

1 Charitable Gambling Control Board

2

3 Adopted Permanent Rules Relating to Charitable Gambling

4

5 Rules as Adopted

6 7860.0010 DEFINITIONS.

7 Subpart 1. [Unchanged.]

8 Subp. 2. Active member. "Active member" means a member
9 who has paid all his or her dues to the organization, who is 18
10 years of age or older, who has equal voting rights with all
11 other members, who has equal opportunity to be an elected
12 officer, who has equal rights and responsibilities of attendance
13 at the regularly scheduled meetings of the organization, whose
14 name and membership origination date appears, knowingly and
15 willingly, on a list of members of the organization, and who has
16 been a member of the organization for at least the most recent
17 six months. If the organization does not have a dues structure,
18 the dues portion of this definition will not apply.

19 Subp. 3. [Unchanged.]

20 Subp. 4. Bingo occasion. "Bingo occasion" means a single
21 gathering or session in which at least 15 bingo games must be
22 held and must continue for at least 1-1/2 hours but not more
23 than four consecutive hours.

24 Subp. 5. to 7. [Unchanged.]

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

29 Subp. 9. to 11. [Unchanged.]

30 Subp. 11a. Free play. "Free play" means a prize awarded
31 to a player in the conduct of lawful gambling that has no value
32 except the further opportunity to participate in that gambling
33 activity.

34 Subp. 12. Gambling equipment. "Gambling equipment" means
35 bingo cards and devices for selecting bingo numbers, pull-tabs,



1 jar tickets, paddlewheels, paddletickets, and tipboards.

2 Subp. 13. **Gambling manager.** "Gambling manager" means a
3 person who has paid all dues to an organization, has been a
4 member of the organization for at least the most recent two
5 years, has been designated by the organization to supervise
6 lawful gambling conducted by it, and has completed required
7 training provided by the board.

8 Subp. 14. **Gross receipts.** "Gross receipts" means the
9 total amount collected by an organization from participants in
10 lawful gambling. Gross receipts for bingo include any amount
11 received by the organization that has been paid by a person at
12 the bingo occasion to play the game, without which the player
13 could not play the game.

14 Subp. 15. [Unchanged.]

15 Subp. 16. **Lawful purpose.** "Lawful purpose" means one or
16 more of the following:

17 A. benefiting persons by:

18 (1) enhancing their opportunity for religious or
19 educational advancement;

20 (2) relieving or protecting them from disease,
21 suffering, or distress;

22 (3) contributing to their physical well-being;

23 (4) assisting them in establishing themselves in
24 life as worthy and useful citizens; or

25 (5) increasing their comprehension of and
26 devotion to the principles upon which this nation was founded;

27 B. initiating, performing, or fostering worthy public
28 works; or enabling or furthering the erection or maintenance of
29 public structures;

30 C. lessening the burdens borne by government; or
31 voluntarily supporting, augmenting, or supplementing services
32 which government would normally render to the people;

33 D. paying taxes imposed under this chapter, and other
34 taxes imposed by the state or the United States on receipts from
35 lawful gambling;

36 E. paying a sum not to exceed \$50 per year for

1 membership in organizations comprised entirely of licensed
2 gambling organizations;

3 F. any expenditure by, or any contribution to, a
4 hospital or nursing home exempt from taxation under section
5 501(c)(3) of the Internal Revenue Code; and

6 G. payment of reasonable costs incurred in complying
7 with the performing of annual audits required under Minnesota
8 Statutes, section 349.19, subdivision 9.

9 "Lawful purpose" does not include: the erection,
10 acquisition, improvement, expansion, repair, or maintenance of
11 any real property or capital assets owned or leased by the
12 organization, other than a hospital or nursing home exempt from
13 taxation under section 501(c)(3) of the Internal Revenue Code,
14 unless the board specifically authorizes the expenditures after
15 finding that the property or capital assets will be used
16 exclusively for one or more of the purposes specified in items A
17 to C; the expenditure of gambling funds for the purpose of
18 influencing or attempting to influence any public official or
19 the outcome of any public decision, other than an expenditure
20 made pursuant to item E; or the expenditure of gambling funds
21 for the acquisition of property, other than real property, the
22 ownership or possession of which is retained by the
23 organization, unless the property is used exclusively for one or
24 more of the purposes specified in items A to C.

25 Subp. 17. and 18. [Unchanged.]

26 Subp. 19. **Net receipts.** "Net receipts" are gross receipts
27 less prizes actually paid out. This is the amount upon which
28 the gambling tax is paid except for pull-tabs and tipboards.

29 Subp. 20. **Organization.** "Organization" means any
30 fraternal, religious, veterans, or other nonprofit organization
31 that has been in existence for the most recent three years and
32 which has at least 15 active members, and either has been duly
33 incorporated as a nonprofit organization for at least three
34 years, or has been recognized by the Internal Revenue Service as
35 exempt from income taxation for the most recent three years.

36 Subp. 21. **Other nonprofit organization.** "Other nonprofit

1 organization" means one of the following:

2 A. an organization as defined in subpart 20, other
3 than a fraternal, religious, or veterans organization, whose
4 nonprofit status is evidenced by a current letter of exemption
5 from the Internal Revenue Service recognizing it as a nonprofit
6 organization exempt from payment of income taxes. An
7 organization applying for renewal of a license is considered to
8 have satisfied this item if the organization has, during the
9 period of licensure, a certificate of nonprofit incorporation or
10 has been recognized by the Internal Revenue Service as exempt
11 from the payment of income taxes.

12 B. [Unchanged.]

13 Subp. 22. to 25. [Unchanged.]

14 Subp. 26. Gross profit. "Gross profit" means the gross
15 receipts collected from lawful gambling, less reasonable sums
16 necessarily and actually expended for prizes.

17 Subp. 26a. Net profit. "Net profit" means gross profit
18 less reasonable sums actually expended for allowable expenses.

19 Subp. 27. to 31. [Unchanged.]

20 7860.0040 LICENSE APPLICATION.

21 Subpart 1. [Unchanged.]

22 Subp. 2. **Contents of application.** The application must
23 contain the following information:

24 A. to R. [Unchanged.]

25 S. a consent that local law enforcement officers, the
26 board or agents of the board, or the commissioner of revenue or
27 agents of the commissioner, may enter the premises to enforce
28 the law;

29 T. a compensation schedule devised by the
30 organization identifying tasks and rate of compensation for each
31 task in the conduct of lawful gambling;

32 U. the day and time of the regular meeting of the
33 organization;

34 V. the name, address, and account number for all
35 accounts into which gross receipts from gambling are deposited

1 for this licensed premises, and the name and address of the
2 persons authorized to sign checks and make deposits and
3 withdrawals;

4 W. a membership list of the organization which must
5 be available within seven days after it is requested by the
6 board;

7 X. registered storage space; and

8 Y. such additional information as is necessary to
9 properly identify the applicant and to ensure compliance with
10 Minnesota Statutes, sections 349.11 to 349.22.

11 Subp. 3. **Required attachments to application.** The
12 applicant must attach the following material to the application:

13 A. a copy of the lease agreement for the premises
14 where the organization will conduct lawful gambling if the
15 premises is not owned by the organization;

16 B. every eligible organization must file a copy of
17 its written internal accounting and administrative control
18 system relative to gambling operations with the board when first
19 applying for a license to conduct lawful gambling as specified
20 on a form provided by the board; and

21 C. a completed License Termination Form that commits
22 the organization, at the termination of the license, to inform
23 the board of its plan for the disposal of registered gambling
24 equipment and for the distribution of profit carryover in the
25 general gambling bank account within 15 days of the termination
26 date. The plan must be approved by the board.

27 Subp. 4. **Local approval.** The applicant shall deliver a
28 copy of the application to the clerk of the local governing body
29 along with a notification that the license, if approved by the
30 board, will become effective within 60 days unless the governing
31 body adopts a resolution disapproving the license and so informs
32 the board within 60 days. If the premises are located outside a
33 city, the town board of the town and the county board of the
34 county must both be notified. The clerk will sign an
35 acknowledgment of receipt of the copy of the license application
36 and notification. If the local governing body chooses to waive

1 its right to disapprove the license within the 60-day period,
2 the local governing body must notify the board in writing of the
3 waiver.

4 Subp. 5. to 8. [Unchanged.]

5 Subp. 9. **Restriction on applicant.** An organization that
6 has conducted gambling as an exempted organization is not
7 eligible for a license to conduct lawful gambling in the same
8 calendar year as it has been awarded exempt status.

9 An organization that is licensed may not be considered as
10 an applicant for exempt status during the same calendar year it
11 has a license.

12 7860.0070 ADVERTISING.

13 Subp. 1a. **Not gambling expense.** Advertising of the
14 conduct of lawful gambling, although not prohibited, may not be
15 taken as an expense against gambling proceeds. No expenses for
16 advertising shall be paid from the gambling banking checking
17 account required in part 7860.0140.

18 Subp. 2. [Unchanged.]

19 7860.0090 LEASE AGREEMENTS.

20 Subpart 1. **Requirements of lease.** All leases of premises
21 where lawful gambling is to be conducted must be on a form
22 provided by the board and must contain at a minimum the
23 following information:

24 A. The name of the lessor, who must be the legal
25 owner of the premises. If the organization is to be a
26 sublessee, then the lessee name must also be included.

27 B. The name of the eligible organization.

28 C. The term of the agreement (must be at least one
29 year).

30 D. The monetary consideration, if any, expressed in
31 terms of number of dollars per month or number of dollars per
32 bingo occasion, whichever is applicable.

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

1 be attached), with dimensions of the leased premises specified
2 in feet and a statement of number of square feet leased.

3 F. All obligations between the lessee and its
4 employees or agents and the lessor and its employees or agents
5 must be contained in the lease. No benefit shall accrue to any
6 party or person unless provided for in the lease.

7 G. Commitment from the lessor that: the board or
8 agents of the board, or the commissioner of revenue or agents of
9 the commissioner, and law enforcement personnel, have access to
10 inspect the licensed premises at any reasonable time or during
11 business hours of the lessor; the lessee has access to the
12 licensed premises during any time reasonable and necessary to
13 the conduct of lawful gambling on the premises by that lessee.

14 H. The lease shall contain a clause that provides for
15 termination of the lease if the licensed premises is the site
16 where gambling, liquor, prostitution, or tax evasion violations
17 have occurred.

18 I. All of the remuneration to be paid by the
19 organization for the conduct of lawful gambling must be stated
20 in the lease. No amount may be paid by the organization or
21 received by the operator of the bingo hall based on the number
22 of participants attending the bingo occasion or on the gross
23 receipts or profit received by the organization.

24 Subp. 2. [Unchanged.]

25 Subp. 3. **Payments.**

26 A. The amount of the lease payment that an
27 organization shall pay to a lessor for premises leased for
28 lawful gambling, with the exception of bingo, may not exceed \$24
29 per square foot per month. In no instance may rent payments for
30 the leased premises exceed \$600 per month.

31 B. The amount of the lease payment that an
32 organization shall pay to a lessor for premises leased for the
33 conduct of bingo and all other gambling activities during that
34 bingo occasion shall not exceed \$200 for leased premises of not
35 more than 6,000 square feet, \$300 for leased premises of not
36 more than 12,000 square feet, and \$400 for leased premises of

1 more than 12,000 square feet.

2 C. The storage of the inventory of gambling equipment
3 may be on that leased premises.

4 D. The sale of and redemption of prizes awarded
5 resulting from the sale of bingo sheets and cards, pull-tabs,
6 tipboards, and paddlewheel tickets shall occur exclusively on
7 the leased premises.

8 E. At each leased premises, the organization shall
9 have:

10 (1) a current inventory of gambling equipment;

11 (2) a sketch with dimensions of the leased
12 premises available for review; and

13 (3) a clear and physical separation or a tangible
14 divider between the lessee's gambling equipment and the lessor's
15 business equipment.

16 F. Each lessee shall be responsible that the lessor's
17 business activities are not conducted on the leased premises.

18 Subp. 4. **Severed leases.** All leases must include an
19 agreement by both parties that if the lease is severed
20 prematurely, for whatever reason, each party shall submit a
21 notice of termination and explanation for the termination to the
22 Charitable Gambling Control Board.

23 Subp. 5. **Restrictions.** No lessee shall enter into an
24 agreement between a lessor and lessee that imposes implicit or
25 explicit restrictions on the lessee in relationships with
26 providers of gambling-related equipment and services or in the
27 use of net profits for lawful purposes.

28 7860.0100 LESSOR OF GAMBLING SITE-RESTRICTIONS.

29 Subpart 1. **Participation in gambling activity prohibited.**

30 If the premises where lawful gambling is to be conducted is a
31 public building or a building where more than four bingo
32 occasions are conducted, the building manager and staff and all
33 officials in a position, individually or collectively, to
34 approve or deny the lease shall not directly or indirectly
35 participate in the selling, distributing, conducting, assisting

1 in the playing of, or participate in lawful gambling at the
2 leased premises.

3 The lessee shall not permit the lessor or the lessor's
4 immediate family to participate as players in the conduct of
5 lawful gambling on the leased premised site. The lessee shall
6 not permit any of its employees or agents to participate as
7 players in the conduct of lawful gambling on the leased premised
8 site.

9 An organization shall not be granted a license when the
10 proposed licensed premises is a site where illegal gambling has
11 occurred within the last 12 months or the lessor has been
12 convicted of illegal gambling within the last 12 months.

13 Subp. 2. and 3. [Unchanged.]

14 7860.0105 BINGO HALL LICENSES.

15 Subpart 1. **License required.** No person may lease a
16 facility to more than one licensed individual, corporation,
17 partnership, or organization to conduct bingo without having
18 obtained a bingo hall license, unless the ~~person~~ lessor is a
19 licensed organization.

20 Subp. 2. **Application required.** Annual application must be
21 made for a bingo hall license. The application must be on a
22 form provided by the board and must contain, at a minimum, the
23 following information:

24 A. the name of the person responsible for completing
25 the application;

26 B. the name of the person who is the owner;

27 C. the name of the person who is the lessor;

28 D. the name of the site;

29 E. the office address if different than the mailing
30 address;

31 F. the telephone number of the business;

32 G. the official position of the person completing the
33 application;

34 H. the legal nature of the applicant (corporation,
35 partnership, or sole proprietorship);

1 I. a statement as to whether any officer, director,
2 or other person in a supervisor or management position:

3 (1) has been convicted of a felony in a state or
4 federal court within the past five years or who has a felony
5 charge pending; or

6 (2) has ever been convicted in a state or federal
7 court of a gambling-related offense within ten years of the date
8 of license application; and

9 J. a list of the owners, partners, officers,
10 directors, and people in supervisory and management positions.
11 A bingo hall personnel form must be completed for each of these
12 individuals.

13 Subp. 3. **Bingo hall personnel form.** The bingo hall
14 personnel form in subpart 2, item J, must contain the following
15 information:

16 A. the name of the person completing the form;

17 B. the name of the bingo hall;

18 C. the address, date of birth, place of birth, and
19 name of the spouse of the person completing the form;

20 D. all other current occupations along with the
21 employer's name, address, type of business, and the position
22 held within that business;

23 E. the names of any organizations conducting gambling
24 of which the person completing the form is a member;

25 F. all criminal convictions, or pending criminal
26 charges, if any, the date of those convictions, and the location
27 of the court imposing sentence;

28 G. a list of all the places of residence in the last
29 ten years; and

30 H. information on this form shall be verified by the
31 person completing it.

32 Subp. 4. **Prohibitions on bingo hall lessor/owner**
33 **interest.** The following prohibitions and restrictions apply to
34 bingo hall lessors/owners:

35 A. No bingo hall lessor/owner may also be a licensed
36 distributor or registered manufacturer or affiliate of a

1 distributor or manufacturer.

2 B. No person who is an officer, director,
3 shareholder, directly or indirectly, partner, or proprietor of a
4 wholesale alcoholic beverage distributorship shall be an
5 officer, director, shareholder, partner, proprietor, or employee
6 of a bingo hall lessor/owner, nor shall the person have any
7 direct or indirect financial interest in the bingo hall.

8 Subp. 5. **Changes in application information.** Any changes
9 in the information submitted in the application must be filed
10 with the board within ten days after the change occurs.

11 Subp. 6. **Restrictions on services provided.** A bingo hall
12 lessor/owner or affiliate of the lessor/owner may not:

13 A. provide any staff to conduct bingo or any other
14 form of lawful gambling during the bingo occasion;

15 B. acquire, control storage or inventory, or report
16 the use of any gambling equipment used by an organization that
17 conducts bingo on the premises;

18 C. provide accounting services to an organization
19 conducting lawful gambling on the premises;

20 D. make any expenditures of gross receipts of an
21 organization from lawful gambling; or

22 E. charge any fee to a person at a bingo occasion,
23 without which the person could not play a bingo game.

24 For purposes of this subpart, an affiliate of the bingo
25 hall lessor/owner is any person or entity directly or indirectly
26 controlling, controlled by, or under common control with the
27 bingo hall lessor/owner.

28 Subp. 7. **License fee.** The annual fee for a bingo hall
29 license is ~~\$250~~ \$2,500.

30 7860.0110 PREMISES LEASED TO TWO OR MORE ORGANIZATIONS.

31 Subpart 1. **Limit on number of occasions per week.** There
32 may be no more than 18 bingo occasions per week on a premises.

33 Subp. 2. [See Repealer.]

34 7860.0120 GENERAL ACCOUNTING RECORDS.

35 Subpart 1. **General records.** Every organization shall

1 maintain complete, accurate, and legible general accounting
2 records with detailed, supporting, subsidiary records sufficient
3 to furnish information regarding all transactions pertaining to
4 gambling. The accounting records must be sufficient to
5 adequately reflect gross receipts, prizes, net receipts,
6 expenses, and all other accounting transactions.

7 Subp. 2. **Monthly records.** Every organization licensed to
8 operate any lawful gambling activity shall keep and maintain
9 monthly records of all the gambling activities of the
10 organization. A photocopy of the "Minnesota Monthly Gambling
11 Tax Return," a photocopy of Schedule C, a copy of reconciled
12 bank statements, and a photocopy of the expense computation form
13 must be filed with the monthly report to the members by the
14 licensed organization and made part of the minutes of the
15 regular meetings of the licensed organization. These records
16 must be kept separate for each month and include all details of
17 the following:

18 A. to E. [Unchanged.]

19 Subp. 3. [Unchanged.]

20 7860.0130 METHOD OF ACCOUNTING.

21 Subpart 1. and 2. [Unchanged.]

22 Subp. 3. **Unpaid liabilities.** The unpaid liabilities of
23 the licensee on allowable expenses shall be reported to the
24 commissioner of revenue on its monthly gambling tax return.

25 7860.0140 GENERAL GAMBLING BANK ACCOUNT.

26 Every organization shall maintain a separate checking
27 account at a financial institution, located within Minnesota,
28 for each license issued.

29 Every organization shall furnish to the board an
30 "Authorization to Inspect Bank Records," which shall authorize
31 the commissioner of revenue and agents of the commissioner of
32 revenue to inspect the bank records of the organization's
33 gambling bank account.

34 Interest income must be included in gross receipts.

35 All net receipts from lawful gambling must be deposited

1 only in this account and all allowable expenses and lawful
2 purpose expenditures must be paid from this account.

3 When the license for an organization has been terminated,
4 the organization shall notify the board of the amount in the
5 gambling banking checking account and the plan for its lawful
6 disbursement. The plans for disposal must satisfy the
7 conditions of licensing.

8 7860.0150 INTERNAL CONTROL.

9 Subpart 1. **System of internal accounting and**
10 **administrative controls required.** To adequately determine its
11 liability for taxes and the proper determination of profit to be
12 expended for lawful purposes, every organization shall establish
13 and have available for review, a written system of internal
14 accounting and administrative controls relative to its lawful
15 gambling operations. The organization shall file a copy of its
16 internal accounting and administrative control system with the
17 board when the license application is submitted. The board may
18 require that the organization revise its internal accounting and
19 administrative control system if the system does not meet the
20 internal control objectives established by the board. The
21 minimal items to be covered in the internal controls are (1) a
22 plan for ensuring security of the organization's fund and
23 gambling equipment, (2) a plan for collecting, counting, and
24 depositing funds from gambling, and (3) a plan for authorizing,
25 ordering, receiving, putting into play, and recording proceeds
26 from gambling activities. The board shall provide a reporting
27 form to ensure that the internal accounting procedures are
28 adequately documented.

29 Subp. 2. to 6. [Unchanged.]

30 Subp. 7. **Fund loss by questionable means.** When an
31 organization has a fund loss by questionable means in its
32 inventory or its cash flow, the organization may apply to the
33 board, on a form provided by the board, for an adjustment of its
34 gambling banking checking account. The form shall be available
35 from the office of the board. The organization shall provide

1 the following information:

2 A. A copy of the police report filed relative to the
3 shortage. If the police report on the shortage is not filed
4 within ten days of the discovery of the shortage, the request
5 for adjustment will not be considered.

6 B. The amount of the loss and the method of
7 substantiating that amount.

8 C. A statement of the adjustment and internal
9 controls to prevent that loss from occurring again.

10 D. A change in staffing to prevent the recurrence of
11 the loss.

12 E. An agreement from the chief executive officer and
13 gambling manager of the organization that any funds that are
14 recovered from that loss as a result of law enforcement
15 investigation or payment from the bonding company will be
16 returned to the gambling banking checking account.

17 All fund losses by questionable means must be reimbursed to
18 the gambling banking checking account, unless an adjustment to
19 the gambling account is approved by the board.

20 7860.0160 EXPENSES.

21 Subpart 1. **Expenses allowed.** Reasonable sums that are
22 necessarily and actually expended for items A to L, are allowed
23 to be taken from gross receipts from lawful gambling:

24 A. prizes;

25 B. gambling supplies and equipment;

26 C. rent;

27 D. utilities used during gambling occasions;

28 E. compensation paid to members for conducting
29 gambling on a compensation schedule devised by the organization
30 for its employees for the conduct of lawful gambling and file
31 that report with the board;

32 F. maintenance of devices used in lawful gambling;

33 G. accounting services;

34 H. license renewal;

35 I. bond for gambling manager;

- 1 J. insurance on gambling activities;
2 K. investigation fee; and
3 L. one-third of the amount of increase in the annual
4 premium of the liability insurance.

5 Subp. 2. Definitions. For purposes of subpart 1:

6 A. "Prizes" mean actual cash given to winners in
7 gambling games. Prizes also include the cost of merchandise
8 given to winners of gambling games. Merchandise must be
9 expensed at the actual cost to the organization.

10 B. "Gambling supplies and equipment" mean:

11 (1) bingo cards, devices for selecting bingo
12 numbers, numbered bingo balls, ink dabbers, and other supplies
13 or equipment used in the playing of bingo such as flashboards,
14 game boards, monitoring systems, cash registers, and game
15 programs;

16 (2) pull-tabs and ticket jars;

17 (3) paddlewheels, paddleticket cards, and other
18 necessary equipment used to conduct the game of paddlewheels;

19 (4) tipboards;

20 (5) incidental office supplies such as paper,
21 pencils, forms, and calculators;

22 (6) cost of printing of raffle tickets; and

23 (7) all sales tax paid on these items.

24 C. "Rent" means that amount of money expended
25 pursuant to a lease of a specific premises for the purpose of
26 conducting lawful gambling.

27 D. [Unchanged.]

28 E. "Compensation paid to members for conducting
29 lawful gambling" means compensation plus reasonable
30 employer-paid benefits, and payroll taxes for employees directly
31 engaged in conducting gambling. If the employee performs other
32 services unrelated to gambling activities, an allocation based
33 on hours worked in each activity must be made. For purposes of
34 this item, "member" includes active members of the organization,
35 its auxiliary, the spouse or surviving spouse of an active
36 member, and nonmembers hired as nonmanagement assistants

1 pursuant to the approval of the organization. Compensation for
2 the conduct of gambling may not provide for compensation based
3 on a percentage of receipts or profits from lawful gambling.
4 Any compensation paid must be pursuant to a compensation
5 schedule established by the organization and included in the
6 recorded minutes of the organization.

7 F. "Maintenance of devices used in lawful gambling"
8 means the reasonable material and labor charges for the repair
9 and maintenance of equipment or devices used in lawful gambling.

10 G. "Accounting services" means the reasonable expense
11 of services for completion of the periodic reports required by
12 statute and rule and provided to the board.

13 H. "License renewal" means the actual cost incurred
14 by an organization to satisfy the license fee imposed by the
15 board.

16 I. "Bonds for the gambling manager" means the actual
17 cost incurred by an organization for the fidelity bonds for the
18 gambling managers for license renewal.

19 J. "Insurance on gambling activities" means the
20 reasonable expense of coverage of gambling equipment and
21 gambling funds for theft, burglary, or casualty loss at the
22 licensed premises.

23 K. "Investigation fee" means the fee imposed by the
24 local governing unit to investigate the applicant for a gambling
25 license renewal.

26 L. "One-third of the amount of increase in the annual
27 premium of the liability insurance" means the premium on a
28 licensed premises that is directly related to the conduct of
29 lawful gambling and which must be provided on a form by the
30 board.

31 Subp. 3. **Percent expended for allowable expenses.**
32 Compliance by an organization with the maximum percentage of
33 profits expended for allowable expenses must be determined on an
34 annual basis.

35 Allowable expenses incurred by the organization must be
36 paid within sufficient time to ensure that all reports to the

1 board demonstrating the degree of compliance with Minnesota
2 Statutes, section 349.15, are accurate and complete.

3 Subp. 4. **Unallowable expenses.** The following may not be
4 taken as expenses from lawful gambling receipts:

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

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

10 C. decorations of the site; and

11 D. advertising costs, not including bingo programs
12 distributed on the premises.

13 7860.0170 EXPENDITURES FOR LAWFUL PURPOSES.

14 Subpart 1. to 3. [Unchanged.]

15 Subp. 4. **Percent of profit to be used for allowable**
16 **expenses.** Profits from lawful gambling may be expended only for
17 lawful purposes or allowable expenses as authorized at a regular
18 meeting of the conducting organization, provided that no more
19 than 55 percent of profits from bingo, and no more than 45
20 percent for other forms of lawful gambling, may be expended for
21 necessary expenses related to lawful gambling.

22 When applying for license renewal, each organization must
23 supply to the board expense computation forms, which the board
24 will provide, to determine its compliance with Minnesota
25 Statutes, section 349.15. If the organization does not satisfy
26 that percentage, it will not be eligible for renewal for 120
27 days from the date of license expiration.

28 7860.0180 GAMBLING TAX RETURNS.

29 Subpart 1. to 3. [Unchanged.]

30 Subp. 4. **Three signatures required on tax returns.** The
31 gambling manager, the chief executive officer of the
32 organization or their respective designees, and the person who
33 completed the tax return must sign the tax return. The
34 organization shall inform the board in writing of the identity
35 of the designees.

1 7860.0200 DISTRIBUTORS.

2 Subpart 1. [Unchanged.]

3 Subp. 2. **Application required.** Annual application must be
4 made for a distributor's license. The application will be on a
5 form provided by the board, which form will include at least the
6 following information:

7 A. to G. [Unchanged.]

8 H. a list of the owners, partners, officers,
9 directors, employees, people in supervisory and management
10 positions, and any person who receives anything of value,
11 including but not limited to salary, wages, compensation, or
12 payment for services rendered to the distributor. A distributor
13 personnel form must be completed for each of these individuals;

14 I. to L. [Unchanged.]

15 Subp. 3. [Unchanged.]

16 Subp. 4. **Restrictions on distributorship interest.** The
17 following are the restrictions on distributorship interest:

18 A. to C. [Unchanged.]

19 D. All distributors and persons required to prepare a
20 distributor personnel form pursuant to item H must advise the
21 board in writing of their memberships in organizations that
22 conduct lawful gambling. No distributor or person required to
23 prepare a distributor personnel form pursuant to subpart 2, item
24 H may sell or furnish gambling equipment to any licensed
25 organization of which he or she is an officer, director, or
26 gambling manager.

27 E. No distributor or person required to prepare a
28 distributor personnel form pursuant to subpart 2, item H, may
29 provide any services related to the conduct of lawful gambling
30 that are required to be performed by a licensed organization.

31 F. A distributor shall notify the board by registered
32 mail if a licensed organization is more than 35 days delinquent
33 in its payment to that distributor of tax obligations and costs
34 of registered equipment. The board shall notify the licensed
35 organization of the delinquency and direct the organization to

1 eliminate the delinquency, if one exists. The board must be
2 notified by the licensed distributor that the delinquency has
3 been paid or that no delinquency exists within ten days of the
4 distributor's initial notification to the board. If the board
5 is notified that the delinquency has not been paid within ten
6 days of the distributor's initial notification to the board, the
7 board shall notify all licensed distributors that no registered
8 gambling equipment may be sold, offered for sale, or furnished
9 to that organization.

10 No distributor shall sell, offer for sale, or furnish
11 registered gambling equipment to an organization that has been
12 determined by the board to be 45 or more days delinquent in its
13 payment to a licensed distributor for the amount of the tax
14 collection and of costs of registered gambling equipment.

15 When the delinquency is paid, the board shall so notify all
16 licensed distributors.

17 Subp. 5. to 7. [Unchanged.]

18 Subp. 8. **Books and records to be kept.** Each distributor
19 shall maintain for one year records that contain the following
20 information relative to the purchase and sale, lease, rental, or
21 loan of gambling equipment.

22 A. Sales invoices for all gambling equipment
23 distributed, whether by sale, lease, rental, or loan, to all
24 gambling organizations. Gambling equipment provided to all
25 gambling organizations at no charge must be recorded on a sales
26 invoice. The sales invoices must be on a standard form
27 prescribed by the board and must have the following information
28 as a minimum:

29 (1) and (2) [Unchanged.]

30 (3) the license number and expiration date of the
31 license of the organization;

32 (4) to (11) [Unchanged.]

33 B. [Unchanged.]

34 Subp. 9. to 20. [Unchanged.]

35 Subp. 21. **Picture identification card.** Each picture
36 identification card provided by the board must contain the

1 following:

2 A. to G. [Unchanged.]

3 The picture identification card is the property of the
4 state of Minnesota and is to be returned to the board if the
5 bearer is no longer eligible to conduct sales.

6 No person may possess a picture identification card from
7 more than one licensed distributor.

8 Subp. 22. [Unchanged.]

9 7860.0210 SPECIAL RESTRICTIONS; PULL-TABS AND TIPBOARDS.

10 Subpart 1. [Unchanged.]

11 Subp. 2. **Purchases.** A distributor shall not purchase or
12 be furnished any deal of pull-tabs or tipboards from a
13 manufacturer of pull-tabs or tipboards unless both of the
14 following conditions are met:

15 A. and B. [Unchanged.]

16 7860.0220 REGISTRATION OF EQUIPMENT.

17 Subpart 1. **Registration required.** All gambling equipment
18 sold, leased, rented, or loaned by a distributor to an
19 organization must be registered with the board as follows:

20 A. and B. [Unchanged.]

21 C. a state registration stamp must be affixed to the
22 master flare for each sealed grouping of up to 100 paddleticket
23 cards and have a facsimile of the state registration stamp
24 imprinted on each paddleticket card stub with the distributor's
25 license number printed on the facsimile in the place of the
26 paddleticket card numbers;

27 D. a state registration stamp must be affixed to
28 paddlewheels and devices for selecting bingo numbers; and

29 E. when the license for an organization has been
30 suspended, revoked, or has expired, the organization shall
31 notify the board of its inventory of registered gambling
32 equipment and its plan for disposal of the gambling equipment.
33 The plans for disposal of the gambling equipment must satisfy
34 the conditions of licensing.

1 7860.0230 BINGO.

2 Subpart 1. to 7. [Unchanged.]

3 Subp. 8. **General bingo records.** For each bingo occasion,
4 the following records must be kept:

5 A. to C. [Unchanged.]

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

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

8 F. the inventory of disposable bingo cards purchased
9 by the organization; and

10 G. for any bingo game with a prize of \$100 or more:

11 (1) the name and address of the winner;

12 (2) the series number of the winning card; and

13 (3) the date and the amount of the prize won.

14 Subp. 9. and 10. [Unchanged.]

15 Subp. 11. [See Repealer.]

16 Subp. 12. **Cards that are not preprinted but are completed**
17 **by the player.** Bingo cards are to contain five horizontal rows
18 of spaces. The central row must contain the word "free" marked
19 in the center space. The remaining spaces must be of uniform
20 color and size.

21 7860.0240 PULL-TABS.

22 Subpart 1. **General.** The following general rules shall
23 apply to the game of pull-tabs:

24 A. to E. [Unchanged.]

25 F. House rules governing the conduct of the sale of
26 pull-tabs must be posted in such a manner that players have
27 access to the rules before buying any pull-tabs.

28 G. The organization shall clearly identify the play
29 of pull-tabs as single deal sales or commingled deal sales.

30 H. No pull-tab shall be sold for a price other than
31 the price of a single pull-tab as indicated on the flare.

32 I. No pull-tab shall be provided to a player free of
33 charge or for any consideration other than the price of a single
34 pull-tab as indicated on the flare. This item does not apply to
35 the winning of a free play.

1 J. At each licensed premises where pull-tabs are
2 offered for sale by a licensed organization, there shall be
3 available for inspection by the board or agents of the board, or
4 the commissioner of revenue or agents of the commissioner, a
5 copy of the distributor's invoice for each pull-tab deal in play
6 and on the premises or an inventory list for each registered
7 pull-tab deal on the premises.

8 Subp. 2. to 8. [Unchanged.]

9 7860.0250 TIPBOARDS.

10 Subpart 1. **General.** The following general rules apply to
11 the game of tipboards:

12 A. to D. [Unchanged.]

13 E. When any tipboard deal is offered for play, all of
14 the tickets related to that registered deal must be placed out
15 for play at the same time.

16 F. House rules governing the conduct of the sale of
17 tipboards must be posted in such a manner that the players have
18 access to the rules before buying a tipboard.

19 G. At each licensed premises where tipboards are
20 offered for sale by a licensed organization, there shall be
21 available for inspection by the board or agents of the board, or
22 the commissioner of revenue or agents of the commissioner, a
23 copy of the distributor's invoice for each tipboard deal in play
24 and on the premises or an inventory list for each registered
25 tipboard deal on the premises.

26 Subp. 2. [Unchanged.]

27 Subp. 3. **Cost per ticket and prize limitations.** The cost
28 per ticket and the value of the prizes will be as follows:

29 A. [Unchanged.]

30 B. Prizes may not have a value more than \$500 as the
31 highest denomination winner. The major prize that is determined
32 by removing the seal on the tipboard offered in a tipboard deal
33 shall be equal to or greater than the value of any other prize
34 awarded in that tipboard deal.

35 C. and D. [Unchanged.]

1 Subp. 4. to 7. [Unchanged.]

2 7860.0260 PADDLEWHEELS.

3 Subpart 1. [Unchanged.]

4 Subp. 2. Registration stamps. Each sealed grouping of up
5 to 100 paddleticket cards must have a state registration stamp
6 affixed to the master flare accompanying the group with the
7 paddleticket card numbers written in by the distributor on the
8 space provided on the master flare.

9 An organization may not use paddletickets:

10 A. that do not have a state registration stamp
11 affixed to the master flare accompanying the group;

12 B. when the paddleticket card number written on the
13 master flare differs from the actual paddleticket card number
14 preprinted on the tickets;

15 C. when the paddleticket card number preprinted on
16 the stub does not match the paddleticket card number preprinted
17 on the individual tickets; and

18 D. that are not attached to the paddleticket card.

19 Subp. 3. to 6. [Unchanged.]

20 7860.0300 STANDARDS FOR PULL-TABS AND TIPBOARD TICKETS.

21 Subpart 1. Tipboard ticket standards. All tipboard
22 tickets sold in this state must conform to the following
23 standards:

24 A. Each individual tipboard ticket shall have
25 conspicuously set forth thereon the name of the manufacturer or
26 label or trademark which identifies its manufacturer. The label
27 or trademark must be filed with the board prior to the sale of
28 the tipboard ticket by the manufacturer of the product. ~~This~~
29 ~~item-shall-be-effective-April-17-1989.~~

30 B. Deals of tipboard tickets must be manufactured,
31 assembled, and packaged in such a manner that none of the
32 winning tipboard tickets, nor the location or approximate
33 location of any of the winning tipboard tickets can be
34 determined in advance of opening the tipboard tickets in any
35 manner or by any device, including but not limited to any

1 pattern in manufacture, assembly, packaging, markings, or by the
2 use of a light.

3 C. (1) On banded tipboard tickets, the minimum
4 four-digit serial number and the name of the manufacturer must
5 be printed so both are readily visible prior to opening the
6 tipboard ticket.

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

13 Subp. 2. **Pull-tab ticket standards.** All pull-tab tickets
14 sold in this state must conform to the following standards:

15 A. Concealed numbers or symbols must not be able to
16 be viewed or winning numbers or symbols determined from the
17 outside of the pull-tab ticket using a high intensity lamp of
18 500 watts. Protection shall be provided by using opaque paper
19 stock or by use of an aluminum foil laminate.

20 B. The game must be assembled so that no placement of
21 winners or losers exists that allows the possibility of prize
22 manipulation, or "pick out."

23 C. The minimum information printed on a pull-tab, or
24 if starred (*) on a single folded or banded ticket, must include:

25 (*1) the name of manufacturer or its distinctive
26 logo;

27 (2) the name of game;

28 (3) the manufacturer's form number;

29 (4) the price per individual pull-tab;

30 (*5) the unique minimum five-digit game serial
31 number, printed on the game information side of the pull-tab
32 which must not be repeated on the same form number for three
33 years; and

34 (6) number of winners, and respective winning
35 numbers or symbols, and prize amounts unless a flare is included
36 giving that information.

1 D. The game shall be designed, constructed, glued,
2 and assembled in such a manner as to prevent the determination
3 of a winning ticket without removing the tabs or otherwise
4 uncovering the symbols or numbers as intended. Each ticket in a
5 series or deal must bear the same serial number. There shall
6 not be more than one serial number in one series or deal.

7 The numbers or symbols must be fully visible in the window
8 and shall be centered so that no part of a symbol or number
9 remains covered when the tab is removed.

10 E. It must not be possible to isolate winning or
11 potential winning tickets from variations in size or the
12 appearance of a cut edge of the pull-tab comprising a particular
13 game.

14 F. It must not be possible to detect or pick out
15 winning pull-tabs from losing tickets through variations in
16 printing graphics or colors, especially those involving
17 different printing plates.

18 G. A unique symbol or printed security device, such
19 as a specific number keyed to particular winners, or the name of
20 the symbol or some of the symbol colors changed for a winner, or
21 other similar protection shall be placed in the winning windows
22 of prize winners. This item does not apply to numeral games.

23 H. All pull-tabs sold in this state must be packaged
24 as follows:

25 (1) Each game's package, box, or other container
26 shall be sealed at the factory with a seal including a warning
27 to the purchaser that the game may have been tampered with if
28 the package, box, or container was received by the purchaser
29 with the seal broken.

30 (2) A game's serial number shall be clearly and
31 legibly placed on the outside of the game's package, box, or
32 other container or be able to be viewed from the outside of the
33 box.

34 (3) For games shipped to Minnesota for sale in
35 this state, the flare for the game shall be located on the
36 outside of each game's sealed package, box, or other container

1 so that the seal on the container need not be broken to place
2 the stamp.

3 ~~1. The effective date of this subpart is April 17~~
4 ~~1989.~~

5 7860.0320 GAMBLING MANAGERS.

6 Subpart 1. **Instruction course.** Effective December 31,
7 1990, before a person may serve as gambling manager for any
8 organization licensed to conduct gambling in Minnesota, that
9 gambling manager must have satisfactorily completed a course of
10 instruction conducted by the department of revenue on the duties
11 and responsibilities of the gambling manager. In the event that
12 either or both of the following happens: (1) the gambling
13 manager leaves his or her position or (2) a new gambling manager
14 is designated, the new gambling manager shall complete the
15 training at the next training session offered by the
16 commissioner.

17 Subp. 2. **Restriction.** No gambling manager may be a lessor
18 or an employee of a lessor of a premises licensed to conduct
19 lawful gambling.

20 7860.0400 MANUFACTURERS.

21 Subpart 1. to 4. [Unchanged.]

22 Subp. 5. **Marking and identification of equipment for**
23 **gambling.** The following requirements apply to the marking and
24 identification of equipment for lawful gambling.

25 A. and B. [Unchanged.]

26 C. All gambling equipment sold by registered
27 manufacturers that is used in Minnesota must be manufactured in
28 a manner that would permit the manufacturer to identify the
29 buyer of the gambling equipment and provide the identity of the
30 buyer at the request of the board.

31 Subp. 6. to 11. [Unchanged.]

32 Subp. 12. **Pull-tab seals.** A manufacturer may not sell or
33 otherwise provide any deal of pull-tabs to a licensed
34 distributor unless the deal meets the standards in part
35 7860.0300, subpart 2.

1 Subp. 13. **Notice of delinquency.** A manufacturer shall
2 notify the board by registered mail if a licensed distributor is
3 more than 60 days delinquent in its payment to that manufacturer
4 of costs of equipment. The board shall notify that licensed
5 distributor of the delinquency and direct the distributor to
6 eliminate the delinquency, if one exists. The board must be
7 notified by the registered manufacturer that the delinquency is
8 paid or that no delinquency exists within ten days of the
9 manufacturer's initial notification to the board. If the board
10 is notified that the delinquency has not been paid within ten
11 days of the manufacturer's initial notification to the board,
12 the board shall notify all registered manufacturers that no
13 gambling equipment may be sold, offered for sale, or furnished
14 to that distributor. When the delinquency is paid, the board
15 shall notify all registered manufacturers.

16 7860.0500 COMPLIANCE REVIEW GROUP.

17 Subpart 1. **Compliance review group established.** The chair
18 of the board may appoint three board members to serve on the
19 compliance review group. The compliance review group shall meet
20 as necessary to conduct informal inquiries into alleged
21 violations of the laws or rules governing the conduct of lawful
22 gambling by persons and organizations licensed by or registered
23 with the board.

24 Subp. 2. **Duties of compliance review group.** The
25 compliance review group may:

26 A. consider all matters relating to violation of
27 Minnesota Statutes, chapter 349, and the rules adopted by the
28 board under that chapter;

29 B. require a person or organization licensed or
30 registered under Minnesota Statutes, chapter 349, to appear
31 before the compliance review group to discuss violations of the
32 laws or rules related to lawful gambling;

33 C. conduct hearings in accordance with the procedures
34 in part 7860.0700, subpart 3;

35 D. recommend to the board that disciplinary sanctions

1 be imposed or initiated against a person or organization
2 licensed by or registered with the board for violation of the
3 laws or rules related to lawful gambling; and

4 E. negotiate and enter into settlement agreements
5 with a licensee or person or entity registered with the board to
6 resolve any violation of the laws or rules related to lawful
7 gambling.

8 7860.0600 SUSPENSIONS OR REVOCATIONS.

9 Subpart 1. **Grounds.** The board may suspend or revoke the
10 license of an organization, bingo hall lessor, distributor, or
11 the certificate of a registered manufacturer after a contested
12 case hearing under Minnesota Statutes, chapter 14, if the
13 licensee or certificate holder has:

14 A. violated any law related to lawful gambling or any
15 rule adopted by the board;

16 B. made a false statement in a document or
17 application required to be submitted to the board or the
18 department of revenue or has made a false statement in a sworn
19 statement or testimony before the board; or

20 C. has engaged in fraud or misrepresentation in the
21 securing of a license or certificate from the board or in the
22 conduct of lawful gambling.

23 Subp. 2. **Additional grounds.** Any grounds for denial of a
24 license or registration certificate is also grounds for the
25 suspension or revocation of the license or certificate or the
26 imposition of a civil fine.

27 7860.0700 FINES.

28 Subpart 1. **Imposition.** The board may impose a civil fine
29 upon any licensed organization, bingo hall lessor, distributor,
30 or registered manufacturer for violation of any provision of
31 Minnesota Statutes, sections 349.12 to 349.23, or a violation of
32 the board's rules. The civil penalty may not exceed \$500 per
33 violation.

34 In determining the amount of a fine to be imposed for a
35 violation of law or rule, the board shall consider:

- 1 A. the severity of the conduct as indicated by the
2 potential harm to the integrity of lawful gambling;
3 B. the culpability of the violator;
4 C. the frequency of the violator's failure to comply
5 with the law or rules;
6 D. the actual harm caused to the integrity of lawful
7 gambling; and
8 E. any other factor related to the violation that the
9 board considers crucial to its determination of the amount of
10 the fine as long as the same factors are considered with regard
11 to all violators.

12 Subp. 2. Citation form. The executive secretary of the
13 board or agents of the commissioner of revenue may issue to any
14 licensee or person or entity registered with the board a
15 proposed fine on a citation form prescribed by the board. The
16 amount of the proposed fine must be determined in accordance
17 with the factors listed in subpart 1. The proposed fine must be
18 paid to the board within seven days, excluding Saturday, Sunday,
19 and holidays, of the date on which the citation is issued.
20 Failure to pay the proposed fine within seven days may subject
21 the licensee or registered person or entity to further
22 disciplinary action by the board unless the licensee appeals the
23 citation and the proposed fine to the board within the seven-day
24 period.

25 Subp. 3. Appeals. An appeal of the proposed fine must
26 contain the name of the person or organization that received the
27 citation, the date on which the citation was issued, the amount
28 of the proposed fine as stated on the citation, and the specific
29 reasons why the proposed fine should not be paid.

30 Appeals of proposed fines ~~may~~ shall be referred by the
31 board to the compliance review group for purposes of a hearing.
32 Within ten days of the receipt of an appeal, the compliance
33 review group must schedule a hearing. ~~The licensee has the~~
34 ~~burden of proving by substantial evidence that the payment of a~~
35 ~~fine is inappropriate.~~ The licensee may be represented by
36 counsel and may present documents and other relevant evidence to

1 support its position. The compliance review group must issue an
2 order within ten days of the date of the hearing, recommending
3 to the board whether or not a civil fine should be imposed.

4 If the compliance review group determines that a civil fine
5 should be imposed, the order must contain a recommendation for
6 the amount of the fine. The board must act on the
7 recommendation of the compliance review group at its next
8 regularly scheduled meeting. Within ten days of acting on the
9 matter, the board must issue an order, including findings of
10 fact and conclusions of law. The order is a final agency
11 decision.

12 Subp. 4. **Payment from gross receipts prohibited.** Money
13 used to pay a fine imposed by the board may not be paid from the
14 gross receipts of gambling.

15 Subp. 5. **Consequences of failure to correct violations.**
16 Failure to correct the violation for which the fine was imposed
17 is grounds for the suspension or revocation of a license or
18 registration certificate.

19

20 REPEALER. Minnesota Rules, parts 7860.0110, subpart 2; and
21 7860.0230, subpart 11, are repealed.