

349.15 USE OF GROSS PROFITS.

Subdivision 1. **Expenditure restrictions.** Gross profits from lawful gambling may be expended only for lawful purposes or allowable expenses as authorized by the membership of the conducting organization at a monthly meeting of the organization's membership. Provided that no more than 70 percent of the gross profit from bingo, and no more than 60 percent of the gross profit from other forms of lawful gambling, may be expended biennially during the term of the license for allowable expenses related to lawful gambling, except that for the period of July 1, 2008, to June 30, 2009, no more than 75 percent of the gross profit from bingo, and no more than 65 percent of the gross profit from other forms of lawful gambling, may be expended for allowable expenses related to lawful gambling. For licenses issued after June 30, 2006, compliance with this subdivision will be measured on a biennial basis that is concurrent with the term of the license. Compliance with this subdivision is a condition for the renewal of any license beginning on July 1, 2008. For licenses renewed with an effective date between July 1, 2006, and June 30, 2008, an organization shall carry forward an amount equal to 15 percent of any positive allowable expense carryover amount. This balance must be used to offset any future negative expense balance at the time of license renewal.

Subd. 1a. **Disaster relief.** An organization may expend net profits from lawful gambling to relieve the effects of a disaster as defined in section 12.03, subdivision 2, without the prior approval of its membership if:

- (1) the contribution is a lawful purpose under section 349.12, subdivision 25;
- (2) the contribution is authorized by the organization's chief executive officer and gambling manager; and
- (3) the contribution is approved by the membership of the organization at its next regularly scheduled monthly meeting.

If the contribution is not approved by the membership of the organization at its next regularly scheduled monthly meeting, the organization shall reimburse its gambling account in the amount of the contribution.

Subd. 2. **Cash shortages.** In computing gross profit to determine maximum amounts which may be expended for allowable expenses under subdivision 1, an organization may not reduce its gross receipts by any cash shortages. An organization may report cash shortages to the board only as an allowable expense. An organization may not report cash shortages in any fiscal year beginning on July 1, 2004, that in total exceed three-tenths of one percent of the organization's gross receipts from lawful gambling at each permitted premises where the organization conducts lawful gambling.

Subd. 3. **Refunds and credits.** For purposes of this section "gross profit" does not include any refund or credit received under section 297E.02, subdivision 4, paragraph (d).

Subd. 4. **Alternative premises payment.** An organization eligible to expend gross profits on real estate taxes and assessments under section 349.12, subdivision 25, paragraph (a), clause (9), may in the alternative, elect on a calendar year basis to pay itself up to \$1,000 per month for the use of its premises for lawful gambling. Any payments made under this subdivision shall be considered an allowable expense.

Subd. 5. **Civil penalty.** (a) If an organization exceeds the expense limitation contained in subdivision 1, the board may suspend the organization's license or impose a civil penalty as follows:

- (1) up to five percent of the reimbursement amount for the first violation;
- (2) up to ten percent of the reimbursement amount for a second consecutive violation; and
- (3) up to 25 percent of the reimbursement amount for subsequent consecutive violations.

(b) In determining any suspension or penalty for a violation of subdivision 1, the board must consider any unique factors or extraordinary circumstances that directly caused the organization to exceed the expense limitation. Unique factors or extraordinary circumstances include, but are not limited to: the purchase of capital assets necessary to conduct lawful gambling; road or other construction causing impaired access to the lawful gambling premise; and flood, tornado, or other catastrophe that had a direct impact on the continuing lawful gambling operation.

(c) Notwithstanding section 349.151, subdivision 4, paragraph (a), clause (10), the board may impose a civil penalty under this subdivision that exceeds \$500.

History: 1976 c 261 s 5; 1984 c 502 art 12 s 6; 1986 c 467 s 7; 1Sp1986 c 3 art 2 s 16; 1987 c 327 s 7; 1989 c 203 s 2; 1989 c 334 art 2 s 16; 1Sp1989 c 1 art 13 s 7; 1990 c 590 art 1 s 10; 1991 c 336 art 2 s 13; 1994 c 633 art 2 s 19; art 5 s 22; 1996 c 471 art 13 s 16; 1997 c 155 s 4; 2000 c 300 s 3; 2001 c 96 s 7,8; 2002 c 386 art 2 s 1; 2004 c 172 s 1; 2005 c 166 art 1 s 7; 2006 c 205 s 7; 2007 c 145 s 4; 2008 c 260 s 3,4