

7863.0220 DISTRIBUTOR OPERATIONS, ACCOUNTS, REPORTS, AND RECORDS.

Subpart 1. **Purchase or lease of gambling equipment.** When purchasing, leasing, or obtaining gambling equipment, the distributor must comply with Minnesota Statutes, sections 349.161 and 349.162.

A. A distributor may only purchase, lease, or obtain gambling equipment that has been approved by the board and meets the requirements in parts 7864.0230 and 7864.0235.

B. Within ten days of being notified by the board that a manufacturer has terminated its license, the license has expired, or the license was revoked by the board, a licensed distributor must submit a certified physical inventory to the board. The certified inventory must include the name, form number, and quantity of all gambling equipment in inventory or gambling equipment owned or leased that was manufactured by that manufacturer.

Subp. 2. **Sale or lease of gambling equipment.** This subpart applies to the sale or lease of gambling equipment.

A. A distributor may not sell, lease, or furnish gambling equipment to an organization unless the organization has a license, exempt permit, or exclusion authorization issued by the board, or meets the requirements of Minnesota Statutes, section 349.166, subdivision 1, paragraph (b).

B. A distributor may not sell, lease, or furnish gambling equipment to an organization before the effective date of the organization's license. This item does not pertain to exempt or excluded organizations if the distributor has a copy of the organization's exempt permit or exclusion authorization.

C. Gambling equipment sold or leased for use in Minnesota must be delivered only to the licensed, exempt, or excluded organization that ordered the equipment.

D. A distributor may not provide any merchandise prize, as part of the sale of any game or as a gift or sale, to a licensed, exempt, or excluded organization or its employees.

E. A distributor must include a packing list that lists all items for each shipment of gambling equipment to an organization.

F. A distributor must not sell or provide a partial series of bingo paper sheets or bingo paper sheet packets to a licensed organization. A distributor may sell a partial series to an exempt or excluded organization.

G. A distributor must document the terms of a lease or sale of permanent gambling equipment and comply with the following.

(1) A distributor must not enter into a lease agreement for permanent gambling equipment with an organization unless the distributor owns or has a lease agreement with a licensed manufacturer for that equipment.

(2) If an organization's license or authorization is suspended, revoked, lapsed, or terminated, the lease agreement must be canceled.

(3) A distributor must not provide any additional keys for a pull-tab dispensing device after the pull-tab dispensing device has been leased or sold.

H. Gambling equipment designated for sale to an Indian tribe must be stored in a separate area of the distributor's warehouse and cannot contain the Minnesota geographic symbol required by Minnesota Statutes, section 349.163, subdivision 5, paragraph (d).

I. The following apply to the lease of electronic bingo devices used for nonlinked bingo games:

(1) A distributor may only lease electronic bingo devices to a licensed organization and is prohibited from selling electronic bingo devices to a licensed organization.

(2) The distributor may lease electronic bingo devices to more than one licensed organization at the same permitted premises.

(3) The lease agreement must contain the organization's license number, name and address of the permitted premises where the electronic bingo devices will be used, and terms of the lease agreement, including a prohibition that the electronic bingo devices must not be transferred to another permitted premises unless approved in writing by the board.

(4) The lease price of an electronic bingo device:

(a) must be based on a predetermined monthly amount or based on the per unit lease amount for the previous calendar week; and

(b) must not be based on a percentage of gross receipts.

(5) The distributor must submit a copy of the lease agreement to the board within ten days of signing or amending a lease agreement.

J. Electronic pull-tab system and device leases must contain:

(1) the organization's license number;

(2) the name and address of the permitted premises where the electronic pull-tab system and devices will be used;

- (3) the terms of the lease agreement;
 - (4) a clause prohibiting electronic pull-tab devices from being transferred to another permitted premises unless prior written approval by the board is obtained; and
 - (5) a termination clause of not greater than six months.
- K. The lease price of an electronic pull-tab system and devices:
- (1) must be based on a predetermined lease amount; and
 - (2) must not be based on a percentage of gross receipts.
- L. The distributor must submit a copy of the electronic pull-tab system and device lease agreement to the board within ten days of signing or amending a lease agreement.
- M. The following pertain to gambling equipment that is sold or leased on an exclusive basis.
- (1) Gambling equipment with a proprietary name of an organization that owns its permitted premises may be sold or leased on an exclusive basis to that organization.
 - (2) Gambling equipment with a proprietary name for a leased site may not be sold or leased on an exclusive basis to an organization.
 - (3) A distributor may not pay a royalty to another licensed distributor for the design and manufacture of gambling equipment that is sold or leased on an exclusive basis.
- Subp. 3. **Registration of permanent gambling equipment.** A distributor must not sell, lease, transfer, furnish, or provide any permanent gambling equipment to an organization unless the equipment has been registered in the following manner.
- A. A distributor must place a state registration stamp, obtained from the board, on permanent equipment sold or leased to an organization. The distributor must place the stamp on the front of each paddlewheel, paddlewheel table, and pull-tab dispensing device, and on each bingo number selection device. This item does not pertain to a programmable electronic device as defined under Minnesota Statutes, section 349.12, subdivision 18, paragraph (b), clauses (2), (3), and (5).
- B. The distributor must keep a record of permanent gambling equipment leased to a licensed organization. The record must include the organization's name, address, and license number, and the date the equipment was leased to the organization, and if returned, the date the equipment was returned by the organization to the distributor.
- C. To register permanent gambling equipment with the board, the distributor must submit a report to the board, on a form prescribed by the board, that includes the information required by items A and B.

D. A distributor must not transfer or give state registration stamps to any person, distributor, linked bingo game provider, or manufacturer.

Subp. 4. **Return of defective paper pull-tab and tipboard game; issuing credit invoices.** This subpart pertains to the return of a paper pull-tab or tipboard game that was not manufactured in compliance with the standards in part 7864.0230 and was returned to the distributor according to this subpart and part 7861.0260, subpart 7.

A. For a game that is returned from an organization before being put into play, the following apply.

(1) Within five business days of accepting the return of a game, the distributor must return the game to the manufacturer with documentation that the game does not meet the standards in part 7864.0230.

(2) Within five business days of receiving credit from the manufacturer, the distributor must issue a credit invoice to the organization unless the distributor notifies the commissioner of revenue in writing that there is a business dispute regarding the returned game. A copy of the credit invoice must be filed electronically, as required by the commissioner of revenue.

(3) If the distributor ships a replacement game to the organization, the distributor must prepare a sales invoice as required in subpart 6.

B. For a game returned to a distributor from an organization during play or after being removed from play, the following apply.

(1) Within five business days of accepting the return of a game, the distributor must return the game to the manufacturer for a determination as to whether the game was manufactured in compliance with the standards in part 7864.0230. After a determination has been made and the game returned to the distributor, the distributor must return the game to the organization to keep as a played game.

(2) Within five business days of receiving a credit invoice and written determination from the manufacturer, the distributor must issue a credit invoice to the organization for the cost of the game and any valid and documented losses incurred over which the organization had no control or ability to prevent. A copy of the credit invoice must be filed electronically, as required by the commissioner of revenue.

Subp. 4a. **Defective electronic pull-tab game.**

A. If an electronic pull-tab game is found to be defective, the distributor must immediately:

- (1) suspend the defective game and remove it from play if active;
- (2) notify the Gambling Control Board; and

(3) file with the board a report of games pulled from play.

B. For an electronic pull-tab game that is returned from an organization before being put into play, the following apply:

(1) Within five business days of returning a game, the distributor must return the game to the manufacturer with documentation that the game does not meet the standards in part 7864.0235.

(2) Within five business days of receiving credit, if applicable, from the manufacturer, the distributor must issue a credit to the organization unless the distributor notifies the commissioner of revenue in writing that there is a business dispute regarding the returned game. A copy of the credit must be filed electronically, as required by the commissioner of revenue.

(3) If the distributor provides a replacement game to the organization, the distributor must prepare a sales invoice as required in subpart 6.

C. For an electronic pull-tab game found to be defective during play or after being removed from play, the following apply:

(1) If a determination is made that the game was not manufactured in compliance with the standards in part 7864.0235, the distributor must notify the organization to close the game and to retain it as a played game in the organization's records.

(2) Within five business days of receiving a credit and written determination from the manufacturer, the distributor must issue a credit to the organization for the cost of the game, if applicable, and any valid and documented losses incurred over which the organization had no control or ability to prevent. A copy of the credit must be filed electronically, as required by the commissioner of revenue.

Subp. 4b. Defective, altered, lost, or stolen electronic pull-tab device.

A. If an organization notifies a distributor of a defective or an altered electronic pull-tab device, the distributor must immediately notify the manufacturer, or the linked bingo game provider, if applicable, and the board. If the organization has not removed the device from play, the distributor or the linked bingo game provider must immediately ensure the device is removed from play.

B. If an organization notifies a distributor of a lost or stolen electronic pull-tab device, the distributor must immediately notify the manufacturer, or the linked bingo game provider if applicable, and the board.

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

Subp. 5. **Recall of gambling equipment; issuing credit invoices.** A distributor must participate in a gambling equipment recall mandated by the board or initiated by the manufacturer.

A. Within three business days of receiving notification from the manufacturer or the board director, the distributor must initiate the recall from organizations to which it sold the gambling equipment.

B. The distributor must complete the recall within 15 business days of initiation and notify the board and the commissioner of revenue in writing that it has completed the recall. The recall does not pertain to games already in play which must be kept by the organization as played games. The notification must include the following:

- (1) an inventory of the recalled gambling equipment;
- (2) bar code information, as required by the commissioner of revenue; and
- (3) a list of all organizations, including license or exempt numbers, from which the gambling equipment was recalled.

C. Within seven business days of receiving a credit invoice from the manufacturer, the distributor must issue credit invoices to all organizations returning gambling equipment under the recall. Credit invoices must include the cost of freight paid by the organization and any valid and documented losses incurred over which the organization had no control or ability to prevent. Copies of the credit invoices must be filed electronically as required by the commissioner of revenue.

Subp. 6. **Sales invoices.** A distributor who sells, leases, or provides gambling equipment must record the transaction on a sales invoice which must contain the following information:

- A. distributor's name, address, telephone number, and license number;
- B. organization's name, address, license number or excluded or exempt authorization, and premises permit number of the site where the gambling equipment was delivered, and for a licensed organization the name and address of an entity as allowed under Minnesota Statutes, section 349.166, subdivision 1, paragraph (b);
- C. invoice number;
- D. name of the person who ordered the gambling equipment, and name of the distributor's licensed salesperson who sold the gambling equipment;
- E. date of shipment and shipping charges, if any;
- F. any applicable sales tax;
- G. unit price or lease cost of each item and total amount being invoiced; and

H. any value for discount, rebate, or other incentive affecting the unit price which must be separately stated.

Invoices must also contain information required for the type of gambling equipment sold, as required by subparts 7 to 12.

Subp. 7. **Sales invoice for pull-tabs and tipboards.** In addition to the requirements of subpart 6, invoices for pull-tabs and tipboards must contain the following information:

- A. number of deals;
- B. description of each deal, including the game name, manufacturer identification, part number, and serial number;
- C. last sale amount, if any;
- D. total ideal gross receipts; and
- E. total applicable gambling tax.

Subp. 7a. **Sales invoice for promotional pull-tab and tipboard tickets.** A distributor who sells promotional pull-tab and tipboard tickets, as defined in part 7861.0210, subpart 43, and Minnesota Statutes, section 349.12, subdivisions 18 and 31, must record the transaction on a sales invoice which must contain the following information:

- A. distributor's name, address, telephone number, and license number;
- B. name of the business entity to whom the tickets are sold and the address of the site where the tickets were delivered. If the tickets are sold to an individual, the sales invoice must contain the individual's name and address and the address of the site where the tickets were delivered;
- C. invoice number;
- D. name of the person who ordered the tickets, and name of the distributor's licensed salesperson who sold the tickets;
- E. description of the tickets, including name, manufacturer identification, form number, part number, and serial number;
- F. date of shipment and shipping charges, if any;
- G. any applicable sales tax; and
- H. unit price and total amount being invoiced.

Subp. 8. **Sales invoice for paddleticket cards.** In addition to the requirements of subpart 6, invoices for paddleticket cards must contain the following information:

- A. number of sealed groupings;
- B. ideal gross receipts for each sealed grouping; and

C. for each sealed grouping, a complete description including the game name, manufacturer identification, part number, and serial number.

Subp. 9. **Sales invoice for sealed breakopen bingo paper.** In addition to the requirements of subpart 6, invoices for sealed breakopen bingo paper sheets must contain the following information:

- A. serial number and color of each set of sealed breakopen bingo paper sheets;
- B. whether each set is an original or trade-in set; and
- C. price for which the sealed breakopen bingo paper sheet must be sold by the organization.

Subp. 10. **Sales invoice for sets of bingo paper sheet packets.** In addition to the requirements of subpart 6, invoices for sets of bingo paper sheet packets must contain the following information:

- A. color of each sheet in the packet in the order of collation;
- B. number of sheets per packet (UP's);
- C. number of faces per sheet (ON's);
- D. series;
- E. price for which the packet must be sold by the organization; and
- F. serial number from each sheet in the packet if the serial numbers are not uniform throughout the packet, or the serial number from the top sheet in each packet if the serial numbers are uniform throughout the packet. The serial numbers may be recorded on a separate document if the invoice states that the document is attached.

Subp. 11. **Sales invoice for bingo paper sheets (case paper).** In addition to the requirements of subpart 6, invoices for bingo paper sheets (case paper) must contain the following:

- A. color;
- B. number of sheets per case;
- C. number of faces per sheet (ON's);
- D. series;
- E. price for which the bingo paper sheets must be sold by the organization; and
- F. serial number from the top sheet in the case.

Subp. 11a. **Sales invoice for raffle boards.** In addition to the requirements of subpart 6, invoices for raffle boards must contain the following:

- A. the number of raffle boards;

- B. the price for which the raffle board entries must be sold by the organization;
- C. a description of each board, including the game name, manufacturer identification, part number, and serial number; and
- D. total ideal gross receipts.

Subp. 12. **Sales invoice for permanent gambling equipment.** In addition to the requirements of subpart 6, invoices for permanent gambling equipment must contain the following information:

- A. a description of the equipment being sold or leased, including the manufacturer name and the make, model number, and serial number; and
- B. the state registration stamp number attached to the gambling equipment, as required by subpart 3.

Subp. 13. **Monthly sales report to board required for permanent gambling equipment.** After the sale or lease of permanent gambling equipment, the distributor must provide the following information to the board by the 20th of the next month:

- A. distributor's name, address, and license number;
- B. manufacturer's name, address, and license number from which the distributor purchased or leased the gambling equipment;
- C. organization's name, address, and license number, exempt permit number, or exclusion authorization, or the name and address of the entity as allowed by Minnesota Statutes, section 349.166, subdivision 1, paragraph (b);
- D. make, model number, and serial number of the gambling equipment; and
- E. state registration stamp number attached to the gambling equipment, as required by subpart 3.

Subp. 14. **Monthly sales report to revenue required.** A distributor who sells, leases, or provides gambling equipment must electronically report the transactions made each month to the commissioner of revenue as required under Minnesota Statutes, section 297E.05. The report is due by the 20th of the next month.

Subp. 15. **Pricing report to director required.**

A. A distributor must submit a pricing report to the director on a monthly basis, in a format approved by the director, listing sales prices for which all gambling equipment was sold.

B. A distributor must submit a pricing report to the director on an annual basis in a format approved by the director and must include:

- (1) distributor's name, address, and license number;

- (2) date the report was prepared;
- (3) gambling equipment the distributor offers for sale or lease; and
- (4) prices at which all gambling equipment currently offered by the distributor will be sold or leased.

C. Adjustments for transportation, discounts, and rebates must be reported separately on the annual pricing report, and are subject to review and approval by the director.

D. Changes or additions to the previously filed reports must be reported ten days before the change or addition.

Subp. 16. **Delinquent organization notice to board required.** This subpart pertains to the notice to the board that an organization is delinquent in payment of an invoice or lease agreement.

A. If a distributor has not received payment from an organization within 30 days of the day immediately following the date of the invoice or lease agreement, the distributor must report the delinquency to the board in writing in an electronic format authorized by the board. The distributor must ensure that the board will receive the notice by the 31st day, or the next business day, after the invoice date for the sale or lease of the gambling equipment. The notice must include:

- (1) the organization's name and license or exempt number; and
- (2) an invoice or lease agreement date, invoice number, and total dollar amount of the invoice or lease agreement.

B. If a distributor has not received payment in full within 60 days of its initial notice to the board, the distributor must notify the board of the continued delinquency. The distributor must ensure that the board will receive the notice on the 61st day, or the next business day, after the distributor's initial report to the board.

C. When the delinquency is paid, the distributor must notify the board immediately.

- D. Upon receipt of the initial notice under item A, the board must:
- (1) notify and direct the organization to eliminate the delinquency; and
 - (2) notify all distributors and linked bingo game providers that until further notice they may only sell or lease gambling equipment to the delinquent organization on a cash basis. "Cash" means a debit card payment, electronic transaction, or check drawn on the organization's gambling account.

E. Upon receipt of the second notice under item B, the board must notify:

(1) the organization that the sale and lease of gambling equipment to the organization will not be authorized until the delinquency is eliminated; and

(2) all distributors or linked bingo game providers that they may not sell or lease any gambling equipment to the delinquent organization.

F. When the board has been notified that the delinquency is paid in full, the board must notify all distributors and linked bingo game providers that the delinquency has been paid and that the sale or lease of gambling equipment to the organization is authorized.

G. Until authorized by the board, a distributor or linked bingo game provider may not extend credit or sell or lease gambling equipment to an organization in violation of an order under items D and E.

Subp. 17. **Records and reports maintained.** A distributor must maintain reports and records of the purchase, sale, and lease of gambling equipment as required by this part and by Minnesota Statutes, section 297E.05, for 3-1/2 years. A distributor must maintain a record of the registration of permanent gambling equipment.

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*