



## 2003 Legislative Changes

### Minnesota Gambling Control Board

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## Legislative Changes - Effective May 31, 2003

### RENT CHANGES

**Leases currently in effect remain in effect until the premises permit is renewed or the lease is renegotiated.**

- Organizations may continue to pay the amounts established in their current leases that were negotiated and signed prior to May 31, 2003. These leases are valid until the expiration of the premises permit.
- Organizations do not have to renegotiate current lease(s) until their premises permit(s) expires, but only expenses identified in leases negotiated prior to May 31, 2003, will be allowed.
- If a current lease is renegotiated, the organization must then follow the new rent limits and use the new lease form LG215 Lease for Lawful Gambling Activity.

**Leases negotiated after May 31, 2003** must follow new limits for rent payments which is based on gross profits reported by the licensed organization.

Lower rates can still be negotiated (and are encouraged) between the licensed organization and the lessor but the new limits will allow for an equitable rate of compensation that is the same for all organizations.

New rent limits differentiate between a "booth operation" (involving employees of the licensed organization) and a "bar operation" (involving employees of the lessor). The new rent limits cover leases where pull-tabs, tipboards and paddlewheel activity are conducted. No changes were made to bingo rent.

#### **Rent is All-inclusive**

For leases negotiated after May 31, 2003, amounts paid as rent by the organization to the lessor are all-inclusive (except bingo rent). No other services provided or contracted by the lessor may be paid by the organization, including but not limited to:

- trash removal,
- janitorial and cleaning services,
- snow removal,
- lawn services,
- electricity,
- heat,
- security,
- security monitoring,
- storage,
- other utilities or services, and
- in the case of bar operations, compensation for cash shortages.

Any other expenditure made by an organization that is related to a leased premises must be approved by the director of the Gambling Control Board.

Rent payments may not be made to an individual.

[Minnesota Statute 349.18, Subd. 1(c)]

**Effective August 1, 2003, compensation (for wages) may not be paid to a lessor or lessor's employees.** Exception: The only time a lessor or lessor's employees may be paid is if the person is employed by the organization only for the sale of pull-tabs and tipboards from a booth operation. [Minnesota Statute 349.168, Subd. 10]

## Legislative Changes - Effective May 31, 2003

The new LG215 Lease for Lawful Gambling Activity replaces all lease forms previously used (LG221, LG222, and LG223). See page 13-14.

NOTE: Leases currently in effect remain in effect until the premises permit is renewed or the lease is renegotiated, but only expenses identified in leases negotiated prior to May 31, 2003, will be allowed.

### For leases negotiated after May 31, 2003

#### New rent limits for a "booth operation" (1)

For sites where any organization conducts:

- Booth operation
- Booth operation and pull-tab dispensing device
- Booth operation and bar operation
- Booth operation, bar operation, and pull-tab dispensing device

For sites where any licensed organization uses a booth operation, rent is based on the following:

- Up to 10% of gross profits (net after prizes) with a cap (maximum) of \$1,750 paid per month.
- For sites with less than \$4,000 gross profit per month, the maximum rent allowed is \$400.
- The maximum rent allowed may not exceed \$1,750 in total per month for **all** organizations at the site/premises.

[Minnesota Statute 349.18, Subd. 1(a), 1(b), and 1(c)]

**(1)** Booth operation means a method of selling and redeeming gambling equipment by an employee of a licensed organization in a site/premises the organization leases or owns where such sales and redemptions are made within a separate enclosure that is distinct from areas where food and beverages are sold.

[Minnesota Statute 349.12, Subd. 6a]

#### New rent limits for a "bar operation" (2)

For sites where any organization conducts:

- Bar operation
- Bar operation with pull-tab dispensing device
- Pull-tab dispensing device only

For sites where any licensed organization uses a bar operation (and there is no booth operation), rent is based on the following:

- Up to 20% of gross profits (net after prizes) with a cap (maximum) of \$2,000 paid per month.
- For sites with less than \$1,000 gross profit per month, the maximum rent allowed is \$200.
- The maximum rent allowed may not exceed \$2,000 in total per month for **all** organizations at the site/premises.

[Minnesota Statute 349.18, Subd. 1(a), 1(b), and 1(c)]

**(2)** Bar operation means a method of selling and redeeming gambling equipment within a leased site/premises licensed for the on-sale of alcoholic beverages where such sales and redemption are made by an employee of the lessor from a common area where food and beverages are also sold. [Minnesota Statute 349.12, Subd. 3b]

NOTE: If one organization has a booth operation and another organization has a bar operation at the same site, the rent limits for booth operations applies to both organizations.

For sites that do not fit either category (booth or bar operation), leases will be approved by the Gambling Control Board before becoming effective.

## Legislative Changes: Rent Q & A

**Our organization has lease agreements in place that do not expire until January 2005. Do we have to renegotiate new leases?**

No. Current lease agreements remain in effect until the expiration of your current organization license, and only the expenses identified in the leases negotiated prior to May 31, 2003, will be allowed. However, if you renegotiate your lease, you must use the new LG215 Lease for Lawful Gambling Activity.

**Our organization has a lease agreement that we would like to renegotiate. Do we have to use the new LG215?**

Yes. The renegotiated lease agreement must be sent to the Gambling Control Board 10 days prior to the change.

**Our current lease will expire in July 2004. May we continue to pay a percentage of the utilities, garbage, and cleaning at our leased premises as agreed upon in our current lease?**

Yes, because the terms contained in your lease agreement remain in effect. However, when your lease expires or is renegotiated, you no longer may pay any percentage of the utilities. Utilities are part of the all-inclusive rent amount.

**May we use the old lease forms if we are renegotiating our current leases?**

No, you must use the new LG215 Lease for Lawful Gambling Activity when renegotiating your lease.

**We have been paying a percentage of utilities but did not include an agreement in our current lease. May we continue to pay the utilities?**

No.

**We have been paying our lessor compensation for selling pull-tabs behind the bar. May we continue to pay the lessor compensation?**

Effective August 1, 2003, you may no longer pay your lessor or lessor's employee compensation in a bar operation.

**Our organization conducts the sale of pull-tabs from a booth. Another organization at our site has the bartenders sell their pull-tabs (bar operation). What rent amount may our organization pay when we renew our premises permit and renegotiate a new lease?**

When renewing your premises permits, both your organization and the other organization must use the booth operation limits contained on the LG215 Lease for Lawful Gambling Activity. The maximum rent allowed is \$1,750 combined total for all organizations at the site.

**Our organization conducts gambling from a booth and a pull-tab dispensing device. What lease form do we use when we renew our premises permit? What rent amount may we pay?**

Use the new LG215 Lease for Lawful Gambling Activity. Rent is based on the booth operation limits.

## Legislative Changes: Rent Q & A

**Our organization is planning to have a bar operation during the week and a booth operation on the weekends at a new site. What rent limits apply?**

Since it is a new site, you must use the booth operation limits as noted in your new lease.

**Our organization plays bingo once a week. What rent amounts may we pay?**

Payments for bingo rent have not changed.

**Our organization only uses a pull-tab dispensing device at one site. The bartenders pay the winners. No other organization conducts gambling at the site. What lease form do we use when we renew our premises permit? What rent amount may we pay?**

Use the new LG215 Lease for Lawful Gambling Activity. Rent is based on the bar operation limits.

**How do we determine what rent to negotiate with our lessor?**

The new LG215 Lease for Lawful Gambling Activity contains information on determining the maximum rent allowed.

To help you determine the correct amount to use, answer the following question:

*Does your organization or any other organization conduct gambling from a booth at this location?*

- If you answer yes, the limits are based on a booth operation.
- If you answer no, you may use the bar operation limits.

**How do we know what our rent amount is each month? Do we pay the same amount each month?**

The rent amount may vary each month, depending on your gross profits (net after prizes) and the terms of your lease.

**Because our rent amount may change each month, do we have to amend our lease each month?**

No. The new law established limits and the lease must adhere to those limits.

**We are at a site where our organization has a bar operation and another organization has a booth operation. We understand that we must use the booth limits to determine our rent amount. Are we allowed to subtract any cash shortages from the rent that we pay?**

Yes. Even though you use the booth limits to determine your rent, you must subtract the cash shortages because your organization uses a bar operation (using employees of the lessor).

**How do we report the rent amount we pay to our lessor?**

There is no change in how rent is reported. Rent is an allowable expense reported on the Schedule A (and G1).

**How do we report the cash shortages if they are deducted from the rent amount for our bar operation ?**

There is no change in how cash shortages are reported.

## Legislative Changes - Effective July 1, 2003

### LICENSES, PERMITS, FEES AND TERMS

<u>License/permit</u>	<u>Fee</u>	<u>Term of license/permit</u>
Organization license	\$350 annual fee	2 years
Premises permit	\$150 annual fee	2 years
Gambling manager	.001 monthly regulatory fee \$100 annual fee	2 years
Bingo hall	\$4,000 annual fee	1 year
Distributor	\$6,000 annual fee	1 year
Distributor salesperson (new license)	\$100 annual fee	1 year
Manufacturer	\$9,000 annual fee	1 year
Games - submitted for approval (per form number)	\$25	
Games - sample test (1 game from family)	\$100	
Exempt permit	\$50	

#### **Fees are lawful purpose**

Effective July 1, 2003, the following fees are a lawful purpose expenditure (instead of an allowable expense):

- organization license (reported on LG1010 Schedule C/D, code A-19)
- gambling manager license (reported on LG1010 Schedule C/D, code A-19)
- premises permit fee (reported on LG1010 Schedule C/D, code A-19)
- monthly regulatory fee (reported on new G1)

*[Minnesota Statute 349.12 Subd. 25(a)(19)]*

#### **Fee transition - onetime prorated credit**

Effective July 1, 2003, all licensees must begin paying the applicable fees (organization license, premises permit, gambling manager license, and monthly regulatory fee).

The Gambling Control Board will provide a onetime, prorated credit for fees paid by licensees prior to July 1, 2003 that were to extend beyond July 1, 2003.

The original term of the license remains the same.

## Legislative Changes - Effective July 1, 2003

**Fees effective  
July 1, 2003**

### **Organization license**

- The annual fee for an organization license is \$350.
- However, the term of the license is two years.
- The four classes of organization licenses were eliminated (class A, B, C, and D)
- Fees are paid annually to the Gambling Control Board.
- Organization license fees paid to the Gambling Control Board are reported as lawful purpose on the LG1010 Schedule C/D using new code A-19.

Organizations that expect to receive less than \$100,000 in gross annual receipts may request a waiver of the annual organization license fee from the Gambling Control Board. (NOTE: This waiver does not apply to the gambling manager and premises permit fees.) [*Minnesota Statute 349.16, Subd. 6*]

### **Gambling manager license**

- The annual fee for a gambling manager license is \$100.
- The term of the license is concurrent with the organization license.
- Fees are paid annually to the Gambling Control Board.
- Gambling manager license fees paid to the Gambling Control Board are reported as lawful purpose on the LG1010 Schedule C/D using new code A-19.

### **Premises permit**

- The four classes of premises permits and corresponding two-year fees were eliminated (i.e., class A \$400, class B \$250, Class C \$200, Class D \$150).
- The annual fee for each premises permit is now \$150.
- The term of the permit is concurrent with the organization license.
- Fees are paid annually to the Gambling Control Board.
- Premises permit fees paid to the Gambling Control Board are reported as lawful purpose on the LG1010 Schedule C/D using new code A-19.

### **Regulatory fee**

In addition to the fee for each premises permit, an organization must pay a monthly regulatory fee of 0.1 percent (.001) of the organization's gross receipts from lawful gambling conducted at each site.

- The fee is reported and paid on a monthly basis in a format determined by the Commissioner of Revenue, and paid to the Commissioner of Revenue along with the organization's monthly tax return for each premises.
- The regulatory fee is considered a lawful purpose but is **not** reported on the LG1010 Schedule C/D (similar to taxes paid). It is reported on the G1.
- Failure to pay the monthly regulatory fees in a timely manner may result in disciplinary action by the Gambling Control Board.

[*Minnesota Statute 349.165, Subd. 3(b)*]

## Legislative Changes - Effective August 1, 2003

### Compensation to lessor prohibited

Effective August 1, 2003, compensation (wages) may not be paid to a lessor or lessor's employees. *[Minnesota Statute 349.168, Subd. 10]*

### Compensation to lessor; exception

The only time a lessor or lessor's employees may be paid is if the person is employed by the organization only for the sale of pull-tabs and tipboards from a booth operation. *[Minnesota Statute 349.168, Subd. 10]*

### Employee compensation

- The compensation schedule (LG205) is no longer required. *[Minnesota Statute 349.168, Subd. 9 repealed]*
- Current method for paying compensation (wages) include:
  - By check from gambling account
  - Transferred electronically to employee account
  - Transferred electronically to payroll processing firm for transfer to employee's account.

Organizations may now do an electronic transfer to a payroll processing firm account and payment may then be made by check from the payroll processing firm. Authorization for the electronic transfer to the payroll processing firm must be signed by at least two members authorized to sign checks.

*[Minnesota Statute 349.168, Subd. 6; Minnesota Statute 349.19, Subd. 3]*

### Employees

- Paid gambling employees must be registered with the Gambling Control Board (using the LG209 Registration of Paid Gambling Employee). However, the picture identification (badge) is no longer required. *[Minnesota Statute 349.168, Subd. 1]*
- Each person receiving compensation (wages) for the conduct of lawful gambling must publicly display the person's name (similar to a bank teller) at all times while conducting the lawful gambling. *[Minnesota Statute 349.168, Subd. 2]*

### Gambling account - other electronic transfers allowed

Electronic transfers are now allowed for insurance and payroll processing charges (in addition to utilities and taxes). The authorization for the electronic transfer must be signed by at least two members authorized to sign checks. *[Minnesota Statute 349.19, Subd. 3]*

### Gambling manager

#### Membership requirements

- For new organizations, the gambling manager is required to be a member for at least two years at the time of the organization's initial application for an organization license.
- For existing licensed organizations, the gambling manager must have been an active organization member for at least the most recent six months prior to the effective date of the organization's renewal license. *[Minnesota Statute 349.12, Subd. 19]*

#### Continuing Education

Gambling managers must receive continuing education training during each year of the term of their license.

- If a gambling manager fails to attend training during the first year of their license, he/she must pass a gambling manager examination (by the end of the 12th month).
- If a gambling manager fails to attend training during the the second year of their license, he/she must pass a gambling manager examination (by the end of the 24th month).

A gambling manager who fails the examination must attend a gambling manager seminar and pass the examination.

*[Minnesota Statute 349.167, Subd. 4(2) and Subd. 7]*

## Legislative Changes - Effective August 1, 2003

### Lawful purpose expenditure for military honor guards

An organization may spend net profits from lawful gambling for activities which recognize military service. The statute was amended to clarify that the reimbursement rate for participants of military marching, color guard, or honor guard units may be up to \$35 per diem (day), instead of per occasion.  
*[Minnesota Statute 349.12, Subd. 25(a)(6)]*

### Definitions provided

**Veterans post home** means a building, or portion of a building, that is leased or owned by one or more licensed veterans organizations, and that is considered the post home for all licensed veterans organizations at that site.  
*[Minnesota Statute 349.12, Subd. 36]*

**Wholly leased building** means a building that is leased in its entirety by a licensed organization, and no part or portion of the building is subleased to any other entity or licensed organization. *[Minnesota Statute 349.12, Subd. 37]*

NOTE: The use of a building for temporary functions such as meetings or events conducted by nonprofit organizations, weddings, parties, etc. is not considered a sublease. Leases for \$0 rent are not considered a sublease.

**Wholly owned building** means a building that is owned in its entirety by a licensed organization, and no part or portion of the building is subleased to any other entity or licensed organization. *[Minnesota Statute 349.12, Subd. 38]*

### Lawful purpose amended for veterans organizations

#### Utility costs

For a building wholly owned or wholly leased by and used as the primary headquarters of the licensed veterans organization, the legislative change is that the ONLY utilities that may now be paid as a lawful purpose are:

- water,
- fuel for heating,
- electricity, and
- sewer costs.

*[Minnesota Statute 349.12, Subd. 25(a)(17)]*

#### Recognition of military service, membership only events

Expenditures may be made by a veterans organization of up to \$5,000 in a calendar year in net costs to the organization for meals and other membership events, limited to members and spouses, held in recognition of military service.

The legislative change is that no more than \$5,000 can be expended in total per calendar year by all licensed organizations sharing the same veterans post home.  
*[Minnesota Statute 349.12, Subd. 25(a)(18)]*

## Other Legislative Changes

<b>Excluded raffles</b>	Effective August 1, 2003, raffles may be conducted by an organization without a license and without complying with Minnesota Statutes 349.154 to 349.155 and 349.167 to 349.213 if the value of all raffle prizes awarded by the organization in a calendar year does not exceed \$1500 (previously was \$750). [Minnesota Statute 166, subd. 1(c)]
<b>Gambling equipment: sales, credit, stamps, and pull-tab dispensing devices</b>	<p>Effective July 1, 2003, the Board must provide distributors with registration stamps (for permanent equipment) free of charge (5 cent stamp fee eliminated). [Minnesota Statute 349.162, subd. 1]</p> <p>Effective August 1, 2003:</p> <ul style="list-style-type: none"> <li>• a distributor may purchase gambling equipment returned from an organization licensed under Minnesota Statute 349.16 or exempt or excluded from licensing under Minnesota Statute 349.166. [Minnesota Statute 349.161, subd. 5]</li> <li>• a manufacturer may not offer or extend to a distributor, a linked bingo game provider may not offer or extend to an organization, and a distributor may not offer or extend to an organization, credit for a period of more than 30 days for the sale <u>or lease</u> of any gambling equipment. [Minnesota Statute 349.191, subd. 1]</li> <li>• manufacturers are no longer required to pay Board for independent testing of new pull-tab testing devices. (Manufacturer will directly pay independent lab approved by the director.) [Minnesota Statute 349.151, subd. 4b]</li> </ul>
<b>High school raffles</b>	Effective August 1, 2003, sections 609.755 and 609.76 were amended to require that all raffle tickets must be sold for the same price and that tickets may only be sold to persons 18 years of age or older. [Minnesota Statute 609.761, subd. 5] (Refer questions to Public Safety.)
<b>Linked bingo</b>	<p>The game of linked bingo was approved by the Legislature. However, linked bingo games may not be conducted and linked bingo prize providers may not be licensed until rules are promulgated and adopted by the Gambling Control Board.</p> <p>Linked bingo games may not be conducted by an exempt or excluded organization. [Minnesota Statute 349.166, subd. 2(a)]</p> <p>Linked bingo games may not be conducted at a noon hour bingo occasion. [Minnesota Statute 349.17, subd. 7(6)]</p>
<b>Pricing reports</b>	When required by the board, manufacturers and distributors must file with the director, the prices at which they will sell all gambling equipment currently offered for sale. The filing must be in a format the director prescribes. [Minnesota Statute 349.169, subd. 1] Minnesota Statute 349.169, subd. 3 amended to include volume discounts.
<b>Pull-tab prize payout</b>	On or after January 1, 2004, a licensed organization may not put into play a pull-tab or tipboard deal that provides for a prize payout of greater than 85% of the ideal gross of the deal. The maximum payout percentage includes any last sale prize added by the distributor. <i>[Minnesota Statute 349.2113]</i>