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State of Minnesota HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH
SESSION

HOUSE FILE No. **1485**

April 14, 2011

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The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform

April 27, 2011

Committee Recommendation and Adoption of Report:

To Pass as Amended and re-referred to the Committee on State Government Finance

1.1 A bill for an act
1.2 relating to gambling; modifying certain rates of tax on lawful gambling;
1.3 providing for linked bingo and electronic pull-tabs; making clarifying,
1.4 conforming, and technical changes; amending Minnesota Statutes 2010, sections
1.5 297E.02, subdivisions 1, 4, 6; 349.12, subdivisions 5, 12a, 25b, 25c, 25d, 29, 32,
1.6 32a; 349.13; 349.151, subdivisions 4b, 4c; 349.155, subdivisions 3, 4; 349.161,
1.7 subdivision 1; 349.163, subdivisions 1, 6; 349.1635, subdivision 2, by adding a
1.8 subdivision; 349.165, subdivision 2; 349.17, subdivisions 6, 7, 8; 349.1721, by
1.9 adding subdivisions; 349.18, subdivision 1; 349.211, subdivision 1a; proposing
1.10 coding for new law in Minnesota Statutes, chapter 349.

1.11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.12 Section 1. Minnesota Statutes 2010, section 297E.02, subdivision 1, is amended to read:

1.13 Subdivision 1. **Imposition.** A tax is imposed on all lawful gambling other than
1.14 (1) pull-tab deals or games; (2) tipboard deals or games; and (3) items listed in section
1.15 297E.01, subdivision 8, clauses (4) and (5), at the rate of ~~8.5~~ 5.0 percent on the gross
1.16 receipts as defined in section 297E.01, subdivision 8, less prizes actually paid. The tax
1.17 imposed by this subdivision is in lieu of the tax imposed by section 297A.62 and all
1.18 local taxes and license fees except a fee authorized under section 349.16, subdivision 8,
1.19 or a tax authorized under subdivision 5.

1.20 The tax imposed under this subdivision is payable by the organization or party
1.21 conducting, directly or indirectly, the gambling.

1.22 Sec. 2. Minnesota Statutes 2010, section 297E.02, subdivision 4, is amended to read:

1.23 Subd. 4. **Pull-tab and tipboard tax.** (a) A tax is imposed on the sale of each deal of
1.24 pull-tabs and tipboards sold by a distributor. The rate of the tax is ~~4.7~~ 1.0 percent of the
1.25 ideal gross of the pull-tab or tipboard deal. The sales tax imposed by chapter 297A on the
1.26 sale of the pull-tabs and tipboards by the distributor is imposed on the retail sales price

less the tax imposed by this subdivision. The retail sale of pull-tabs or tipboards by the organization is exempt from taxes imposed by chapter 297A and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 8.

(b) The liability for the tax imposed by this section is incurred when the pull-tabs and tipboards are delivered by the distributor to the customer or to a common or contract carrier for delivery to the customer, or when received by the customer's authorized representative at the distributor's place of business, regardless of the distributor's method of accounting or the terms of the sale.

The tax imposed by this subdivision is imposed on all sales of pull-tabs and tipboards, except the following:

(1) sales to the governing body of an Indian tribal organization for use on an Indian reservation;

(2) sales to distributors licensed under the laws of another state or of a province of Canada, as long as all statutory and regulatory requirements are met in the other state or province;

(3) sales of promotional tickets as defined in section 349.12; and

(4) pull-tabs and tipboards sold to an organization that sells pull-tabs and tipboards under the exemption from licensing in section 349.166, subdivision 2. A distributor shall require an organization conducting exempt gambling to show proof of its exempt status before making a tax-exempt sale of pull-tabs or tipboards to the organization. A distributor shall identify, on all reports submitted to the commissioner, all sales of pull-tabs and tipboards that are exempt from tax under this subdivision.

(c) A distributor having a liability of \$10,000 or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by electronic means.

(d) Any customer who purchases deals of pull-tabs or tipboards from a distributor may file an annual claim for a refund or credit of taxes paid pursuant to this subdivision for unsold pull-tab and tipboard tickets. The claim must be filed with the commissioner on a form prescribed by the commissioner by March 20 of the year following the calendar year for which the refund is claimed. The refund must be filed as part of the customer's February monthly return. The refund or credit is equal to ~~1.7~~ 1.0 percent of the face value of the unsold pull-tab or tipboard tickets, provided that the refund or credit will be ~~1.75~~ 1.35 percent of the face value of the unsold pull-tab or tipboard tickets for claims for a refund or credit of taxes filed on the February ~~2001~~ 2012 monthly return. The refund claimed will be applied as a credit against tax owing under this chapter on the February monthly return. If the refund claimed exceeds the tax owing on the February monthly

3.1 return, that amount will be refunded. The amount refunded will bear interest pursuant
 3.2 to section 270C.405 from 90 days after the claim is filed.

3.3 Sec. 3. Minnesota Statutes 2010, section 297E.02, subdivision 6, is amended to read:

3.4 Subd. 6. **Combined receipts tax.** In addition to the taxes imposed under
 3.5 subdivisions 1 and 4, a tax is imposed on the combined receipts of the organization. As
 3.6 used in this section, "combined receipts" is the sum of the organization's gross receipts
 3.7 from lawful gambling less gross receipts directly derived from the conduct of bingo,
 3.8 raffles, and paddle wheels, as defined in section 297E.01, subdivision 8, for the fiscal year.
 3.9 The combined receipts of an organization are subject to a tax computed according to
 3.10 the following schedule:

3.11	If the combined receipts	The tax is:
3.12	for the fiscal year are:	
3.13	Not over \$500,000	
3.14	<u>\$600,000</u>	zero
3.15	Over \$500,000 <u>\$600,000</u> ,	
3.16	but not over \$700,000	1.7 <u>1.0</u> percent of the amount over
3.17	<u>\$800,000</u>	\$500,000 <u>\$600,000</u> , but not over
3.18		\$700,000 <u>\$800,000</u>
3.19	Over \$700,000 <u>\$800,000</u> ,	
3.20	but not over \$900,000	\$3,400 <u>\$2,000</u> plus 3.4 <u>2.0</u> percent of
3.21	<u>\$1,000,000</u>	the amount over \$700,000 <u>\$800,000</u> ,
3.22		but not over \$900,000 <u>\$1,000,000</u>
3.23	Over \$900,000 <u>\$1,000,000</u>	\$10,200 <u>\$6,000</u> plus 5.1 <u>3.0</u> percent
3.24		of the amount over \$900,000
3.25		<u>\$1,000,000</u>

3.26 The tax imposed under this subdivision is payable by the organization or party
 3.27 conducting, directly or indirectly, the gambling on a site-by-site basis.

3.28 Sec. 4. Minnesota Statutes 2010, section 349.12, subdivision 5, is amended to read:

3.29 Subd. 5. **Bingo occasion.** "Bingo occasion" means a single gathering or session at
 3.30 which a series of one or more successive bingo games is played. There is no limit on the
 3.31 number of games conducted during a bingo occasion ~~but~~. A bingo occasion must not last
 3.32 longer than eight consecutive hours, except that linked bingo games played on electronic
 3.33 bingo devices may be played during regular business hours of the permitted premises and
 3.34 all play during this period is considered a bingo occasion for reporting purposes.

3.35 Sec. 5. Minnesota Statutes 2010, section 349.12, subdivision 12a, is amended to read:

3.36 Subd. 12a. **Electronic bingo device.** "Electronic bingo device" means an electronic
 3.37 bingo device used by a bingo player to (1) monitor bingo paper sheets or a facsimile of

4.1 a bingo paper sheet when purchased at the time and place of an organization's bingo
4.2 occasion ~~and which (1) provides a means for bingo players to, (2) activate numbers~~
4.3 ~~announced by a bingo caller; (2) compares~~ or displayed and compare the numbers ~~entered~~
4.4 ~~by the player~~ to the bingo faces previously stored in the memory of the device; ~~2~~ and (3)
4.5 ~~identifies~~ identify a winning bingo pattern or game requirement.

4.6 Electronic bingo device does not mean any device into which coin, currency, or tokens are
4.7 inserted to activate play but does allow for activation by coded data entry.

4.8 Sec. 6. Minnesota Statutes 2010, section 349.12, subdivision 25b, is amended to read:

4.9 Subd. 25b. **Linked bingo game provider.** "Linked bingo game provider" means
4.10 any person who provides the means to link bingo ~~prizes in a linked bingo game, who~~
4.11 ~~provides linked bingo paper sheets to the participating organizations~~ games, who provides
4.12 linked bingo prize management, and who provides the linked bingo game system.

4.13 Sec. 7. Minnesota Statutes 2010, section 349.12, subdivision 25c, is amended to read:

4.14 Subd. 25c. **Linked bingo game system.** "Linked bingo game system" means the
4.15 equipment used by the linked bingo provider to conduct, transmit, and track a linked
4.16 bingo game. The system must be approved by the board before its use in this state and it
4.17 must have ~~dial-up or other~~ the capability to permit the board to electronically monitor its
4.18 operation remotely.

4.19 Sec. 8. Minnesota Statutes 2010, section 349.12, subdivision 25d, is amended to read:

4.20 Subd. 25d. **Linked bingo prize pool.** "Linked bingo prize pool" means the total
4.21 of all prize money that each participating organization has contributed to a linked bingo
4.22 game prize and includes any portion of the prize pool that is carried over from one
4.23 ~~occasion~~ game to another in a progressive linked bingo game.

4.24 Sec. 9. Minnesota Statutes 2010, section 349.12, subdivision 29, is amended to read:

4.25 Subd. 29. **Paddle wheel.** "Paddle wheel" means a wheel marked off into sections
4.26 containing one or more numbers, and which, after being turned or spun manually or
4.27 electronically, uses a pointer or marker to indicate winning chances.

4.28 Sec. 10. Minnesota Statutes 2010, section 349.12, subdivision 32, is amended to read:

4.29 Subd. 32. **Pull-tab.** "Pull-tab" means a single folded or banded paper ticket ~~or~~ 2 a
4.30 multi-ply card with perforated break-open tabs, or a facsimile of a paper pull-tab when
4.31 used in conjunction with a pull-tab dispensing device, the face of which is initially covered

5.1 to conceal one or more numbers or symbols, where one or more of each set of tickets, ~~or~~
5.2 cards, or facsimiles has been designated in advance as a winner.

5.3 Sec. 11. Minnesota Statutes 2010, section 349.12, subdivision 32a, is amended to read:

5.4 Subd. 32a. **Pull-tab dispensing device.** "Pull-tab dispensing device" means a
5.5 mechanical or electronic device that dispenses paper pull-tabs ~~and has no additional~~
5.6 ~~function as an amusement or gambling device~~ or displays facsimiles of paper pull-tabs. A
5.7 pull-tab dispensing device may have as a component an auditory or visual enhancement to
5.8 promote or provide information about a game being dispensed or displayed, provided the
5.9 component does not affect the outcome of a game or display the results of a game ~~or an~~
5.10 ~~individual ticket.~~ A pull-tab dispensing device that displays facsimiles of paper pull-tabs
5.11 is not allowed to accept any coin, currency, or tokens, but does allow for activation by
5.12 coded data entry.

5.13 Sec. 12. Minnesota Statutes 2010, section 349.13, is amended to read:

5.14 **349.13 LAWFUL GAMBLING.**

5.15 Lawful gambling is not a lottery or gambling within the meaning of sections 609.75
5.16 to 609.76 if it is conducted under this chapter. A pull-tab dispensing device permitted by
5.17 board rule is not a gambling device within the meaning of sections 609.75 to 609.76 and
5.18 chapter 299L. Electronic game devices authorized under this chapter may be used only
5.19 in the conduct of lawful gambling permitted under this chapter and may not display or
5.20 simulate any other form of gambling or entertainment.

5.21 Sec. 13. Minnesota Statutes 2010, section 349.151, subdivision 4b, is amended to read:

5.22 Subd. 4b. **Pull-tab sales from dispensing devices.** ~~(a)~~ The board may by rule
5.23 authorize but not require the use of pull-tab dispensing devices.

5.24 ~~(b) Rules adopted under paragraph (a):~~

5.25 ~~(1) must limit the number of pull-tab dispensing devices on any permitted premises~~
5.26 ~~to three; and~~

5.27 ~~(2) must limit the use of pull-tab dispensing devices to a permitted premises which is~~
5.28 ~~(i) a licensed premises for on-sales of intoxicating liquor or 3.2 percent malt beverages;~~
5.29 ~~or (ii) a premises where bingo is conducted and admission is restricted to persons 18~~
5.30 ~~years or older.~~

5.31 ~~(c) Notwithstanding rules adopted under paragraph (b), pull-tab dispensing devices~~
5.32 ~~may be used in establishments licensed for the off-sale of intoxicating liquor, other than~~
5.33 ~~drugstores and general food stores licensed under section 340A.405, subdivision 1.~~

Sec. 14. Minnesota Statutes 2010, section 349.151, subdivision 4c, is amended to read:

Subd. 4c. **Electronic bingo.** (a) The board may by rule authorize but not require the use of electronic bingo devices.

(b) Rules adopted under paragraph (a):

(1) must limit the number of bingo faces that can be played using an electronic bingo device to 36;

(2) must require that an electronic bingo device be used with ~~corresponding bingo paper sheets or a facsimile, printed at the point of sale,~~ of a bingo paper sheet as approved by the board;

(3) must require that the electronic bingo device site system have ~~dial-up~~ the capability to permit the board to remotely monitor the operation of the device and the internal accounting systems; and

(4) must prohibit the price of a face played on an electronic bingo device from being less than the price of a face on a bingo paper sheet sold for the same game at the same occasion.

Sec. 15. Minnesota Statutes 2010, section 349.155, subdivision 3, is amended to read:

Subd. 3. **Mandatory disqualifications.** (a) In the case of licenses for manufacturers, distributors, distributor salespersons, linked bingo game providers, and gambling managers, the board may not issue or renew a license under this chapter, and shall revoke a license under this chapter, if the applicant or licensee, or a director, officer, partner, governor, or person in a supervisory or management position of the applicant or licensee:

(1) has ever been convicted of a felony or a crime involving gambling;

(2) has ever been convicted of (i) assault, (ii) a criminal violation involving the use of a firearm, or (iii) making terroristic threats;

(3) is or has ever been connected with or engaged in an illegal business;

(4) owes \$500 or more in delinquent taxes as defined in section 270C.72;

(5) had a sales and use tax permit revoked by the commissioner of revenue within the past two years; or

(6) after demand, has not filed tax returns required by the commissioner of revenue.

The board may deny or refuse to renew a license under this chapter, and may revoke a license under this chapter, if any of the conditions in this paragraph are applicable to an affiliate or direct or indirect holder of more than a five percent financial interest in the applicant or licensee.

(b) In the case of licenses for organizations, the board may not issue a license under this chapter, and shall revoke a license under this chapter, if the organization, or an officer or member of the governing body of the organization:

- (1) has been convicted of a felony or gross misdemeanor involving theft or fraud; or
- (2) has ever been convicted of a crime involving gambling; ~~or,~~
- ~~(3) has had a license issued by the board or director permanently revoked for violation of law or board rule.~~

Sec. 16. Minnesota Statutes 2010, section 349.155, subdivision 4, is amended to read:

Subd. 4. **License revocation, suspension, denial; censure.** (a) The board may by order (i) deny, suspend, revoke, or refuse to renew a license or premises permit, or (ii) censure a licensee or applicant, if it finds that the order is in the public interest and that the applicant or licensee, or a director, officer, partner, governor, person in a supervisory or management position of the applicant or licensee, an employee eligible to make sales on behalf of the applicant or licensee, or direct or indirect holder of more than a five percent financial interest in the applicant or licensee:

(1) has violated or failed to comply with any provision of this chapter or chapter 297E or 299L, or any rule adopted or order issued thereunder;

(2) has filed an application for a license that is incomplete in any material respect, or contains a statement that, in light of the circumstances under which it was made, is false, misleading, fraudulent, or a misrepresentation;

(3) has made a false statement in a document or report required to be submitted to the board or the commissioner of revenue, or has made a false statement to the board, the compliance review group, or the director;

(4) has been convicted of a crime in another jurisdiction that would be a felony if committed in Minnesota;

(5) is permanently or temporarily enjoined by any gambling regulatory agency from engaging in or continuing any conduct or practice involving any aspect of gambling;

(6) has had a gambling-related license revoked or suspended, or has paid or been required to pay a monetary penalty of \$2,500 or more, by a gambling regulator in another state or jurisdiction;

(7) has been the subject of any of the following actions by the director of alcohol and gambling enforcement or commissioner of public safety: (i) had a license under chapter 299L denied, suspended, or revoked, (ii) been censured, reprimanded, has paid or been required to pay a monetary penalty or fine, or (iii) has been the subject of any other discipline by the director or commissioner;

(8) has engaged in conduct that is contrary to the public health, welfare, or safety, or to the integrity of gambling; or

(9) based on past activities or criminal record poses a threat to the public interest or to the effective regulation and control of gambling, or creates or enhances the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of gambling or the carrying on of the business and financial arrangements incidental to the conduct of gambling.

(b) The revocation or suspension of an organization license may not exceed a period of ten years, including any revocation or suspension imposed by the board prior to the effective date of this paragraph, except that:

(1) 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

(2) a revocation or suspension will remain in effect until the payment of any taxes, fees, and fines that are delinquent have been paid by the organization to the satisfaction of the board.

Sec. 17. Minnesota Statutes 2010, section 349.161, subdivision 1, is amended to read:

Subdivision 1. **Prohibited acts; licenses required.** (a) No person may:

(1) sell, offer for sale, or furnish gambling equipment for use within the state other than for lawful gambling exempt or excluded from licensing, except to an organization licensed for lawful gambling;

(2) sell, offer for sale, or furnish gambling equipment for use within the state without having obtained a distributor license or a distributor salesperson license under this section except that an organization authorized to conduct bingo by the board may loan bingo hard cards and devices for selecting bingo numbers to another organization authorized to conduct bingo;

(3) sell, offer for sale, or furnish gambling equipment for use within the state that is not purchased or obtained from a manufacturer or distributor licensed under this chapter; or

(4) sell, offer for sale, or furnish gambling equipment for use within the state that has the same serial number as another item of gambling equipment of the same type sold or offered for sale or furnished for use in the state by that distributor.

(b) No licensed distributor salesperson may sell, offer for sale, or furnish gambling equipment for use within the state without being employed by a licensed distributor or owning a distributor license.

9.1 (c) No distributor or distributor salesperson may also be licensed as a linked bingo
9.2 game provider under section 349.1635.

9.3 Sec. 18. Minnesota Statutes 2010, section 349.163, subdivision 1, is amended to read:

9.4 Subdivision 1. **License required.** No manufacturer of gambling equipment may
9.5 sell any gambling equipment to any person for use or resale within the state, unless the
9.6 manufacturer has a current and valid license issued by the board under this section and has
9.7 satisfied other criteria prescribed by the board by rule. A manufacturer licensed under this
9.8 section may also be licensed as a linked bingo game provider under section 349.1635.

9.9 A manufacturer licensed under this section may not also be directly or indirectly
9.10 licensed as a distributor under section 349.161.

9.11 Sec. 19. Minnesota Statutes 2010, section 349.163, subdivision 6, is amended to read:

9.12 Subd. 6. **Samples of gambling equipment.** The board shall require each licensed
9.13 manufacturer to submit to the board one or more samples of each item of gambling
9.14 equipment the manufacturer manufactures for use or resale in this state. For purposes of
9.15 this subdivision, a manufacturer is also required to submit the applicable version of any
9.16 software necessary to operate electronic devices and related systems. The board shall
9.17 inspect and test all the equipment, including software and software upgrades, it deems
9.18 necessary to determine the equipment's compliance with law and board rules. Samples
9.19 required under this subdivision must be approved by the board before the equipment being
9.20 sampled is shipped into or sold for use or resale in this state. The board shall impose a fee
9.21 of \$25 for each item of gambling equipment that the manufacturer submits for approval
9.22 or for which the manufacturer requests approval. The board shall impose a fee of \$100
9.23 for each sample of gambling equipment that it tests. The board may require samples of
9.24 gambling equipment to be tested by an independent testing laboratory prior to submission
9.25 to the board for approval. All costs of testing by an independent testing laboratory must be
9.26 borne by the manufacturer. An independent testing laboratory used by a manufacturer to
9.27 test samples of gambling equipment must be approved by the board before the equipment
9.28 is submitted to the laboratory for testing. The board may request the assistance of the
9.29 commissioner of public safety and the director of the State Lottery in performing the tests.

9.30 Sec. 20. Minnesota Statutes 2010, section 349.1635, subdivision 2, is amended to read:

9.31 Subd. 2. **License application.** The board may issue a license to a linked bingo game
9.32 provider or to a manufacturer licensed under section 349.163 who meets the qualifications
9.33 of this chapter and the rules promulgated by the board. The application shall be on a form

10.1 prescribed by the board. The license is valid for two years and the fee for a linked bingo
10.2 game provider license is \$5,000 per year.

10.3 Sec. 21. Minnesota Statutes 2010, section 349.1635, is amended by adding a
10.4 subdivision to read:

10.5 Subd. 5. **Linked bingo game services requirements.** A linked bingo game
10.6 provider shall contract with licensed distributors for linked bingo game services including,
10.7 but not limited to, the solicitation of agreements with licensed organizations, and
10.8 installation, repair, or maintenance of the linked bingo game system. No linked bingo
10.9 game provider may contract with any distributor on an exclusive basis. A linked bingo
10.10 game provider may refuse to contract with a licensed distributor if the linked bingo
10.11 game provider demonstrates that the licensed distributor is not capable of performing
10.12 the services under the contract.

10.13 Sec. 22. Minnesota Statutes 2010, section 349.165, subdivision 2, is amended to read:

10.14 Subd. 2. **Contents of application.** An application for a premises permit must
10.15 contain:

10.16 (1) the name and address of the applying organization;

10.17 (2) a description of the site for which the permit is sought, including its address and,
10.18 where applicable, its placement within another premises or establishment;

10.19 (3) if the site is leased, the name and address of the lessor and information about the
10.20 lease the board requires, including all rents and other charges for the use of the site. The
10.21 lease term is concurrent with the term of the premises permit. The lease must contain a
10.22 ~~30-day~~ termination clause. No lease is required for the conduct of a raffle; and

10.23 (4) other information the board deems necessary to carry out its purposes.

10.24 An organization holding a premises permit must notify the board in writing within
10.25 ten days whenever any material change is made in the above information.

10.26 Sec. 23. Minnesota Statutes 2010, section 349.17, subdivision 6, is amended to read:

10.27 Subd. 6. **Conduct of bingo.** A game of bingo begins with the first letter and number
10.28 called or displayed. Each player must cover, mark, or activate the numbers when bingo
10.29 numbers are randomly selected; and announced; and or displayed to the players; ~~either~~
10.30 ~~manually or with a flashboard and monitor~~. The game is won when a player, using
10.31 bingo paper, bingo hard card, or a facsimile of a bingo paper sheet, has completed, as
10.32 described in the bingo program, a previously designated pattern or previously determined

11.1 requirements of the game and declared bingo. The game is completed when a winning
11.2 card, sheet, or facsimile is verified and a prize awarded pursuant to subdivision 3.

11.3 Sec. 24. Minnesota Statutes 2010, section 349.17, subdivision 7, is amended to read:

11.4 Subd. 7. **Bar bingo.** An organization may conduct bar bingo subject to the
11.5 following restrictions:

11.6 (1) the bingo is conducted at a site the organization owns or leases and which has a
11.7 license for the sale of intoxicating beverages on the premises under chapter 340A;

11.8 (2) the bingo is conducted using only bingo paper sheets or facsimiles of bingo paper
11.9 sheets purchased from a licensed distributor or licensed linked bingo game provider; and

11.10 (3) no rent may be paid for a bar bingo occasion, except as allowed in section
11.11 349.185.

11.12 Sec. 25. Minnesota Statutes 2010, section 349.17, subdivision 8, is amended to read:

11.13 Subd. 8. **Linked bingo games.** (a) A licensed organization may conduct or
11.14 participate in ~~not more than two linked bingo games per occasion, one of which may be a~~
11.15 including progressive game games in which a portion of the prize is carried over from one
11.16 ~~occasion game~~ to another until won by a player achieving a bingo within a predetermined
11.17 amount of bingo numbers called.

11.18 (b) ~~Each participating licensed organization shall contribute to each prize awarded in~~
11.19 ~~a linked bingo game in an amount not to exceed \$300~~ Linked bingo games may only be
11.20 conducted by licensed organizations who have a valid agreement with the linked bingo
11.21 game provider.

11.22 (c) An electronic bingo device as defined in section 349.12, subdivision 12a, may
11.23 be used for a linked bingo game.

11.24 (d) Linked bingo games played on an electronic bingo device may be located only at
11.25 a permitted premises where the organization conducts another form of lawful gambling
11.26 and the premises is:

11.27 (1) a licensed premises for the on-sale or off-sale of intoxicating liquor or 3.2 percent
11.28 malt beverages, except for a general food store or drug store permitted to sell alcoholic
11.29 beverages under section 340A.405, subdivision 1; or

11.30 (2) where bingo is conducted as the primary business, the premises has a seating
11.31 capacity of at least 100, and admission is restricted to persons 18 years or older.

11.32 (e) For linked bingo games played on an electronic bingo device:

11.33 (1) no more than six electronic bingo devices may be in play at a permitted premises
11.34 with 200 seats or less;

12.1 (2) no more than 12 electronic bingo devices may be in play at a permitted premises
12.2 with 201 seats or more; and

12.3 (3) for premises where the primary business is bingo, the number of electronic bingo
12.4 devices that may be in play will be determined by the board.

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

12.6 (f) Prior to a bingo occasion for linked bingo games played on an electronic bingo
12.7 device, the linked bingo game provider, on behalf of the participating organizations, must
12.8 provide to the board a bingo program in a format prescribed by the board.

12.9 ~~(d)~~ (g) The board may adopt rules to:

12.10 (1) specify the manner in which a linked bingo game must be played and how the
12.11 linked bingo prizes must be awarded;

12.12 (2) specify the records to be maintained by a linked bingo game provider;

12.13 (3) require the submission of periodic reports by the linked bingo game provider and
12.14 specify the content of the reports;

12.15 (4) establish the qualifications required to be licensed as a linked bingo game
12.16 provider; and

12.17 (5) any other matter involving the operation of a linked bingo game.

12.18 Sec. 26. Minnesota Statutes 2010, section 349.1721, is amended by adding a
12.19 subdivision to read:

12.20 Subd. 3. **Pull-tab dispensing devices restrictions and requirements.** (a) The
12.21 number of paper pull-tab dispensing devices located on any permitted premises is limited
12.22 to three.

12.23 (b) The number of pull-tab dispensing devices that use facsimiles of paper pull-tabs
12.24 is limited to:

12.25 (1) no more than six devices in play at any permitted premises with 200 seats or less;

12.26 (2) no more than 12 devices in play at any permitted premises with 201 seats
12.27 or more; and

12.28 (3) for premises where the primary business is bingo, the number of devices that
12.29 may be in play will be determined by the board.

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

12.31 (c) The use of any pull-tab dispensing device must be at a permitted premises
12.32 which is:

12.33 (1) a licensed premises for on-sales of intoxicating liquor or 3.2 percent malt
12.34 beverages; or

13.1 (2) a premises where bingo is conducted as the primary business and admission
13.2 is restricted to persons 18 years or older.

13.3 (d) Pull-tab dispensing devices may be used in establishments licensed for the
13.4 off-sale of intoxicating liquor, other than drugstores and general food stores licensed under
13.5 section 340A.405, subdivision 1.

13.6 (e) An organization may use pull-tab dispensing devices that use facsimiles of paper
13.7 pull-tabs if the organization conducts another form of lawful gambling at the permitted
13.8 premises.

13.9 (f) Pull-tab dispensing devices that use facsimiles of paper pull-tabs must have the
13.10 capability to:

13.11 (1) allow the board to electronically monitor the operation of the electronic pull-tab
13.12 devices and the internal accounting systems;

13.13 (2) maintain a printable, permanent record of all transactions involving the device;
13.14 and

13.15 (3) allow the board to require the deactivation of a device for violation of a law or
13.16 rule and to implement any other controls deemed by the board necessary to ensure and
13.17 maintain the integrity of games operated under this subdivision.

13.18 (g) The board shall examine prototypes of pull-tab dispensing devices that use
13.19 facsimiles of paper pull-tabs. The board may contract for the examination of the devices
13.20 and may require working models of the devices to be transported to locations the board
13.21 designates for testing, examination, and analysis. The manufacturer shall pay all costs of
13.22 any testing, examination, analysis, and transportation of the model.

13.23 Sec. 27. Minnesota Statutes 2010, section 349.1721, is amended by adding a
13.24 subdivision to read:

13.25 Subd. 4. **Electronic facsimile of paper pull-tabs.** (a) Tickets and deals must be in
13.26 conformance with board rules for pull-tabs.

13.27 (b) Deals must contain:

13.28 (1) a finite number of tickets in each electronic deal;

13.29 (2) a predetermined number of winning and losing tickets;

13.30 (3) serialized tracking for each deal;

13.31 (4) no regeneration of a serialized deal; and

13.32 (5) no spinning symbols which mimic a video slot machine.

13.33 (c) All deals in play must not be transferred electronically or otherwise to any other
13.34 location by the licensed organization.

13.35 (d) Deals must not be shared or commingled with any other deals or locations.

14.1 Sec. 28. Minnesota Statutes 2010, section 349.1721, is amended by adding a
14.2 subdivision to read:

14.3 Subd. 5. **Multiple chance games.** The board may permit pull-tab games in which
14.4 the holders of certain predesignated winning tickets, with a prize value not to exceed \$75
14.5 each, have the option of turning in the winning tickets for the chance to win a prize of
14.6 greater value.

14.7 Sec. 29. Minnesota Statutes 2010, section 349.18, subdivision 1, is amended to read:

14.8 Subdivision 1. **Lease or ownership required; rent limitations.** (a) An organization
14.9 may conduct lawful gambling only on premises it owns or leases. Leases must be on a
14.10 form prescribed by the board. The term of the lease is concurrent with the premises permit.
14.11 Leases approved by the board must specify that the board may authorize an organization
14.12 to withhold rent from a lessor for a period of up to 90 days if the board determines that
14.13 illegal gambling occurred on the premises or that the lessor or its employees participated
14.14 in the illegal gambling or knew of the gambling and did not take prompt action to stop the
14.15 gambling. The lease must authorize the continued tenancy of the organization without
14.16 the payment of rent during the time period determined by the board under this paragraph.
14.17 Copies of all leases must be made available to employees of the board and the Division of
14.18 Alcohol and Gambling Enforcement on request.

14.19 (b) Rent paid by an organization for leased premises for the conduct of pull-tabs,
14.20 tipboards, and paddle wheels is subject to the following limits:

14.21 (1) for booth operations, including booth operations where a paper pull-tab
14.22 dispensing device is located, booth operations where a bar operation is also conducted,
14.23 and booth operations where both a paper pull-tab dispensing device is located and a bar
14.24 operation is also conducted, the ~~maximum rent is:~~ monthly rent is not more than ten
14.25 percent of gross profits for that month;

14.26 ~~(i) in any month where the organization's gross profit at those premises does not~~
14.27 ~~exceed \$4,000, up to \$400; and~~

14.28 ~~(ii) in any month where the organization's gross profit at those premises exceeds~~
14.29 ~~\$4,000, up to \$400 plus not more than ten percent of the gross profit for that month in~~
14.30 ~~excess of \$4,000;~~

14.31 (2) for bar operations, ~~including bar operations where a pull-tab dispensing device is~~
14.32 ~~located but not including bar operations subject to clause (1), and for locations where only~~
14.33 ~~a pull-tab dispensing device is located~~ the monthly rent is subject to the following:

14.34 ~~(i) in any month where the organization's gross profit at those premises does not~~
14.35 ~~exceed \$1,000, up to \$200; and~~

15.1 ~~(ii) in any month where the organization's gross profit at those premises exceeds~~
15.2 ~~\$1,000, up to \$200 plus not more than 20 percent of the gross profit for that month~~
15.3 ~~in excess of \$1,000;~~

15.4 (i) not more than 20 percent of the monthly gross profits from the sale of paper
15.5 pull-tabs or tipboards; and

15.6 (ii) not more than 17 percent of the monthly gross profits from sales of electronic
15.7 linked bingo games and electronic facsimiles of paper pull-tabs;

15.8 (3) a lease not governed by clauses (1) and (2) must be approved by the board
15.9 before becoming effective;

15.10 (4) total rent paid to a lessor from all organizations from leases governed by clause
15.11 (1) may not exceed \$1,750 per month.

15.12 (c) Rent paid by an organization for leased premises for the conduct of bingo is
15.13 subject to either of the following limits at the option of the parties to the lease:

15.14 (1) not more than ten percent of the monthly gross profit from all lawful gambling
15.15 activities held during bingo occasions excluding bar bingo or at a rate based on a cost per
15.16 square foot not to exceed 110 percent of a comparable cost per square foot for leased space
15.17 as approved by the director; and

15.18 (2) no rent may be paid for bar bingo except as allowed in section 349.185.

15.19 (d) Amounts paid as rent under leases are all-inclusive. No other services or expenses
15.20 provided or contracted by the lessor may be paid by the organization, including, but not
15.21 limited to, trash removal, janitorial and cleaning services, snow removal, lawn services,
15.22 electricity, heat, security, security monitoring, storage, other utilities or services, and, in
15.23 the case of bar operations, cash shortages, unless approved by the director. The lessor shall
15.24 be responsible for the cost of any communications network or service that is required to
15.25 conduct electronic gaming. Any other expenditure made by an organization that is related
15.26 to a leased premises must be approved by the director. An organization may not provide
15.27 any compensation or thing of value to a lessor or the lessor's employees from any fund
15.28 source other than its gambling account. Rent payments may not be made to an individual.

15.29 (e) Notwithstanding paragraph (b), an organization may pay a lessor for food or
15.30 beverages or meeting room rental if the charge made is comparable to similar charges
15.31 made to other individuals or groups.

15.32 (f) No entity other than the licensed organization may conduct any activity within
15.33 a booth operation on a leased premises.

15.34 (g) The rent provisions under this subdivision shall be monitored by the board and
15.35 shall be reported to the legislature as part of the board's annual report.

Sec. 30. **[349.185] GROSS PROFIT ALLOCATION; LINKED BINGO ON ELECTRONIC BINGO DEVICES.**

(a) The allocation of gross profits from the operation of linked bingo on electronic bingo devices is as provided in this section. The licensed organization shall receive:

(1) a minimum of 50 percent of gross profits to be used exclusively for lawful purpose expenditures as defined under section 349.12, subdivision 25; and

(2) no more than 13 percent each fiscal year for allowable expenses as defined under section 349.12, subdivision 3a, and does not include the expenses allocated under paragraph (b) or (c).

(b) A linked bingo game provider shall receive no more than 20 percent of gross profits.

(c) Where the primary business is not bingo and the premises is leased and linked bingo is played on electronic bingo devices, the lessor is subject to the limits in section 349.18. The licensed organization shall be responsible for the overall conduct of linked bingo games but the lessor shall provide staffing to operate the linked bingo games at the premises in order to receive the percentage of profit allocation and the lessor is responsible for cash shortages.

(d) Where the primary business is bingo and the linked bingo is played on electronic bingo devices, the lessor is subject to the rent limitations under section 349.18, subdivision 1, paragraph (c), clause (1), and the licensed organization will receive the value identified under paragraph (c).

(e) The allocation of gross profits under this subdivision shall be monitored by the board and shall be reported to the legislature as part of the board's annual report.

Sec. 31. Minnesota Statutes 2010, section 349.211, subdivision 1a, is amended to read:

Subd. 1a. **Linked bingo prizes.** Prizes for a linked bingo game shall be limited as follows:

(1) no organization may contribute more than \$300 per linked bingo game to a linked bingo prize pool for linked bingo games played without electronic bingo devices, an organization may not contribute to a linked bingo game prize pool more than \$300 per linked bingo game per site;

(2) for linked bingo games played with electronic bingo devices, an organization may not contribute more than 85 percent of the gross receipts per permitted premises to a linked bingo game prize pool;

~~(2)~~ (3) no organization may award more than \$200 for a linked bingo game consolation prize. For purposes of this subdivision, a linked bingo game consolation

17.1 prize is a prize awarded by an organization after a prize from the linked bingo prize pool
17.2 has been won; ~~and~~

17.3 ~~(3)~~ (4) for a progressive linked bingo game, if no player declares a valid bingo
17.4 ~~within the~~ for a progressive prize or prizes based on a predetermined amount of bingo
17.5 ~~numbers called and posted win determination,~~ a portion of the ~~prize is~~ gross receipts
17.6 may be carried over to another ~~occasion~~ game until the accumulated progressive prize
17.7 is won. The portion of the prize that is not carried over must be awarded to the first
17.8 player or players who declares a valid bingo as additional numbers are called. If a valid
17.9 bingo is declared within the predetermined amount of bingo numbers called, the entire
17.10 prize pool for that game is awarded to the winner. ~~The annual limit for progressive bingo~~
17.11 ~~game prizes contained in subdivision 2 must be reduced by the amount an organization~~
17.12 ~~contributes to progressive linked bingo games during the same calendar year.; and~~

17.13 (5) for linked bingo games played on electronic bingo devices, linked bingo prizes
17.14 in excess of \$599 shall be paid by the linked bingo game provider to the player within
17.15 three business days. Winners of linked bingo prizes in excess of \$599 will be given a
17.16 receipt or claim voucher as proof of a win.