

JOINT MEETING
OF THE
SPECIAL SUBCOMMITTEES
OF THE
HOUSE COMMITTEE ON GENERAL LAWS
AND THE
SENATE COMMITTEE ON GENERAL LAWS AND
TECHNOLOGY
STUDYING CHARITABLE GAMING LAWS

Monday, May 11, 2009 *2:00 p.m.*
House Room C *General Assembly Building*

GROSS RECEIPTS:

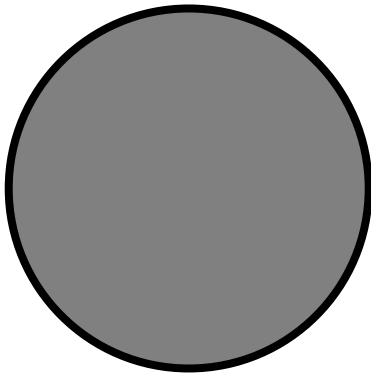
Defined: "*Gross receipts*" means the total amount of money generated by an organization from charitable gaming before the deduction of expenses, including prizes. (§ 18.2-340.16)

What is **INCLUDED**: As defined, "gross receipts" includes all money generated from charitable gaming *before* the deduction of expenses and prizes. However, under charitable gaming law, there are proceeds that are excluded from the calculation of gross receipts. In addition, there are many allowable uses of proceeds by an organization *other than* charitable contributions See below.

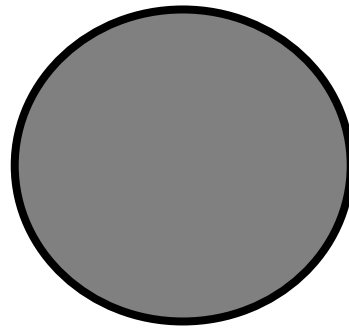
What is **EXCLUDED**:

- The proceeds from instant bingo, pull tabs or seal cards shall not be included in determining the gross receipts for a qualified organization provided the gaming (i) is limited exclusively to members of the organization and their guests, (ii) is not open to the general public, and (iii) there is no public solicitation or advertisement made regarding such gaming. (§ 18.2-340.26:1)
- The proceeds from any bingo game commonly referred to as "winner-take-all" games shall not be included in determining the gross receipts for a qualified organization provided that such games are conducted as provided in subdivision 10 of § 18.2-340.33¹. (§ 18.2-340.30:1)

¹ Subdivision 10 of § 18.2-340.33 reads as follows: "Winner-take-all" games, in which all the gross receipts from players for that game, up to \$1,000, are paid as prize money back to the players,



Gross Receipts



Gross Receipts (After Exclusions)

Allowable uses of gross receipts: (§ 18.2-340.33)

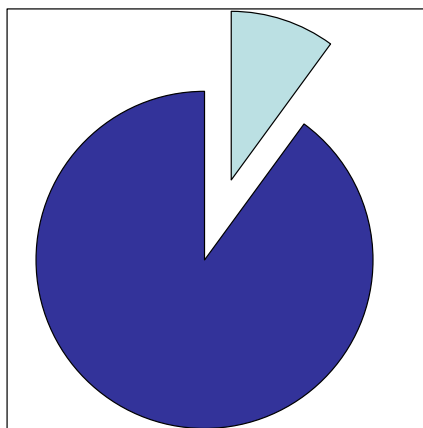
- Reasonable and proper gaming expenses;²
- Reasonable and proper business expenses;³
- Those lawful religious, charitable, community or educational purposes for which the organization is specifically chartered or organized (§ 18.2-340.33); and
- Expenses relating to the acquisition, construction, maintenance, or repair of any interest in the real property involved in the operation of the organization and used for lawful religious, charitable, community or educational purposes. For the purposes of clause (4), such expenses may include the expenses of a corporation formed for the purpose of serving as the real estate holding entity of a qualified organization, provided (a) such holding entity is qualified as a tax exempt organization under 501(c) of the Internal Revenue Code and (b) the membership of the qualified organization is identical to such holding entity (§ 18.2-340.33);

provided (i) there are no more than two such games per session of play, (ii) the prize money from such games does not exceed the lesser of the gross receipts directly attributable to the sale of bingo cards or sheets for such games or \$1,000, (iii) the bingo cards or sheets used for such games are sold separately from the bingo cards or sheets used for any other bingo games, and (iv) the organization separately accounts for the proceeds from such sales;

² "Gaming expenses" means prizes, supplies, costs of publicizing gaming activities, audit and administration or permit fees, and a portion of the rent, utilities, accounting and legal fees and such other reasonable and proper expenses as are directly incurred for the conduct of charitable gaming. (§ 18.2-340.16)

³ "Reasonable and proper business expenses" means business expenses actually incurred by a qualified organization in the conduct of charitable gaming and not otherwise allowed under this article or under Board regulations on real estate and personal property tax payments, travel expenses, payments of utilities and trash collection services, legal and accounting fees, costs of business furniture, fixtures and office equipment and costs of acquisition, maintenance, repair or construction of an organization's real property. For the purpose of this definition, salaries and wages of employees whose primary responsibility is to provide services for the principal benefit of an organization's members shall not qualify as a business expense. However, payments made pursuant to § 51.1-1204 to the Volunteer Firefighters' and Rescue Squad Workers' Service Award Fund shall be deemed a reasonable and proper business expense. (§ 18.2-340.16)

- Organizations composed of or for deaf or blind persons may use a part of their gross receipts for costs associated with providing clerical assistance in the management and operation but not the conduct of charitable gaming (§ 18.2-340.33);
- Persons employed by organizations composed of or for deaf or blind persons may receive remuneration not to exceed \$30 per event for providing clerical assistance in the management and operation but not the conduct of charitable games only for such organizations (§ 18.2-340.33);
- Persons under the age of 19 who sell raffle tickets for a qualified organization to raise funds for youth activities in which they participate may receive nonmonetary incentive awards or prizes from the organization (§ 18.2-340.33);
- Remuneration may be paid to off-duty law-enforcement officers from the jurisdiction in which such bingo games are played for providing uniformed security for such bingo games even if such officer is a member of the sponsoring organization, provided the remuneration paid to such member is in accordance with off-duty law-enforcement personnel work policies approved by the local law-enforcement official and further provided that such member is not otherwise engaged in the management, operation or conduct of the bingo games of that organization, or to private security services businesses licensed pursuant to § 9.1-139 providing uniformed security for such bingo games, provided that employees of such businesses shall not otherwise be involved in the management, operation, or conduct of the bingo games of that organization (§ 18.2-340.33);
- A member of a qualified organization lawfully participating in the management, operation or conduct of a bingo game may be provided food and nonalcoholic beverages by such organization for on-premises consumption during the bingo game provided the food and beverages are provided in accordance with Board regulations (§ 18.2-340.33);
- and
- Remuneration may be paid to bingo managers or callers who have a current registration certificate issued by the Department in accordance with § 18.2-340.34:1, or who are exempt from such registration requirement. Such remuneration shall not exceed \$100 per session (§ 18.2-340.33); and
- Prizes (§ 18.2-340.33).



■ Charitable Purpose

■ Reasonable Expenses

- **Gaming Expenses**
- **Business Expenses**
- **Property Expenses**
- **Clerical Assistance**
- **Non-monetary Incentive Awards (Raffles)**
- **Paid Personnel (Security/ Managers/Callers)**
- **Food and Beverages (Volunteers)**
- **Prizes**

Relevant Authority of Charitable Gaming Board:

- Require, as a condition of receiving a permit, that the applicant use a predetermined percentage of its gross receipts, excluding winner-take-all games, for (i) those lawful religious, charitable, community or educational purposes for which the organization is specifically chartered or organized **or** (ii) those expenses relating to the acquisition, construction, maintenance or repair of any interest in real property involved in the operation of the organization and used for lawful religious, charitable, community or educational purposes. The regulation may provide for a graduated scale of percentages of gross receipts to be used in the foregoing manner based upon factors the Board finds appropriate to and consistent with the purpose of charitable gaming. (§ 18.2-340.19)
- The Department may deny, suspend or revoke the permit of any organization found not to be in strict compliance with the provisions of this article and the regulations of the Board. The action of the Department in denying, suspending, or revoking any permit shall be subject to the Administrative Process Act (§ 2.2-4000et seq.). (§ 18.2-340.20)