

Introduced: 4/18/84  
Referred: Community and Regional  
Affairs and Finance

BY THE COMMUNITY AND  
REGIONAL AFFAIRS COMMITTEE

1 IN THE SENATE

2 SENATE BILL NO. 549

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to games of chance and contests of  
7 skill; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 05.15.020 is repealed and reenacted to read:

10 Sec. 05.15.020. ANNUAL PERMIT AND FEE. (a) An activity permit-  
11 ted under this chapter may not be conducted unless an annual permit  
12 issued by the department is first obtained and a fee of \$50 is paid to  
13 the department.

14 (b) A qualified operator may conduct an activity permitted under  
15 this chapter for a municipality or qualified organization if an annual  
16 operator's permit issued by the department is first obtained, a fee of  
17 \$200 is paid to the department and a bond or other security acceptable  
18 to the department is filed with the department for the amount of  
19 prizes and net proceeds estimated to be paid for the calendar year.  
20 The operator's permit is in addition to the permit required to be  
21 obtained by the municipality or qualified organization on whose behalf  
22 the operator conducts the activity.

23 (c) An additional fee of three percent of the gross receipts  
24 from an activity permitted under this chapter shall be paid to the  
25 department by each municipality or qualified organization annually  
26 except that a qualified operator shall be liable for the additional  
27 fee for activities conducted by the qualified operator on behalf of a  
28 municipality or qualified organization.

29 \* Sec. 2. AS 05.15 is amended by adding a new section to read:

1           Sec. 05.15.025. LICENSE FEES COLLECTED ON BEHALF OF A LOCAL  
2 GOVERNMENT. (a) A borough or organized municipality outside of a  
3 borough may elect, by passage of an appropriate ordinance, to impose  
4 an additional license fee, not to exceed one percent, on the gross  
5 receipts of an activity authorized under this chapter conducted within  
6 its boundaries. A borough or organized municipality outside of a  
7 borough that elects to impose the additional license fee shall file  
8 written notice of the election with the department on or before  
9 December 1 of the year preceding the year an election under this  
10 section is to become effective. The notice may not be rescinded for a  
11 subsequent calendar year unless a rescission notice is received by the  
12 department on or before January 1 of the year for which the license  
13 fee is rescinded.

14           (b) The additional license fee shall be collected and adminis-  
15 tered by the department in the same manner as provided for the addi-  
16 tional fee in AS 05.15.020(c).

17           (c) The department shall refund money collected under this  
18 section to the borough or organized municipality outside of a borough  
19 for which the money was collected, as determined by the location of  
20 the activity authorized under this chapter.

21           (d) Money received by an organized borough under this section  
22 shall be allocated by the borough by ordinance for city, area outside  
23 city and service area purposes within the borough.

24 \* Sec. 3. AS 05.15.030 is repealed and reenacted to read:

25           Sec. 05.15.030. NOTIFICATION OF LOCAL GOVERNMENTS AND PROTESTS.

26           (a) At the time of filing application the applicant shall notify the  
27 city or borough nearest to the location of the proposed activity of  
28 the application and the location at which the proposed activity will  
29 be conducted. If the permittee relocates within the same city or

1        borough the permittee shall notify the department and the city or  
2        borough within 30 days of its move to the new location. If the per-  
3        mittee intends to conduct an activity in an additional or different  
4        city or borough, the permittee shall notify the department and the  
5        city or borough nearest to the new location at least 30 days before  
6        conducting an activity at the new location.

7                (b) A local government may protest the conduct of the activity  
8        in its jurisdiction by resolution stating the reasons for the protest  
9        filed with the department; protests are limited to the lack of quali-  
10        fications prescribed by this chapter or a finding that the proposed  
11        activity would not be in the best interests of the public. This  
12        resolution is only a recommendation by the city that may be considered  
13        by the commissioner in the commissioner's determination to issue or  
14        refuse to issue a permit. The department may limit the locations in  
15        which activities authorized under this chapter may be conducted.

16        \* Sec. 4. AS 05.15.060 is repealed and reenacted to read:

17                Sec. 05.15.060. REGULATIONS. In accordance with the Administra-  
18        tive Procedure Act (AS 44.62), the commissioner of revenue shall adopt  
19        regulations necessary to carry out this chapter covering but not  
20        limited to the control and issuance of permits, authorized expenses,  
21        investigations of permittees, recordkeeping and accounting, prizes,  
22        equipment, audits of authorized activities, suspension or revocation  
23        of permits and other matters that the commissioner considers necessary  
24        to carry out this chapter or protect the best interest of the public.

25        \* Sec. 5. AS 05.15.070 is amended to read:

26                Sec. 05.15.070. COMMISSIONER OF REVENUE MAY EXAMINE PERMITTEES.  
27        The commissioner may examine or have examined the books and records of  
28        a permittee. [THE COMMISSIONER MAY REQUIRE THE PERMITTEE TO PAY THE  
29        REASONABLE COST OF THE EXAMINATION.] The commissioner may issue

1 subpoenas for the attendance of witnesses and the production of books,  
2 records, and other documents.

3 \* Sec. 6. AS 05.15.080 is repealed and reenacted to read:

4 Sec. 05.15.080. REPORTS REQUIRED AND PAYMENT OF FEE BY MUNIC-  
5 IPALITIES AND QUALIFIED ORGANIZATIONS. (a) A municipality or qual-  
6 ified organization conducting an activity authorized under this chap-  
7 ter shall file a report with the department no later than the last  
8 business day of the month following the month in which an activity was  
9 conducted. The report must include the type of activity conducted,  
10 the date and location of the activity, the amount of gross receipts,  
11 the amount of authorized expenses, the value of prizes awarded, the  
12 amount of net proceeds and other information the commissioner may  
13 require by regulation.

14 (b) A municipality or qualified organization conducting an  
15 activity authorized under this chapter shall file an annual report  
16 with the department no later than January 31 of the year following the  
17 year in which activities were conducted, accompanied by the payment of  
18 the additional fee as required under AS 05.15.020(c). The report  
19 must list the types of activities conducted, and, for each activity,  
20 the total amount of gross receipts, the total amount of authorized  
21 expenses, the total value of prizes, and the total amount of net  
22 proceeds. The report must also include the disposition or intended  
23 disposition of the net proceeds.

24 \* Sec. 7. AS 05.15 is amended by adding new sections to read:

25 Sec. 05.15.085. REPORTS REQUIRED AND PAYMENT OF FEE BY QUALIFIED  
26 OPERATORS. (a) A qualified operator shall file a report with the  
27 department no later than the last business day of the month following  
28 the month in which an activity was conducted. The report shall be  
29 divided into sections for each municipality and qualified organization

1 on whose behalf an activity was conducted and must include the date  
2 and location of each activity, the type of activity conducted, the  
3 amount of gross receipts, the amount of authorized expenses, the value  
4 of prizes awarded, the amount of net proceeds paid to the municipality  
5 or qualified organization on whose behalf the activity was conducted  
6 and other information the commissioner may require by regulation.

7 (b) A qualified operator shall file an annual report with the  
8 department no later than January 31 of the year following the year in  
9 which activities were conducted, accompanied by the payment of the  
10 additional fee as required under AS 05.15.020(c). The report must  
11 list the types of activities conducted, the municipalities and qual-  
12 ified organizations on whose behalf the activities were conducted, the  
13 total gross receipts, the total authorized expenses, the total prizes  
14 and the total net proceeds turned over to each municipality and qual-  
15 ified organization.

16 (c) A municipality or qualified organization that authorizes a  
17 qualified operator to conduct activities authorized under this chapter  
18 shall file an annual report with the department no later than  
19 January 31 of the year following the year in which the activities were  
20 conducted. The report must list each activity conducted, the autho-  
21 rized representative for the municipality or qualified organization,  
22 the qualified operator conducting the activity, the date and location  
23 of each activity and the net proceeds received from the qualified  
24 operator for the activity.

25 Sec. 05.15.086. GENERAL PROVISIONS RELATING TO THE FILING OF  
26 REPORTS AND PAYMENT OF LICENSE FEES. (a) The license applications  
27 and reports required under this chapter shall be filed under penalty  
28 of perjury and signed by a bona fide member in good standing of the  
29 qualified organization or a person authorized to sign on behalf of a

1 municipality.

2 (b) The commissioner may grant an extension for the filing of a  
3 report required under this chapter upon a showing by the permittee of  
4 reasonable cause for delay. The extension may not be granted in  
5 excess of 30 days and the report will not be considered delinquent  
6 during the period of the extension. An extension of time for the  
7 payment of the license fee is prohibited.

8 (c) A permittee is not authorized to conduct an activity under  
9 this chapter during any period in which a report or license fee is  
10 delinquent.

11 (d) A delinquent license fee shall bear interest at the rate  
12 provided for in AS 43.05.225.

13 \* Sec. 8. AS 05.15.160 is amended to read:

14 Sec. 05.15.160. AUTHORIZED EXPENSES. An [NO] item of expense  
15 may not be incurred or paid in connection with the operation of an  
16 activity under a permit issued under this chapter except for bona fide  
17 expenses reasonably necessary for

18 (1) goods, wares, and merchandise necessary for the opera-  
19 tion of the activity;

20 (2) personal services rendered that are not directly or  
21 indirectly involved with the operation of the activity; or

22 (3) personal services involved with the operation of the  
23 activity provided the services are performed by an employee of the  
24 municipality, qualified organization, qualified operator or a consul-  
25 tant hired by the municipality or qualified organization conducting  
26 the activity, provided the consultant is not directly involved in the  
27 operation of the activity [AND THE COMPENSATION IS NOT RELATED TO THE  
28 RECEIPTS FROM THE ACTIVITY].

29 \* Sec. 9. AS 05.15.160 is amended by adding new subsections to read:

1           (b) The annual authorized expenses under (a) of this section may  
2 not exceed 25 percent of the annual gross receipts from activities  
3 authorized under this chapter.

4           (c) The annual net proceeds for a qualified organization from  
5 activities authorized under this chapter may not be less than 25  
6 percent of the annual gross receipts.

7 \* Sec. 10. AS 05.15 is amended by adding a new section to read:

8           Sec. 05.15.165. QUALIFIED OPERATORS. (a) A qualified operator  
9 may not operate an activity for more than one authorizing permittee in  
10 any 24 hour period.

11           (b) A qualified operator is required to pay the authorizing  
12 permittee the net proceeds from an activity within 15 calendar days  
13 from the date of the activity. The payment shall be made by check and  
14 the qualified operator shall obtain a signed receipt from the autho-  
15 rizing permittee. The authorizing permittee shall keep a copy of the  
16 receipt for its records.

17           (c) The net proceeds of an activity that shall be paid by the  
18 qualified operator to the authorizing permittee shall be the gross  
19 receipts from the activity reduced by the license fee based on the  
20 gross receipts, the authorized expenses provided for under AS 05.15.-  
21 160(a) and the prizes awarded at the activity.

22           (d) An authorizing permittee shall designate a representative,  
23 who is a bona fide member in good standing of the qualified organiza-  
24 tion or a person designated by the municipality, to be its agent in  
25 working with the qualified operator. The representative shall have  
26 access to all books and records of the qualified operator relevant to  
27 the activity, including the amounts of gross receipts, authorized  
28 expenses and prizes awarded. The commissioner may order the produc-  
29 tion of the books and records of a qualified operator that are not

1 voluntarily made available to the representative under regulations  
2 adopted by the department.

3 (e) If the department finds that a qualified operator has in-  
4 curred expenses that are not authorized under AS 05.15.160(a), or has  
5 incurred expenses in excess of the amount authorized under AS 05.15.-  
6 160(b), or has paid an authorizing permittee less than the minimum  
7 amount of net proceeds provided for under AS 05.15.160(c), the depart-  
8 ment shall order the qualified operator to refund to the authorizing  
9 permittee the amount of the unauthorized expenses or the difference  
10 between the minimum amount of net proceeds under AS 05.15.160(b) and  
11 the amount of the net proceeds actually paid, whichever is greater.  
12 The qualified operator shall pay the authorizing permittee interest on  
13 the amount ordered to be paid at the rate of 1.5 percent a month for  
14 each month or fraction of a month between the date of the operation of  
15 the activity and the date the refund is made.

16 \* Sec. 11. AS 05.15.180(a) is repealed and reenacted to read:

17 (a) This chapter does not authorize the use of instruments,  
18 machines, or other objects used, designed, or intended primarily for  
19 gaming or gambling unless specifically authorized under regulations  
20 adopted by the commissioner and used in the operation of activities  
21 authorized under this chapter.

22 \* Sec. 12. AS 05.15.200 is amended by adding a new subsection to read:

23 (c) The commissioner may assess a penalty in the manner provided  
24 for the nonpayment of taxes under AS 43.05.220(a) where a permittee  
25 has failed to timely pay a license fee required under AS 05.15.020(b),  
26 unless it is shown that the failure was due to reasonable cause.

27 \* Sec. 13. AS 05.15.210(15) is repealed and reenacted to read:

28 (15) "net proceeds" means the gross receipts from the activ-  
29 ity reduced by the license fee based on the gross receipts, the

1 authorized expenses provided for under AS 05.15.160(a) and the prizes  
2 awarded at the activity;

3 \* Sec. 14. AS 05.15.210 is amended by adding new subsections to read:

4 (24) "authorizing permittee" means a municipality or qual-  
5 ified organization that has authorized a qualified operator to conduct  
6 activities authorized under a permit issued by the commissioner under  
7 this chapter on its behalf;

8 (25) "commissioner" means the commissioner of revenue;

9 (26) "department" means the Department of Revenue;

10 (27) "permittee" means a municipality, qualified organiza-  
11 tion or qualified operator that has been issued a permit to conduct  
12 the activities authorized under this chapter;

13 (28) "qualified operator" means a municipality or qualified  
14 organization that has been authorized by the commissioner to operate  
15 the activities authorized under this chapter on behalf of another  
16 permittee.

17 \* Sec. 15. This Act takes effect July 1, 1984.