tickets and records.** The following items apply to the disposal and destruction of tickets and records.

A. A licensed organization may dispose of raffle tickets or certificates of participation and records after 3-1/2 years from the date the raffle was reported on the tax return.

B. An exempt organization authorized to conduct a raffle under Minnesota Statutes, section 349.166, subdivision 2, may dispose of raffle tickets or certificates of participation and records after 3-1/2 years from the date the financial information for the raffle was reported to the board.

C. An organization must keep the tickets or certificates of participation and records after the retention period in item A expires if they are notified by the board, commissioner of revenue, commissioner of public safety, or their agents that an audit, compliance review, or investigation is being conducted.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; 38 SR 1613; 41 SR 137*

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7861.0320 ORGANIZATION OPERATIONS, ACCOUNTS, REPORTS, AND RECORDS.

Subpart 1. **Internal accounting and administrative controls required.**

A. An organization must establish and implement a written system of internal accounting and administrative controls for its lawful gambling operations, on a form prescribed by the board, in addition to any other documented procedures the organization has approved and implemented to meet the following objectives:

(1) transactions are made with management's authorization;

(2) gambling revenue transactions are recorded properly and completely to maintain accountability for assets;

(3) assets are secured and access to assets is only permitted with management's authorization;

(4) recorded gambling funds and equipment are monitored on an ongoing basis and discrepancies are resolved;

(5) separation of duties, functions, and responsibilities to protect the organization from theft and fraudulent reporting and ensure compliance with all lawful gambling reporting requirements; and

(6) fair play of the games to the public is not restricted.

B. The organization's members, gambling employees, or gambling volunteers must perform, at a minimum, the following duties:

(1) prepare source documents that include:

(a) inventory records for daily tracking of game inventory, site inventory, monthly physical inventory, and merchandise inventory. The person who maintains the perpetual inventory must not be the same person who performs the physical inventory;

(b) gambling deposit slips;

(c) gambling occasion and daily activity records; and

(d) authorization for disbursements of gambling funds;

(2) provide oversight of lawful gambling including but not limited to:

(a) conduct of lawful gambling;

(b) monitoring the organization's permitted premises to detect illegal gambling;

(c) investigating cash variances;

(d) determining product to be purchased;

(e) ordering product;

(f) presenting the gambling report to members at the regular monthly meeting of the organization; and

(g) ensuring compliance with the lawful purpose rating under Minnesota Statutes, section 349.15, subdivision 1;

(3) hire, discipline, or fire employees;

(4) train employees;

(5) deposit gambling receipts into the bank accounts;

(6) verify cash banks; and

(7) verify that all gambling expenditures, equipment, assets, and receipts are properly accounted for.

C. The organization is responsible for verifying the accuracy of records and reports, including but not limited to:

(1) check register;

(2) monthly bank statement reconciliation;

(3) all tax returns and schedules;

(4) final audit of closed games;

(5) bank deposit reconciliation to game and bank records;

(6) reconciliation of physical and perpetual inventories; and

(7) all monthly reports filed with the board.

D. The organization must use the board-prescribed form to document the segregation of functional responsibilities for the organization's gambling operations, including the names or titles of persons who are responsible for:

(1) presenting the monthly gambling report to the organization membership;

(2) ensuring that prior authorization for all gambling expenditures is obtained;

(3) recording the monthly gambling report and authorization of expenditures in the organization meeting minutes;

(4) preparing checks and electronic transaction authorizations for signatures and maintaining the check register that includes check and electronic transactions;

(5) signing checks from the gambling account;

(6) maintaining perpetual inventory records, and comparing the physical inventory to the perpetual inventory;

(7) conducting and verifying the physical inventory;

(8) maintaining merchandise inventory;

(9) preparing bank deposits;

(10) depositing receipts into the gambling account;

(11) reconciling bank statements to the checks, electronic transactions, and deposits listed in the check register, and reconciling bank deposits to games and bank records;

(12) auditing closed games;

(13) verifying and resolving profit carryover variances;

(14) preparing reports required to be submitted to the board and the commissioner of revenue;

(15) monitoring the organization's compliance with the lawful purpose rating under Minnesota Statutes, section 349.15, subdivision 1;

(16) investigating and resolving fund losses of missing inventory, tickets, or receipts; and

(17) investigating and resolving cash shortages.

E. If the organization does not meet the requirements in this subpart, the board must require that the organization revise its internal accounting and administrative control systems. Failure to respond to the board's notice that the organization must revise its internal accounting and administrative control systems must result in the board taking disciplinary action.

Subp. 2. **Method of accounting.** An organization must use the cash basis method to report gross receipts and allowable expenses on the tax return except that the accrual basis method must be used to report the tax required by Minnesota Statutes, section 297E.02, and the monthly regulatory fee required by Minnesota Statutes, section 349.16, subdivision 6a.

Subp. 3. **Gambling bank accounts; expenditures of gambling funds; emergency expenditures.** Each organization must maintain a separate gambling bank account at banks, savings and loans institutions, or credit unions located within Minnesota and comply with the following.

A. The organization must maintain a gambling checking account that complies with the requirements of Minnesota Statutes, section 297E.06, subdivision 2, as prescribed by the commissioner of revenue.

B. For all expenditures from the gambling checking account, two signatures of active organization members are required on all checks and for the authorization for electronic transactions. The treasurer of the organization may not sign the checks or the authorization for electronic transactions from the gambling bank account.

C. The organization may make expenditures from the gambling checking account by electronic transfer or by debit card. Each month, two active organization members must review a listing of the electronic transfers and debit card transactions for the previous month to verify that the expenditures were made with the authorization of the organization's membership. The active organization members conducting this review must sign and date the list.

D. The organization must make all expenditures or contributions of gambling funds from the gambling checking accounts. This item does not pertain to emergency expenditures which may be made from a source other than the organization's gambling account if the organization's membership has approved the expenditure. "Emergency expenditure" means a financial obligation due and payable which, if not met, would require the organization to immediately stop gambling.

Subp. 4. **Deposits and transfers of gambling receipts.** The following items pertain to the deposit and transfer of gambling receipts.

A. Each organization must deposit into the organization's gambling bank account all income derived from or related to lawful gambling, including:

(1) all gambling receipts;

(2) interest income;

(3) any rebate or credit refund for an expenditure originally paid with gambling funds; and

(4) advertising income, including any income from sponsors of the organization's gambling activities.

B. An organization may transfer gambling funds to a nonchecking gambling bank account.

C. For deposits of gambling receipts, the organization must record on the deposit slip the date of deposit, premises permit number, and the following:

(1) for each paper pull-tab and tipboard game, the game serial number and amount of actual cash deposited for each game;

(2) for electronic pull-tabs and electronic linked bingo, the date of the first electronic game occasion included in the deposit and the date of the last electronic game occasion being deposited;

(3) for bingo occasions, the date of each occasion and amount of actual cash deposited from each occasion;

(4) for raffles, the date of the raffle and actual amount of deposit from the sale of raffle tickets or certificates of participation; and

(5) for paddlewheel activity, the actual amount of cash deposited from each day's paddlewheel activity and series number of all paddletickets sold during that day's paddlewheel activity.

D. Funds from a nongambling source must not be deposited in the gambling bank account except as required by subpart 5 and subpart 16, item B.

E. Gambling funds must not be transferred to the organization's general bank accounts for any expenditures or contributions without prior board approval. This item does not pertain to transfers allowed under subpart 15, item B.

Subp. 5. **Reimbursements to gambling bank account.** An organization may not deposit funds from a nongambling source into the gambling bank account unless the organization is required by the board or as otherwise required by statute or rule to reimburse its gambling account for the following reasons, including but not limited to:

A. unlawful expenditure or expense;

B. cash shortage;

C. fund loss;

D. gambling receipts that the organization failed to deposit into the account;

E. bring the organization into compliance with Minnesota Statutes, chapter 297E, as required by the commissioner of revenue; or

F. bring the organization into compliance as required by the terms of a license termination plan approved by the board.

Subp. 6. **Report to membership and approval of expenditures by membership required.**

A. Before gambling funds are spent, the organization must obtain the approval of its members at a regular organization meeting and record the approval in the meeting minutes.

B. The gambling manager or designee must present a monthly report to the organization's members. The organization must include the report with the meeting minutes. The report must contain the following information:

(1) gross receipts from each form of lawful gambling conducted;

(2) for each form of lawful gambling conducted, the dollar amount of all prizes paid out and total value of all merchandise prizes awarded;

(3) details on all allowable expenses;

(4) records that show how the net receipts from gambling activity were spent for lawful purpose;

(5) records of gambling equipment purchases, including:

(a) type, quantity, date purchased, and unit cost of equipment purchased; and

(b) the licensed distributor from whom the equipment was purchased;

(6) a month-end physical inventory of all games in play and unplayed games, including:

(a) manufacturer's identification, part number, and serial number;

(b) game name;

(c) cost of each game; and

(d) date and signature, in ink, of the person completing the inventory;

(7) bank reconciliation that balances with the organization's profit carryover for each month, and lists:

(a) outstanding checks, including check number, payee, and amount;

(b) outstanding electronic transactions;

(c) deposits in transit;

(d) beginning and ending bank balances for each month;

(8) any correspondence received or sent about the organization's lawful gambling operations; and

(9) any fund loss discovered during the month.

C. On an annual basis the organization must report to its membership the financial summary report required by Minnesota Statutes, section 349.19, subdivision 5, in a format prescribed by the board.

Subp. 7. **Report of lawful purpose expenditures to board required.** An organization must file with the board a report of lawful purpose expenditures as required by Minnesota Statutes, section 349.19, subdivision 3, in a format prescribed by the board by the 20th day of the next month.

Subp. 8. **Monthly report to revenue required.** The organization must file information each month with the Department of Revenue as prescribed by the commissioner of revenue in Minnesota Statutes, section 297E.06.

Subp. 9. **Fund loss report or request for a profit carryover adjustment due to fund loss.** When an organization has a fund loss by questionable means of its inventory or cash, including prizes paid from a game not conducted in compliance with statute and rule, the organization must use the following procedures.

A. The organization must file a report with local law enforcement authorities within:

(1) five days of discovering the loss; or

(2) 24 hours of discovering a loss from a pull-tab dispensing device.

B. The organization must submit one of the following to the board within 60 days of discovering the loss:

(1) documentation that its gambling account was reimbursed for the amount of the fund loss from a source of nongambling funds and the date the loss was reported to the organization's membership; or

(2) a request for a profit carryover adjustment due to a fund loss. If the organization does not submit the request within 60 days of discovering the loss, the board will not consider the request.

C. An organization that submits a request to the board for a profit carryover adjustment due to a fund loss must use a form prescribed by the board. The request must contain, at a minimum:

(1) organization's name, address, license number, premises permit number, and effective date of the premises permit where the loss occurred;

(2) monetary value of the loss or total amount of prizes paid from a game not conducted in compliance with statute and rule;

(3) how and when the loss occurred;

(4) how the assets were secured when the loss occurred;

(5) whether the current status of the law enforcement investigation is active, inactive, or closed;

(6) whether any portion of the loss has been or will be paid by insurance or restitution and, if so, the anticipated amount to be paid and dates of payment;

(7) internal controls in place when the loss occurred and any changes made to the internal controls and personnel to prevent future losses;

(8) date the loss was reported to the membership;

(9) signatures of the chief executive officer and gambling manager; and

(10) before the request will be considered by the board, the organization must provide the board with copies of:

(a) the local law enforcement report or a letter showing that the organization has requested a copy of the report;

(b) a copy of the Schedule B2, if any, and the lawful gambling fund reconciliation showing how the loss was reported; and

(c) minutes from the meeting at which the fund loss was reported to the membership.

D. The board must consider the following items when approving or denying a request for a profit carryover adjustment due to a fund loss:

(1) security procedures and internal controls in effect when the loss occurred;

(2) how assets were secured when the loss occurred;

(3) whether established internal controls were followed by the organization's employees;

(4) timely filing of the local law enforcement report;

(5) whether the information in the request was complete;

(6) when the loss occurred, whether an organization employee was in control of the cash, inventory, or prizes paid from a game not conducted in compliance with statute and rule;

(7) whether the cash, inventory, or prizes paid from a game not conducted in compliance with statute and rule were accessible to nonorganization employees; and

(8) if the loss occurred after business hours, how the organization protected and controlled the cash or inventory.

E. If the board denies a request for a profit carryover adjustment due to a fund loss, the organization must reimburse its gambling account for the amount of the fund loss. The organization must submit proof of reimbursement to the board within 90 days of the board's final determination.

F. The board must reconsider a request for a profit carryover adjustment due to a fund loss when an organization presents new information that the organization could not have discovered before the board's initial consideration of the request.

Subp. 10. [Repealed, 35 SR 1276; 35 SR 1528]

Subp. 11. [Repealed, 35 SR 1276; 35 SR 1528]

Subp. 12. [Repealed, 35 SR 1276; 35 SR 1528]

Subp. 13. [Repealed, 35 SR 1276; 35 SR 1528]

Subp. 14. **Standards for 501(c)(3) organizations and 501(c)(4) festival organizations.**

A. To be eligible to make lawful purpose contributions to itself under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (1), a licensed 501(c)(3) organization or 501(c)(4) festival organization must comply with the following:

(1) the organization's total general fund expenditures for fund-raising, management, and general costs for its most recent two fiscal years must be 30 percent or less. "Fund-raising costs" has the meaning given in part 7861.0210, subpart 24. "Management and general costs" has the meaning given in part 7861.0210, subpart 34; and

(2) the organization must submit to the board a copy of the organization's annual report on income and expenses that was provided to the Internal Revenue Service, or in a format prescribed by the board, upon request.

B. If the board determines that the organization does not meet the standards under item A, then any expenditure made by the organization under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (1), must be:

(1) related to its program services which do not include fund-raising, management, and general costs; and

(2) paid directly from the gambling checking account.

C. Nothing in this subpart prohibits an organization from making other lawful purpose expenditures as allowed under Minnesota Statutes, section 349.12, subdivision 25.

Subp. 15. **Lawful purpose expenditures allowed.** In addition to lawful purpose as defined in Minnesota Statutes, section 349.12, subdivision 25, an organization may make a lawful purpose expenditure for the following.

A. A contribution may be made to a 501(c)(3) organization or 501(c)(4) festival organization if the organization does not:

(1) exist primarily for the purpose of receiving and distributing gambling profits;

(2) have more than 49 percent of its membership in common with the contributing organization; and

(3) have an officer, director, or other person in a managerial position who is also an officer, director, or management person in the contributing organization.

B. A contribution may be made by a 501(c)(3) organization or 501(c)(4) festival organization to itself for its primary purpose if the board has determined that the organization has complied with subpart 14, item A.

C. A contribution may be made to a person or family suffering from poverty, homelessness, or disability if the contribution is reasonably calculated to relieve the effects of that poverty, homelessness, or disability. A contribution may be made to a nonprofit corporation that exists exclusively for these relief purposes if the entire contribution is used to relieve one or more of these effects. Disability includes, but is not limited to, physical or mental difficulties in doing daily tasks and activities such as personal care, meal preparation, cleaning, transportation, or athletic activities.

D. A contribution or expenditure may be made to or on behalf of a public or private nonprofit educational institution registered with or accredited in Minnesota or any other state. If a contribution or expenditure is made to or on behalf of a public educational institution the organization must document the contribution or expenditure on a form prescribed by the board showing the request from or acknowledgment of the institution. The organization must keep the completed form in its records.

E. A contribution may be made for scholarships according to Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (5), if:

(1) the selection process does not discriminate based on race, gender, religion, national origin, marital status, disability, or age;

(2) the scholarship is not limited to organization members or their immediate families;

(3) the criteria for the selection process is communicated to all participants and to all organization members; and

(4) the names of the persons awarded scholarships are public and communicated to all organization members.

F. A contribution or an expenditure may be made for the cost of activities recognizing military service to the United States, the state of Minnesota, or a community if the following criteria is met.

(1) Any member of the organization making the contribution or expenditure may not receive any money, money equivalent, goods, or services with a market value greater than $10. In any 12-month period, the total amount of contributions and expenditures for a person must not exceed $100. These limits do not apply to contributions or expenditures made for members who are active military personnel and their immediate family members in need of support services or to expenditures made for membership events allowed under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (17). For purposes of this subitem, "immediate family members" means persons living in the same residence as the active military personnel.

(2) If a contribution is made to or on behalf of a unit of government the organization must document the contribution or expenditure on a form prescribed by the board showing the request from or acknowledgment of the unit of government. The organization must keep the completed form in its records.

G. A contribution may be made for recreational, community, and athletic facilities and activities intended primarily for persons under age 21 if the facilities and activities are available to both boys and girls and the opportunity to participate shows their interest in the activity. "Primarily" is demonstrated by written documentation showing that programs for persons under age 21 are given priority scheduling consideration. Equal opportunity must be given for:

(1) provision of equipment and supplies;

(2) scheduling of activities, including games and practice times;

(3) supply and assignment of coaches or other adult supervisors; and

(4) provision and availability of support facilities.

H. A contribution may be made to or on behalf of any unit of government as authorized by Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (10). The organization must document the contribution or expenditure on a form prescribed by the board showing the request from or acknowledgment of the unit of government and keep the completed form in its records.

I. A contribution for activities recognizing humanitarian service includes expenditures for transportation, food, and beverages given to persons making blood donations.

J. Expenditures may be made for grooming and maintaining snowmobile and all-terrain vehicle trails that are open to public use or are designated as grant-in-aid trails by the commissioner of natural resources under Minnesota Statutes, sections 84.83 and 84.927. Expenditures may be made for supplies and materials for safety training and educational programs coordinated by the Department of Natural Resources. This item includes the repair of equipment used exclusively for the grooming and maintenance of public use snowmobile or all-terrain vehicle trails that are not in the Department of Natural Resources grant-in-aid program or other reimbursement program. Lawful purpose expenditures made under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clauses (13), (23), and (24), are not eligible for reimbursement under the grant-in-aid program. Before an expenditure is made, the organization must obtain approval of the project or activity from the commissioner of natural resources or its agents. The organization must document the approval on a form prescribed by the board and keep the completed form in its records.

K. Expenditures may be made for citizen monitoring of surface water quality as allowed under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (12). Before an expenditure is made, the organization must obtain approval of the project from the Minnesota Pollution Control Agency. The organization must document the approval on a form prescribed by the board and keep the completed form in its records.

Subp. 16. **Lawful purpose expenditures requiring board approval.** This subpart governs lawful purpose expenditures that require board approval before an expenditure may be made as allowed under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a). The organization must submit a request for board consideration in a format prescribed by the board.

A. For a replacement building as allowed under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (25), the replacement structure must be used for the same or similar purposes as the building being replaced and must have essentially the same square footage as the building being replaced. Additional costs for landscaping, building code, or parking lot requirements required by the local unit of government after the original building was built may be included.

B. An organization that received board approval to make an expenditure for a mortgage payment or other debt service must obtain prior board approval for any increase in the expenditure, including refinancing or other debt restructuring that increases the debt balance. Closing costs are not included. Any equity withdrawn from real property or a capital asset as part of the refinancing or other debt restructuring is considered gambling gross profits and must be deposited in the organization's gambling bank account.

C. With prior approval of the board, a contribution may be made to a parent organization at the Minnesota state level if the parent organization has submitted to the board a list of the charitable contributions, as defined under Minnesota Statutes, section 349.12, subdivision 7a, for which the parent organization will use the contributions.

Subp. 17. **Lawful purpose expenditures not allowed.** In addition to Minnesota Statutes, section 349.12, subdivision 25, paragraph (c), lawful purpose does not include any of the following:

A. interest on taxes, tax penalties, or interest on tax penalties;

B. any expenditure, contribution, or other distribution of gambling gross profits for which the organization keeps any control over the funds, except as allowed in subpart 15, item B;

C. any contribution or expenditure that results in any monetary, economic, financial, or material benefit to the organization making the contribution or expenditure;

D. any contribution or expenditure that is not allowed under the conflict of interest provisions of the Minnesota Nonprofit Corporation Act, Minnesota Statutes, section 317A.255;

E. the purchase of any intoxicating liquor, wine, or malt beverages; and

F. fund-raising costs, except as allowed by subpart 15, item B.

Subp. 18. **Organization records and reports.**

A. An organization must maintain documentation showing that expenditures of gambling gross profits are either an allowable expense or a lawful purpose.

B. Each organization must maintain complete, accurate, and legible records with documentation to support all gambling transactions.

C. The organization must record all inventory records, including perpetual, physical, site, and merchandise prize records, in a format prescribed or approved by the board.

D. All records must show the gross receipts, prizes, net receipts, expenses, and all other accounting transactions.

E. The organization must keep all records and reports for 3-1/2 years.

F. The organization may maintain or convert and store records and reports in an electronic format. The organization must make records and reports available in paper format to the board, the commissioner of revenue, the commissioner of public safety, or their agents upon request.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; 35 SR 1528; 38 SR 1613; 41 SR 137*

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7861.0330 EXCLUDED BINGO.

Subpart 1. **Registration required.** An organization conducting bingo as allowed by Minnesota Statutes, section 349.166, subdivision 1, paragraph (a), clause (1) or (2), must register with the board and obtain prior approval of the local unit of government of the city or county in which the bingo will be conducted. The registration must be on a form prescribed by the board and include:

A. organization's name, address, and county;

B. name and telephone number of the person in charge of the bingo occasion;

C. type of organization which is fraternal, veterans, religious, or other nonprofit and a copy of the proof of nonprofit status;

D. dates on which bingo has been conducted in the present calendar year;

E. date that the organization proposes to conduct bingo;

F. name and address, including city or township, and county of the premises where the gambling will be conducted;

G. telephone number and signature of the chief executive officer;

H. local unit of government approval; and

I. Minnesota tax identification number and federal employer identification number, if any.

Subp. 2. **Denial of excluded bingo application.** The board must deny an excluded bingo application when the premises permit for the site of the proposed excluded bingo is subject to suspension or revocation under part 7865.0220, subpart 3.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; 41 SR 137*

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7861.0340 EXEMPTED LAWFUL GAMBLING.

Subpart 1. **Registration required.** An organization that conducts exempted lawful gambling as allowed by Minnesota Statutes, section 349.166, subdivision 2, must submit an application to the board as required by Minnesota Statutes, section 349.166, subdivision 2, paragraph (a), clause (3). The application must be on a form prescribed by the board and include:

A. the organization's name, address, and county;

B. a current or previous license number or exempt number, if any;

C. the name and telephone number of the chief executive officer;

D. the type of organization which is fraternal, veterans, religious, or other nonprofit and a copy of the proof of nonprofit status;

E. the dates of activity;

F. the types of lawful gambling to be conducted;

G. the name and address, including city or township, and county of the premises where the activity will be conducted;

H. local unit of government approval;

I. an acknowledgment that within 30 days of its lawful gambling activity the organization will complete and file with the board an accurate and complete financial report in a format prescribed by the board;

J. the fee required by Minnesota Statutes, section 349.166, subdivision 2, paragraph (a), clause (3). The application fee is considered earned and is not refundable; and

K. Minnesota tax identification number and federal employer identification number, if any.

Subp. 2. **Denial of exempt permit application.** The board must deny an exempt permit application if:

A. the organization is currently licensed; or

B. the premises permit for the site is subject to suspension or revocation under part 7865.0220, subpart 3.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

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