



Lawful Gambling 2012 Legislative Changes

This summary was compiled
by the
Minnesota
Gambling Control Board
1711 West County Road B,
Suite 300S
Roseville, MN 55113
651-639-4000

www.gcb.state.mn.us

The legislative summary
provided in this document
pertains only to provisions
related to lawful gambling
contained in House File 2958.

BINGO Pages 6-8
Bar bingo; bingo occasions; conduct of bingo; electronic bingo device definition; Board authority to deactivate devices

Linked bingo 7-8
Game limit removed; progressive games; valid agreements; when played exclusively with electronic bingo devices; prizes; deposit of receipt requirements

GAMBLING EQUIPMENTPage 5
Disposable and permanent equipment defined; lawful gambling devices; defective gambling product; electronic bingo devices - technical changes

LAWFUL PURPOSE EXPENDITUREPage 3
Code A22 amended; new Code A26 for nonlicensed 501(c)(19)

LEASESPage 3-4
Bar and booth op definitions modified; rent amounts modified; lessor responsible for cost of communications network/service that are required to conduct electronic games; restriction on booth activities - lessor; termination clause requirement

ORGANIZATION LICENSEPage 2
License qualifications; revocations and suspensions

ORGANIZATION RECORDS AND REPORTSPage 2
Electronic reports required to Gambling Control Board; annual financial summary report; reports to Revenue

PADDLEWHEELS Page 13
Definition modified; used only to determine winning number for paddlewheel game; may be electronic device that simulates paddlewheel

PULL-TABSPages 10-12
Definitions modified, electronic games and systems, restrictions and requirements; Board authority

TIPBOARDS Page 13
Definitions modified; sports-themed tipboards with determined by numerical outcome of professional sporting event - not allowed until and if Board adopts rules

OTHER LEGISLATIVE CHANGES

Distributors Page 14

Linked bingo game provider [LBGP]Page 9

Manufacturers Page 14

Miscellaneous Page 16

Tax rate changes; refund eliminated Page 15

Rev. 5/23/12

Organization License - Effective May 15, 2012	
Mandatory disqualifications	For an organization license, language pertaining to the disqualification of an organization that previously had a license permanently revoked for violation of law or board rule was deleted from Minn. Stat. 349.155, Subd. 3, paragraph (b), clause 3.
License revocation, suspension, denial; censure	<p>The revocation or suspension of an organization's license may not exceed a period of ten years, including any revocation or suspension imposed by the Board prior to July 1, 2012, except that:</p> <ul style="list-style-type: none"> • any prohibition placed by the Board on who may be involved in the conduct, oversight, or management of the revoked organization's lawful gambling activity is permanent; and • a revocation or suspension will remain in effect until any taxes, fees, and fines that are delinquent have been paid by the organization to the satisfaction of the Board. <p>[Minn. Stat. 349.155, Subd. 4, paragraph (b)]</p>
<p>Our organization's license was revoked more than ten years ago. What do we have to do to obtain a new license?</p> <p>Contact the licensing specialist assigned to your county to initiate a review of your revocation records. Your specialist will work with the Board's compliance officer to determine if your organization meets the new requirements or if the revocation is permanent according to the statute. Each organization license must be reviewed on a case-by-case basis because of the uniqueness of the terms of each revocation or suspension.</p>	
Organization Records and Reports Effective July 1, 2012	
Electronic format required	<p>The Schedule C report must be submitted monthly to the Gambling Control Board in <i>an electronic format</i> prescribed by the Board. [Minn. Stat. 349.19, Subd. 3, paragraph (b)]</p> <p>The Schedule A report, which includes gross receipts, expenses, profits, and expenditures for each permitted premises, and the Schedule F report, which includes a reconciliation of the profit carryover with the cash balance on hand, must be reported monthly to the Gambling Control Board and the organization's membership. The organization must submit the report to the Board in <i>an electronic format prescribed by the Board</i>. [Minn. Stat. 349.19, Subd. 5, paragraph (a)] NOTE: The statutory language merely reflects the change in procedures implemented January 1, 2012 by the Department of Revenue for its new tax system.</p>
Annual financial summary report	<ul style="list-style-type: none"> • The Gambling Control Board will compile the "Annual Financial Summary Report" based on information submitted electronically by licensed organizations, beginning with next year's Fiscal Year 2013 report. • Organizations must still file the Annual Financial Summary Report with the Board for Fiscal Year 2012 [report due September 1, 2012]. <p>[Minn. Stat. 349.19, Subd. 5, existing language deleted. Board still required to submit report under Minn. Stat. 349.151, Subd. 4, paragraph (a), clause (9)]</p>
Report to Revenue	Organizations must report monthly to the commissioner of Revenue as required under Minn. Stat. 297E.06, i.e. the G1 Monthly Lawful Gambling Tax Return and required attachments. [Minn. Stat. 349.19, Subd. 5, paragraph (b)]

Lawful Purpose Expenditure - Effective July 1, 2012

501(c)(19) organization; new code A26

- *501(c)(19) organization means an organization exempt from the payment of federal income taxes under section 501(c)(19) of the Internal Revenue Code. [Minn. Stat. 349.12, Subd. 15b]*
- *A contribution may be made to a 501(c)(19) organization:

 - that does not have an organization license issued by the Gambling Control Board;
 - is not affiliated with the contributing organization; and
 - whose owned or leased property is not a permitted premises.
 The contribution must be used for lawful purpose or for the organization's primary mission. The 501(c)(19) organization may not use the contribution for expansion of a building or for bar-related expenditures. A contribution may not be made to a statewide organization representing a consortia of 501(c)(19) organizations. [Minn. Stat. 349.12, Subd. 25, paragraph (a), clause (26)]*

Real property and capital assets

- Lawful purpose expenditures for repair, maintenance, or improvement of real property and capital assets owned by an organization, or for replacement of a capital asset that can no longer be repaired was clarified.
- The expenditure must be related to the portion of the real property or capital asset that must be made available for use free of any charge to nonprofit organizations, community groups, or service groups, **and** is used for the organization's primary mission or headquarters. [Minn. Stat. 349.12, Subd. 25, paragraph (a), clause (22)(i)]

Tax refund

- Reference to section 297E.01, subdivision 4 [tax refund] was deleted from Minn. Stat. 349.12, Subd. 25, paragraph (a), clause (8)
- Minn. Stat. 349.15, Subd. 3 Refunds and credits was repealed.
- Minn. Stat. 349.19, Subd. 2a Tax refund or credit was repealed.

Leases - Effective May 15, 2012

Termination clause

The lease must contain an agreed-upon termination clause. The requirement that the termination clause be specifically for 30 days was deleted. [Minn. Stat. 349.165, Subd. 2]

Rent all-inclusive; amended

- Amounts paid as rent under leases are all-inclusive.
- **[NEW]** *The lessor shall be responsible for the cost of any communications network or service required to conduct electronic pull-tab games or electronic bingo games.* [Minn. Stat. 349.18, Subd. 1, paragraph (c)]

Restriction on lessor activity

A licensed organization may not conduct any activity within a booth operation *on behalf of the lessor* on a leased premises. [Minn. Stat. 349.18, Subd. 1, paragraph (e)]

Leases - Effective May 15, 2012

Rent Amounts

Bar operation	<p>A bar operation is defined as a method of selling and redeeming <i>disposable</i> gambling equipment by <i>an employee of the</i> lessor within a leased premises which is licensed for the on-sale of alcoholic beverages. Language referencing common area of food and beverage sales was deleted. [Minn. Stat. 349.12, Subd. 3b]</p> <p>For bar operations, <i>monthly rent may not exceed:</i></p> <ul style="list-style-type: none"> • 15% of the gross profits for that month from <i>electronic pull-tab games and electronic linked bingo games; and</i> • 20% of gross profits from <i>all other forms of lawful gambling.</i> <p>[Minn. Stat. 349.18, Subd. 1, paragraph (b), clause (2)]</p>
Booth operation	<p>A booth operation is defined as a method of selling and redeeming <i>disposable</i> gambling equipment by an employee of a licensed organization in a premises the organization leases or owns. Language referencing a separate enclosure distinct from food and beverage sales areas was deleted. [Minn. Stat. 349.12, Subd. 6a]</p> <p>For booth operations, <i>monthly rent may not exceed 10% of gross profits for that month. Total rent paid to a lessor from all organizations from leases governed by this clause may not exceed \$1,750 per month. [The rent cap applies only to all booth operations at the premises and does not include bar operation rent]</i> [Minn. Stat. 349.18, Subd. 1, paragraph (b), clause (1)]</p>
Electronic games	<p><i>For electronic linked bingo games and electronic pull-tab games that are operated for separate time periods within a business day by an organization and the lessor, monthly rent may not be more than:</i></p> <ul style="list-style-type: none"> • 15% of the gross profits for that month for the time periods operated by the lessor. The lessor is responsible for cash shortages that occur during the time periods the games are operated by the lessor; and • 10% of gross profits for that month for the time periods operated by the organization. The organization is responsible for cash shortages that occur during the time periods the games are operated by the organization. <p>[Minn. Stat. 349.18, Subd. 1, paragraph (b), clause (3)]</p>
Bingo [hall] premises	<p><i>For bingo conducted at a leased premises where the primary business is bingo, rent is limited to either:</i></p> <ul style="list-style-type: none"> • not more than ten percent of the monthly gross profit from all lawful gambling activities held during bingo occasions, excluding bar bingo, or • at a rate based on a cost per square foot not to exceed 110 percent of a comparable cost per square foot for leased space as approved by the Director of the Gambling Control Board. <p>[Minn. Stat. 349.18, Subd. 1, paragraph (b), clause (4)]</p>
Bar bingo	<p>No rent may be paid for bar bingo <i>as defined in Minn. Stat. 349.12, subdivision 3c [which states that bar bingo does not include bingo games linked to other permitted premises]</i> [Minn. Stat. 349.18, Subd. 1, paragraph (b), clause (5)...existing language moved from Minn. Stat. 349.17, Subd. 7, clause (3)]</p>
All other rent - approval required	<p><i>A lease not governed by clauses (1) to (5) must be approved by the Director of the Gambling Control Board before becoming effective.</i> [Minn. Stat. 349.18, Subd. 1, paragraph (b), clause (6)]</p>

Gambling Equipment - Effective May 15, 2012

Disposable gambling equipment	<p>Disposable gambling equipment includes:</p> <ol style="list-style-type: none"> 1. bingo hard cards or paper sheets, including linked bingo paper sheets; 2. <i>paper and electronic</i> pull-tabs; 3. jars tickets 4. paddle tickets and paddle ticket cards; 5. tipboards and tipboard tickets; and 6. promotional tickets that mimic a pull-tab or tipboard. <p>[Minn. Stat. 349.12, Subd. 18, paragraph (a)]</p>
Permanent gambling equipment	<p>Permanent gambling equipment includes:</p> <ol style="list-style-type: none"> 1. devices for selecting bingo numbers; 2. electronic bingo devices; 3. electronic pull-tab devices; 4. pull-tab dispensing devices; 5. programmable electronic devices that have no effect on the outcome of a game and are used to provide a visual or auditory enhancement of a game; 6. paddlewheels; and 7. paddlewheel tables <p>[Minn. Stat. 349.12, Subd. 18, paragraph (b)]</p>
Defective gambling products	<p>For games sold by a licensed distributor after June 30, 2012, the commissioner of revenue may require that all defective and returned pull-tabs, tipboards, paddle tickets, paper bingo sheets, and linked bingo paper sheets be set aside for inspection by the commissioner's employee. [Minn. Stat. 297E.02, Subd. 11]</p>
Lawful gambling; devices	<p>Lawful gambling is not a lottery or gambling within the meaning of Minn. Stat. 609.75 to 609.76 if it is conducted under chapter 349.</p> <ul style="list-style-type: none"> • A pull-tab dispensing device, <i>electronic bingo device, and electronic pull-tab device permitted under this chapter</i> and by Board rule is not a gambling device within the meaning of sections 609.75 to 609.76 and chapter 299L. • <i>An electronic game device allowed under chapter 349 may not be a slot machine.</i> • <i>Electronic game devices, including but not limited to electronic bingo devices, electronic paddlewheels, and electronic pull-tab devices authorized under chapter 349, may only be used in the conduct of lawful gambling permitted under chapter 349 and Board rule and may not display or simulate any other form of gambling or entertainment, except as otherwise allowed under chapter 349.</i> <p>[Minn. Stat. 349.13]</p>
Electronic bingo devices - technical changes	<p>Language pertaining to rule requirements were moved and/or deleted.</p> <ul style="list-style-type: none"> • Number of bingo faces limited to 36. Minn. Stat. 349.151, Subd. 4c, paragraph (b), clause (1) was moved to Minn. Stat. 349.12, Subd. 12a, paragraph (b). • Electronic bingo device use with corresponding bingo paper was deleted. Minn. Stat. 349.151, Subd. 4c, paragraph (b), clause (2) was deleted. • Capability to permit Board to remotely monitor operation/system. Minn. Stat. 349.151, Subd. 4c, paragraph (b), clause (3) was moved to and clarified in Minn. Stat. 349.12, Subd. 12a, paragraph (g). • Prohibit price of face played on EBD from being less than price of face on bingo paper sheet <i>for same game</i> at same occasion. Minn. Stat. 349.151, Subd. 4c, paragraph (b), clause (4) was moved to and clarified in Minn. Stat. 349.17, Subd. 6, first sentence
Other equipment	<p>SEE also Bingo, Pull-tab, Paddlewheel, and Tipboard sections.</p>

Bingo - Effective May 15, 2012

Bar bingo	<ul style="list-style-type: none"> Bar bingo does not include bingo games linked to other permitted premises. [Minn. Stat. 349.12, subd. 3c]
Bingo occasion	<p>The definition was modified to include:</p> <ul style="list-style-type: none"> A bingo occasion must not last longer than eight consecutive hours, <i>except that linked bingo games played on electronic bingo devices may be played during regular business hours of the permitted premises, and all play during this period is considered a bingo occasion for reporting purposes.</i> <i>For permitted premises where the primary business is bingo, regular business hours shall be defined as the hours between 8:00 a.m. and 2:00 a.m.</i> [Minn. Stat. 349.12, subd. 5]
Conduct of bingo	<ul style="list-style-type: none"> The price of a face played on an electronic bingo device may not be less than the price of a face on a bingo paper sheet sold <i>for the same game at the same occasion.</i> [Minn. Stat. 349.17, Subd. 6....language moved from Minn. Stat. 349.151, Subd. 4c, paragraph (4)] NOTE: There is no requirement that bingo paper must also be sold in an occasion when electronic bingo devices are used. A game of bingo begins with the first letter and number called <i>or displayed.</i> Each player must cover, mark, or activate the numbers when bingo numbers are randomly selected and announced or <i>displayed</i> to the players. Language referencing the display as being either manually or with a flashboard and monitor was deleted. [Minn. Stat. 349.17, Subd. 6]
Electronic bingo device [EBD]	<p>An electronic bingo device is a <i>handheld and portable</i> electronic device that:</p> <p>(a) is used by a bingo player to:</p> <ol style="list-style-type: none"> monitor bingo paper sheets or a facsimile of a bingo paper sheet purchased and played at the time and place of an organization's bingo occasion, <i>or to play an electronic bingo game that is linked with other permitted premises;</i> activate numbers announced or <i>displayed, and to compare</i> the numbers to the bingo faces previously stored in the memory of the device; identify a winning bingo pattern <i>or game requirement; and</i> <i>play against other bingo players;</i> <p>(b) <i>limits the play of bingo faces to 36 faces per game;</i></p> <p>(c) <i>requires coded entry to activate play but does not allow the use of a coin, currency, or tokens to be inserted to activate play;</i></p> <p>(d) <i>may only be used for play against other bingo players in a bingo game;</i></p> <p>(e) <i>has no additional function as an amusement or gambling device other than as an electronic pull-tab game defined under Minn. Stat. 349.12, subd. 12c.</i></p> <p>(f) <i>has the capability to ensure adequate levels of security [and] internal controls</i></p> <p>(g) <i>has the capability to permit the board to electronically monitor the operation of the device and the internal accounting systems; and</i></p> <p>(h) <i>has the capability to allow use by a player who is visually impaired.</i></p> <p>[Minn. Stat. 349.12, subd. 12a]</p> <p>Rule language requirements were deleted from Minn. Stat. 349.151, Subd. 4c, paragraph (b), clauses (1) and (3) and placed in Minn. Stat. 349.12, Subd. 12a, paragraphs (b) and (g).</p>
Board or director authority to deactivate devices	<p>The board, or the director if authorized by the board, may require deactivation of an electronic bingo device for violation of a law or rule and to implement any other controls deemed necessary to ensure and maintain the integrity of electronic bingo devices and the electronic bingo games played on the devices. [Minn. Stat. 349.151, subd. 4c, paragraph (b)]</p>

Linked Bingo - Effective May 15, 2012

Linked bingo games

- A licensed organization may conduct or participate in *linked bingo games*, including progressive *games* in which a portion of the prize is carried over from one *game* to another until won by a player achieving a *valid bingo based upon a predetermined and posted win determination*. [The two game per occasion restriction was removed as was the single progressive game restriction]. [Minn. Stat. 349.17, Subd. 8, paragraph (a)]
- Linked bingo games may only be conducted by licensed organizations who have a valid agreement with the linked bingo game provider. [Minn. Stat. 349.17, Subd. 8, paragraph (b)]

Linked bingo games played exclusively on electronic bingo devices

In addition to the requirements of Minn. Stat. 349.17, Subdivision 8, the following requirements and restrictions apply when linked bingo games are played exclusively on electronic bingo devices.

The permitted premises must be:

- *a premises licensed for the on-sale or off-sale of intoxicating liquor or 3.2 percent malt beverages, except for a general food store or drug store permitted to sell alcoholic beverages under Minn. Stat. 340A.405, subdivision 1; or*
- *a premises where bingo is conducted as the primary business and has a seating capacity of at least 100.*

The number of electronic bingo devices is limited to:

- *no more than 6 devices in play for permitted premises with 200 seats or less;*
- *no more than 12 devices in play for permitted premises with 201 seats or more; and*
- *no more than 50 devices in play for permitted premises where bingo is the primary business.*

Seating capacity is determined as specified under the local fire code.

Prior to a bingo occasion, the linked bingo game provider, on behalf of the participating organizations, must provide to the Board a bingo program in a format prescribed by the Board.

Before participating in the play of a linked bingo game, a player must present and register a valid picture identification card that includes the player's address and date of birth.

An organization may remove from play a device that a player has not maintained in an activated mode for a specified period of time determined by the organization. The organization must provide the notice in its house rules. [Minn. Stat. 349.17, Subd. 9]

Linked Bingo - Effective May 15, 2012

Linked bingo prize pool	<p>The prize pool means the total of all prize money that participating organizations have contributed to a linked bingo game prize and include any portion of the prize pool that is carried over from one <i>game</i> to another in a progressive linked bingo game. Language was deleted that allowed a portion of the prize pool to be carried over from one <i>occasion</i> to another in a progressive game. [Minn. Stat. 349.12, subd. 25d]</p>
Prizes	<p>For linked bingo games played without electronic bingo devices:</p> <ul style="list-style-type: none"> - an organization may not contribute to a linked bingo game prize pool more than \$300 per linked bingo game per site. [Minn. Stat. 349.211, Subd. 1a, paragraph (1)...language from Minn. Stat. 349.17, Subd. 8, paragraph (b)] <p>For linked bingo games played exclusively with electronic bingo devices:</p> <ul style="list-style-type: none"> - an organization may not contribute more than 85% of the gross receipts per permitted premises to a linked bingo game prize pool, [Minn. Stat. 349.211, Subd. 1a, paragraph (2)] - prizes in excess of \$599 must be paid by the linked bingo game provider to the player within three business days, and. - winners of prizes in excess of \$599 must be given a receipt or claim voucher as proof of a win. [Minn. Stat. 349.211, Subd. 1a, paragraph (5)] <p>For a progressive linked bingo game, if no player declares a valid bingo for a progressive prize or prizes based on a <i>predetermined and posted win determination</i>, a portion of the <i>gross receipts</i> may be carried over to another <i>game</i> until the accumulated <i>progressive</i> prize is won. [Minn. Stat. 349.211, Subd. 1a, paragraph (4)]</p> <p>The obsolete language pertaining to the annual limit for progressive game prizes was deleted as the annual limit was deleted from Minn. Stat. 349.211, Subd. 2 effective May 2, 2008.</p>
Consolation prizes awarded by organization	<p>No change - Organizations may not award more than \$200 for a linked bingo game consolation prize [a prize awarded by an organization after a prize from the linked bingo prize pool has been won]. [Minn. Stat. 349.211, Subd. 1a, paragraph (3)]</p>
Receipts from linked electronic bingo games	<p>Gambling receipts from all linked electronic bingo games must be recorded on a daily basis and deposited into the gambling bank account within two business days. [Minn. Stat. 349.19, Subd. 2, paragraph (e)]</p>

Linked Bingo Game Provider - Effective May 15, 2012

Licensed manufacturer provision	A linked bingo game provider [LBGP] license may be issued to a licensed manufacturer. [Minn. Stat. 349.1635, Subd. 2] NOTE: A separate LBGP license application and fee is required.
Definition of LBGP modified	A provider means any person who provides the means to link bingo games, who provides linked bingo prize management, and who provides the linked bingo game system. The allowance to provide linked bingo paper sheets to organizations was deleted, as an organization must now obtain the paper sheets from a licensed distributor [Minn. Stat. 349.12, subd. 25b]
Prohibition	<i>A distributor or distributor salesperson may not also be licensed as a linked bingo game provider.</i> [Minn. Stat. 349.161, Subd. 1, paragraph (c)]
Fee schedule	The provider must submit to the Board a proposed fee schedule for the cost of providing linked bingo game services and equipment to licensed organizations, which may not exceed 15% of gross profits, unless a higher percentage, not to exceed 20%, is authorized by the Board. The fee schedule must incorporate costs paid to distributors for contracted linked bingo game services under subdivision 5. [Minn. Stat. 349.1635, Subd. 3]
Contract with distributors	<ul style="list-style-type: none"> (a) A provider must contract with licensed distributors for linked bingo game services including, but not limited to, the solicitation of agreements with licensed organizations, and installation, repair, or maintenance of the linked bingo game system. (b) A distributor may not charge a fee to licensed organizations for services authorized and rendered under paragraph (a). (c) A provider may not contract with any distributor on an exclusive basis. (d) A provider may refuse to contract with a licensed distributor if the provider demonstrates that the licensed distributor is not capable of performing the services under the contract. [Minn. Stat. 349.1635, Subd. 5]
Linked bingo game system	The definition was modified to mean the equipment used by the linked bingo game provider to conduct, transmit, and track a linked bingo game. The system must be approved by the Board before its use in this state and must have the <i>capability</i> to permit the Board to <i>electronically</i> monitor its operation remotely. <i>For linked electronic bingo games, the system includes electronic bingo devices.</i> [Minn. Stat. 349.12, Subd. 25c]

Pull-tabs - Effective May 15, 2012

Pull-tab	A pull-tab is defined as a single folded or banded <i>paper</i> ticket, multi-ply card with perforated break-open tabs, or a <i>facsimile of a paper pull-tab ticket used in conjunction with an electronic pull-tab device</i> , the face of which is initially covered to conceal one or more numbers or symbols, and where one or more of each set of tickets, cards, or <i>facsimiles</i> has been designated in advance as a winner. [Minn. Stat. 349.12, Subd. 32]
Promotional ticket	A promotional ticket is defined as a <i>paper</i> pull-tab ticket of <i>paper</i> tipboard ticket created and printed by a licensed manufacturer with the word "no purchase necessary" and "for promotional use only" and for which no consideration is given. [Minn. Stat. 349.12, Subd. 31] NOTE: Promotional tickets do not include facsimiles of a paper pull-tab ticket used in conjunction with an electronic pull-tab device.
Pull-tab sales from dispensing devices	Rule language requirements were deleted from Minn. Stat. 349.151, Subd. 4, paragraph (b), and the requirements placed in Minn. Stat. 349.1721, Subd. 3 as statutory requirements. [location of devices and limit on number allowed]
Paper pull-tab flares	Language clarifies that the flare requirements in this subdivision pertain only to paper pull-tab and tipboard flares. [Minn. Stat. 349.163, Subd. 5]
Paper pull-tab prize receipts	Statutory language pertaining to pull-tab records was modified to clarify that the requirements in this subdivision pertain to <i>paper</i> pull-tab games, i.e. winner identification of a <i>paper</i> pull-tab prize, retention of winning <i>paper</i> pull-tabs, separate cash banks for each deal of <i>paper</i> pull-tabs, and cash register standards for commingled receipts from several different <i>paper</i> pull-tab games. [Minn. Stat. 349.19, Subd. 10]
Close of paper pull-tab game	A deal of <i>paper</i> pull-tabs is considered complete when either the last pull-tab of the deal is sold or the organization does not continue the play of the deal during the next scheduled period of time in which the organization will conduct pull-tabs. [Minn. Stat. 349.19, Subd. 2, paragraph (d), clause (1)] NOTE: This clarification does not apply to electronic pull-tab games.
Electronic pull-tab game	An electronic pull-tab game means a pull-tab game containing: a) facsimiles of pull-tab tickets that are played on an electronic pull-tab device; b) a predetermined, finite number of winning and losing tickets, not to exceed 7,500 tickets; c) the same price for each ticket in the game; d) a price paid by the player of not less than 25 cents per ticket; e) tickets that are in conformance with applicable board rules for pull-tabs; f) winning tickets that comply with prize limits under Minn. Stat. 349.211; g) a unique serial number that may not be regenerated; h) an electronic flare that displays the game name, form number, predetermined finite number of tickets in the game, and prize tier; and i) no spinning reels or other representations that mimic a video slot machine. [Minn. Stat. 349.12, Subd. 12c]
Electronic pull-tab game system	<i>An electronic pull-tab game system means the equipment leased from a licensed distributor and used by a licensed organization:</i> <ul style="list-style-type: none"> - to conduct, manage, and record electronic pull-tab games, and - to report and transmit the game results as prescribed by the Board and the Department of Revenue. <ul style="list-style-type: none"> • The system must provide security and access levels sufficient so that internal control objectives are met as prescribed by the Board. • The system must contain a point of sale station. [Minn. Stat. 349.12, Subd. 12d]
Receipts from electronic pull-tab game	<i>Gambling receipts from all electronic pull-tab games must be recorded on a daily basis and deposited into the gambling bank account within two business days.</i> [Minn. Stat. 349.19, Subd. 2, paragraph (e)]

Pull-tabs - Effective May 15, 2012

Restrictions and requirements for the use of electronic pull-tab devices

The following pertain to the use of electronic pull-tab devices as defined under Minn. Stat. 349.12, subdivision 12b.

- (a) *The use of any electronic pull-tab device may only be at a permitted premises that is:*
1. *a premises licensed for the on-sale or off-sale of intoxicating liquor or 3.2 percent malt beverages, except for a general food store or drug store permitted to sell alcoholic beverages under Minn. Stat. 340A.405, subdivision 1; or*
 2. *a premises where bingo is conducted as the primary business and has a seating capacity of at least 100; and*
 3. *where the licensed organization sells paper pull-tabs.*
- (b) *The number of electronic pull-tab devices is limited to:*
1. *no more than six devices in play at any permitted premises with 200 seats or less;*
 2. *no more than 12 devices in play at any permitted premises with 201 seats or more; and*
 3. *no more than 50 devices in play at any permitted premises where the primary business is bingo [bingo hall].*
Seating capacity is determined as specified under the local fire code.
- (c) *The hours of operation for the devices are limited to 8:00 a.m. to 2:00 a.m.*
- (d) *All electronic pull-tab games must be sold and played on the permitted premises and may not be linked to other permitted premises.*
- (e) *Electronic pull-tab games may not be transferred electronically or otherwise to any other location by the licensed organization.*
- (f) *Electronic pull-tab games may be commingled if the games are from the same family of games and manufacturer and contain the same game name, form number, type of game, ticket count, prize amounts, and prize denominations. Each commingled game must have a unique serial number.*
- (g) *An organization may remove from play a device that a player has not maintained in an activated mode for a specified period of time determined by the organization. The organization must provide the notice in its house rules.*
- (h) *Before participating in the play of an electronic pull-tab game, a player must present and register a valid picture identification card that includes the player's address and date of birth.*
- (i) *Each player is limited to the use of one device at a time.*
- [Minn. Stat. 349.1721, Subd. 4]

Cumulative or carryover games; Event games

The Board's rules for cumulative or carryover pull-tab games and rules for pull-tab event games shall also apply to electronic pull-tab games.
[Minn. Stat. 349.1721, Subdivisions 1 and 2]

Multiple chance pull-tab games

The board may permit pull-tab games in which the holders of certain predesignated winning tickets, with a prize value not to exceed \$75 each, have the option of turning in the winning tickets for the chance to win a prize of greater value.
[Minn. Stat. 349.1721, Subd. 5]

Pull-tabs - Effective May 15, 2012

Electronic pull-tab device definition

An electronic pull-tab devices means a *handheld and portable* electronic device that:

1. is used to play one or more electronic pull-tab games;
 2. requires coded entry to activate play but does not allow the use of coin, currency, or tokens to be inserted to activate play;
 3. requires that a player must activate or open each electronic pull-tab ticket and each individual line, row, or column of each electronic pull-tab ticket;
 4. maintains information pertaining to accumulated win credits that may be applied to games in play or redeemed upon termination of play;
 5. has no spinning reels or other representations that mimic a video slot machine;
 6. has no additional function as a gambling device other than as an electronic-linked bingo game played on a device defined under Minn. Stat. 349.12, Subdivision 12a;
 7. may incorporate an amusement game feature as part of the pull-tab game but may not require additional consideration for that feature or award any prize, or other benefit for that feature;
 8. may have auditory or visual enhancements to promote or provide information about the game being played, provided the component does not affect the outcome of a game or display the results of a game;
 9. maintains, on nonresettable meters, a printable, permanent record of all transactions involving each device and electronic pull-tab games played on the device;
 10. is not a pull-tab dispensing device as defined under Minn. Stat. 349.12, Subdivision 32a; and
 11. has the capability to allow use by a player who is visually impaired.
- [Minn. Stat. 349.12, Subd. 12b]

Board authority

- a) The board may adopt rules it deems necessary to ensure the integrity of electronic pull-tab devices, the electronic pull-tab games played on the devices, and the electronic pull-tab game system necessary to operate them.
- b) The board may not require an organization to use electronic pull-tab devices.
- c) Before authorizing the lease or sale of electronic pull-tab devices and the electronic pull-tab game system, the board shall examine electronic pull-tab devices allowed under Minn. Stat. 349.12, subdivision 12b. The board may contract for the examination of the game system and electronic pull-tab devices and may require a working model to be transported to locations the board designates for testing, examination, and analysis. The manufacturer must pay all costs of any testing, examination, analysis, and transportation of the model. The system must be approved by the board before its use in the state and must have the capability to permit the board to electronically monitor its operation and internal accounting systems.
- d) The board may require a manufacturer to submit a certificate from an independent testing laboratory approved by the board to perform testing services, stating that the equipment has been tested, analyzed, and meets the standards required in this chapter and any applicable board rules.
- e) The board, or the director if authorized by the board, may require the deactivation of an electronic pull-tab device for violation of a law or rule and to implement any other controls deemed necessary to ensure and maintain the integrity of electronic pull-tab devices and the electronic pull-tab games played on the devices.

[Minn. Stat. 349.151, Subd. 4d]

Paddlewheels - Effective May 15, 2012

Paddlewheel	<p>A paddlewheel is:</p> <ul style="list-style-type: none"> • a <i>vertical</i> wheel marked off into sections containing one or more numbers, and which, after being turned or spun, uses a pointer or marker to indicate winning chances • <i>only used to determine a winning number or numbers matching a winning paddleticket purchased by a player.</i> • <i>may be an electronic device that simulates a paddlewheel.</i> <p>[Minn Stat. 349.12, Subd. 29]</p>
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Tipboards - Effective May 15, 2012

In light of federal law prohibiting sports tipboards, the Board is reviewing the legality of allowing these games.

Definition of sports-themed tipboard	<p>The definition of tipboard was modified to include: <i>A sports-themed tipboard is a board, placard, or other device that contains a grid of predesignated numbers for which the winning numbers are determined in whole or in part by the numerical outcome of one or more professional sporting events, serves as the game flare for player registration, but is not required to contain a seal. For a sports-themed tipboard, the winning numbers must be determined solely by the numerical outcome.</i> [Minn. Stat. 349.12, Subd. 34]</p>
Definition of tipboard ticket	<p>The definition of tipboard ticket was modified to include: <i>For a sports-themed tipboard, the tipboard ticket contains a set of numbers used to determine the winner based on the numerical outcome of a professional sporting event.</i> [Minn. Stat. 349.12, Subd. 35]</p>
Sports-themed tipboard rules	<p>The board may adopt rules for the conduct of tipboards for which the winning numbers are determined in whole or in part by the numerical outcome of one or more professional sporting events. The rules must provide for operation procedures, internal control standards, posted information, records, and reports. The rules must provide for the award of prizes, method of payout, wagers, determination of winners, and the specifications of these tipboards. [Minn. Stat. 349.151, Subd. 4e]</p>
Sports-themed prize payout	<p><i>For sports-themed tipboards, the total prize payout may not exceed the amount in Minn. Stat. 349.2113, and each chance or ticket may not be sold for more than \$10.</i> [Minn. Stat. 349.211, Subd. 2c, paragraph (b)]</p> <p><i>NOTE: Minn. Stat. 349.2113 states that the maximum prize payout may not exceed 85% of the ideal gross of the game.</i></p>
Tipboard placard seal requirements	<p>Exceptions made for placard requirements for sports-themed tipboards, i.e. seal not required and player signature on placard not required. [Minn. Stat. 349.1711, Subd. 1, paragraph (b)]</p> <p>A tipboard may also contain consolation winners, <i>or winning chances that are determined in whole or in part by the numerical outcome of one or more professional sporting events</i>, that need not be determined by the use of the seal. [Minn. Stat. 349.1711, Subd. 2]</p>
Promotional tipboard ticket	SEE Pull-tab section.
Paper tipboard flares	Language clarifies that the flare requirements in this subdivision pertain only to paper pull-tab and tipboard flares. [Minn. Stat. 349.163, Subd. 5]

Distributors - Effective May 15, 2012

Prohibitions and exceptions	<p>Exception for linked bingo game provider - A distributor's license is required to provide gambling equipment, <i>except that a linked bingo game provider may provide electronic bingo devices for linked electronic bingo games.</i> [Minn. Stat. 349.161, Subd. 1, paragraph (a), clause (2)]</p> <p>NOTE: While linked bingo game providers may provide electronic bingo devices for linked electronic bingo games, they are required to enter into a contract with distributors for linked bingo game services provided to licensed organizations. Those services include, but are not limited to the solicitation of agreements with licensed organizations, and installation, repair, or maintenance of the linked bingo game system. [SEE Page 9 for additional information.]</p> <p>Linked bingo game providers may not provide electronic bingo devices used for regular [non-linked] bingo games.</p> <p>Prohibition as linked bingo game provider - <i>A distributor or distributor salesperson may not also be licensed as a linked bingo game provider.</i> [Minn. Stat. 349.161, Subd. 1, paragraph (c)]</p>
Technical clarifications	<ul style="list-style-type: none"> • Paragraphs (e) and (h) - clarified that gambling equipment is purchased <i>or leased</i>. • Paragraph (f) - clarified that "last ticket sold" sticker pertains only to a <i>paper pull-tab game</i> [not to an electronic pull-tab game]. • Paragraph (j) - clarified that <i>paper</i> pull-tab or tipboard deals with the Minnesota symbol may only be sold to licensed or exempt organizations. [Minn. Stat. 349.161, Subd. 5] <ul style="list-style-type: none"> • Paragraph (a) - clarified that gambling equipment is for resale <i>or lease</i>. [Minn. Stat. 349.162, Subd. 5, paragraph (a)]
Notification to Board for sales method	<p><i>A distributor must notify the Board of the method that it will use to sell and transfer electronic pull-tab games to licensed organizations, and must receive approval of the Board before implementing or making changes to the approved method.</i> [Minn. Stat. 349.162, Subd. 5, paragraph (a)]</p>

Manufacturers - Effective May 15, 2012

Notification to Board for sales method	<p><i>A manufacturer must notify the Board of the method that it will use to sell and transfer electronic pull-tab games to licensed distributors, and must received approval of the Board before implementing or making changes to the approved method.</i> [Minn. Stat. 349.162, Subd. 5, paragraph (b)]</p>
Linked bingo game provider license	<p>A licensed manufacturer may also be licensed as a linked bingo game provider. NOTE: A separate application and fee is required. [Minn. Stat. 349.163, Subd. 1]</p>
Paper pull-tab and tipboard flares	<p>Language clarifies that the flare requirements in this subdivision pertain only to paper pull-tab and tipboard flares. [Minn. Stat. 349.163, Subd. 5]</p>
Samples of gambling equipment	<p><i>For electronic devices and related systems, the manufacturer is required to submit to the Board for testing the applicable version of any software necessary to operate the devices and system. This also pertains to software and software upgrades.</i> [Minn. Stat. 349.163, Subd. 6, paragraphs (a) and (b)]</p> <p>NOTE: There is no change in the provision that the Board may still require testing by an independent testing laboratory prior to submission to the Board for approval.</p>

Lawful Gambling Taxes - Effective July 1, 2012

Repeal of distributor tax and tax refund	<p>The lawful gambling tax on pull-tab and tipboard deals sold by a licensed distributor and the tax refund issued to licensed organization is repealed. [Minnesota Statute 297E.02, subdivision 4]</p> <p>Although the tax refund has been repealed, the commissioner of revenue retains the authority to issue refunds for games sold before July 1, 2012.</p>
Gross receipts	<p>Gross receipts includes:</p> <ul style="list-style-type: none"> • gross sales from linked bingo paper sheets and electronic linked bingo games • ideal gross of electronic pull-tab games [Minn. Stat. 297E.01, Subd. 8, paragraphs (1) and (2)]
Ideal gross	<p>Ideal gross includes the total amount of receipts that would be received if every individual ticket in the pull-tab, <i>electronic pull-tab games</i> or tipboard deal, <i>paddlewheel game</i>, and <i>raffle ticket</i> was sold at its face value. In the calculation of ideal gross and prizes, a free play ticket <i>pull-tab or electronic pull-tab</i> shall be valued at face value. <i>Ideal gross also means the total amount of receipts that would be received if every bingo paper sheet, linked bingo paper sheet, and electronic linked bingo games were sold at face value.</i> [Minn. Stat. 297E.01, Subd. 9]</p>
Imposition of tax	<p>Effective for games reported as played after June 30, 2012, the lawful gambling tax in this subdivision only applies to paper bingo, paddlewheel and raffle games [8.5% on gross receipts less prizes actually paid]. [Minn. Stat. 297E.02, Subd. 1]</p>
Combined <u>net</u> receipts tax	<p>The combined <i>net</i> receipts tax is imposed on an organization's gross receipts from lawful gambling less gross receipts derived from the conduct of <i>paper bingo</i>, <i>raffles</i>, and <i>paddlewheels</i>, and <i>less the net prizes actually paid, other than prizes actually paid for paper bingo, raffles, and paddlewheels</i> for the fiscal year.</p> <p><u>If combined <i>net</i> receipts for fiscal year are:</u> <u>The tax is:</u></p> <ul style="list-style-type: none"> • not over \$87,500 9% • over \$87,500 but not over \$122,500 \$7,875 plus 18% of the amount over \$87,500 but not over \$122,500 • over \$122,500 but not over \$157,500 \$14,175 plus 27% of the amount over \$122,500 but not over \$157,500 • over \$157,500 \$23,625 plus 36% of the amount over \$157,500 <p>On or before April 1, 2016, the commissioner of revenue is required to estimate the total amount of revenue, including interest and penalties that will be collected for fiscal year 2016 from taxes imposed under this chapter. If the estimated amount equals or exceeds \$94,800,000, the combined net receipts tax rate will be reduced as prescribed in Minn. Stat. 297E.02, Subd. 6, paragraph (b).</p>
Tipboards	<p>Gross receipts from sports-themed tipboards as defined in Minn. Stat. 349.12, Subd. 34 are exempt from lawful gambling taxes under Minn. Stat. 297E.02, Subd. 6, paragraph (c).</p>
Other tax changes	<p>Refer to Minnesota Statutes 297E.01, 297E.02, and 297E.13 for all changes related to lawful gambling taxes, including:</p> <ul style="list-style-type: none"> • distributor monthly sales figure report to Revenue required • sales tax imposed on retail sales price of pull-tabs and tipboard • appropriation to human services for problem gambling treatment and grant • possession of untaxed gambling product taxed on 6% of ideal gross • distributor - unaccounted for games taxed on 6% of ideal gross <p>If you have questions on lawful gambling taxes, contact the Department of Revenue at 651-297-1772 or www.revenue.state.mn.us.</p>

Miscellaneous

Background checks The Department of Public Safety shall exercise oversight over all background checks on manufacturers and distributors who supply machines, games, software, or other gambling materials used in electronic pull-tabs, electronic bingo, or professional sports tipboards, to ensure the integrity of new forms of gambling entering the Minnesota market.
[Section 63 of House File 2958, May 9, 2012]

Severability If any provision of this act is found to be invalid because it is in conflict with a provision of the Minnesota Constitution or the Constitution of the United States, or for any other reason, all other provisions of this act shall remain valid and any rights, remedies, and privileges that have been otherwise accrued by this act, shall remain in effect and may be proceeded with and concluded under this act.
[Section 64 of House File 2958, May 9, 2012]

Appropriation

- \$1,219,000 in fiscal year 2013 is appropriated from the lawful gambling regulation account in the special revenue fund to the Gambling Control Board for operating expenses related to the regulatory oversight of lawful gambling for electronic pull-tabs and electronic linked bingo.
- \$250,000 in fiscal year 2013 is appropriated from the lawful gambling regulation account in the special revenue fund to the Department of Public Safety for expenses related to the oversight of lawful gambling for electronic pull-tabs and electronic linked bingo.

[Section 65 of House File 2958, May 9, 2012]

Raffle, study

- The Minnesota Sports Facility Authority shall study the feasibility of conducting a raffle for chances to win a pair or other limited numbers of prime seats (such as lower deck, 50 yard line seats] in the stadium for professional football games for the duration of the lease or use agreement.
- In conducting the study, the authority must consult with the NFL team. If the authority determines that conducting the raffle is financially feasible, the authority in cooperation with the director of the Gambling Control Board shall conduct the raffle.
- The proceeds of the raffle must be transmitted to the commissioner of revenue for deposit in the general fund and are appropriated to the commissioner of management and budget for prepayment of principal and interest on appropriation bonds under section 16A.965.

[Minn. Stat. 473J.09, Subd. 14]

Legislative Information

The Chief Author of House File 2958 was Rep. Morrie Lanning and the Chief Author of the Senate companion bill File 2469 was Senator Julie Rosen.

Legislative Conference Committee Report, May 9, 2012.

Conference committee members were Senator Julie Rosen, Senator Roger Reinert, Senator Bill Ingebrigtsen, Representative Morrie Lanning, Representative Joe Hoppe, and Representative Terry Morrow.

The bill was signed by Governor Mark Dayton May 14, 2012

For additional information and complete legislative language including lawful gambling taxes, Viking stadium funding, etc., refer to House File 2958 that is available online. Use this shortened link to view the legislative language at <http://bit.ly/Jhe4uz>.