

Original sponsor: Labor and Commerce
Committee

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 299 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

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For an Act entitled: "An Act relating to the conduct of games of chance
and contests of skill by municipalities and nonprofit
organizations; and regulation of operators and pull-
tabs."

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

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 AS 05.15.020 is repealed and reenacted to read:

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Sec. 05.15.020. ANNUAL PERMIT AND FEES. (a) A municipality or
qualified organization may conduct an activity permitted under this
chapter, if the municipality or qualified organization pays the appro-
priate permit fee and receives an annual permit issued by the depart-
ment. The annual permit fee is

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(1) \$20 for an applicant that did not hold a permit during
the preceding year;

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(2) \$20 for an applicant that had gross receipts of less
than \$20,000 from activities conducted under this chapter during the
preceding year;

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(3) \$50 for an applicant that had gross receipts of \$20,000
or more but not exceeding \$100,000 from activities conducted under
this chapter during the preceding year; or

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(4) \$100 for an applicant that had gross receipts exceeding
\$100,000 from activities conducted under this chapter during the
preceding year.

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(b) An additional fee of one percent of the net proceeds re-
ceived during the preceding year from the activities authorized under

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1 the permit shall be paid to the department annually by the municipal-
2 ity or qualified organization authorized to conduct activities under
3 this chapter, if the gross receipts for the activities were \$20,000 or
4 more.

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

6 Sec. 05.15.025. MONEY DEPOSITED IN GENERAL FUND. Money received
7 by the department under this chapter shall be deposited in the general
8 fund. The commissioner of administration shall separately account for
9 the money deposited in the general fund under this section. The
10 annual estimated balance in the account may be used by the legislature
11 to make appropriations to the department to carry out enforcement of
12 this chapter.

13 * Sec. 3. AS 05.15.030(a) is amended to read:

14 (a) At the time of filing an application for a permit or license
15 under this chapter the applicant shall notify the city or borough
16 nearest to the location of the proposed activity of the application.
17 A local government unit may protest the conduct of the activity in its
18 jurisdiction by resolution stating the reasons for the protest filed
19 with the department; protests are limited to the lack of qualifica-
20 tions prescribed by this chapter. This resolution is only a recommen-
21 dation by the city which may be considered by the commissioner in
22 determining whether to issue or refuse to issue a permit or license.

23 * Sec. 4. AS 05.15.030 is amended by adding a new subsection to read:

24 (c) If a permittee or licensee changes the location of an activ-
25 ity in the jurisdiction for which a permit has been issued, the per-
26 mittee shall notify the department and the local government within 10
27 days after moving to the new location.

28 * Sec. 5. AS 05.15.060 is repealed and reenacted to read:

29 Sec. 05.15.060. REGULATIONS. The department shall adopt

1 regulations under the Administrative Procedure Act (AS 44.62) neces-
2 sary to carry out this chapter covering, but not limited to

3 (1) the issuance, renewal, and revocation of permits and
4 licenses;

5 (2) a method of ascertaining net proceeds, the determina-
6 tion of items of expense that may be incurred or paid and the limita-
7 tion of the amount of the items of expense to prevent the proceeds
8 from the activity permitted from being diverted to noncharitable,
9 noneducational, nonreligious, or profit-making organizations, indi-
10 viduals, or groups;

11 (3) the immediate revocation of permits and licenses au-
12 thorized under this chapter if this chapter or regulations adopted
13 under it are violated;

14 (4) the requiring of detailed, sworn, financial reports of
15 operations from permittees and licensees including detailed statements
16 of receipts and payments;

17 (5) the investigation of permittees, licensees, and their
18 employees, including the fingerprinting of those permittees, licens-
19 ees, and employees whom the commissioner considers it advisable to
20 fingerprint;

21 (6) exclusion from participation as a permittee, licensee,
22 or employee of a permittee or licensee of a person convicted of, in
23 prison for, or on parole for a felony within the preceding five years
24 or convicted of a crime involving theft or dishonesty or of a viola-
25 tion of a municipal, state, or federal gambling law;

26 (7) the method and manner of conducting authorized activi-
27 ties and awarding of prizes or awards, and the equipment that may be
28 used;

29 (8) the number of activities that may be held, operated, or

1 conducted under a permit during a specified period; however, the
2 department may not allow more than 14 bingo sessions a month and 35
3 bingo games a session to be conducted under a permit;

4 (9) a method of accounting for receipts and disbursements
5 by operators, including the keeping of records and requirements for
6 the deposit of all receipts in a bank;

7 (10) the disposition of funds in possession of a permittee
8 or a person, municipality, or qualified organization that possesses an
9 operator's license at the time a permit or a license is surrendered,
10 revoked, or invalidated;

11 (11) restrictions on the participation by employees of the
12 Department of Fish and Game in salmon classics;

13 (12) other matters the commissioner considers necessary to
14 carry out this chapter or protect the best interest of the public.

15 * Sec. 6. AS 05.15.070 is amended to read:

16 Sec. 05.15.070. COMMISSIONER [OF REVENUE] MAY EXAMINE PERMIT-
17 TEES. The commissioner may examine or have examined the books and
18 records of a permittee, an operator, or a person licensed to manufac-
19 ture or to distribute pull-tab games in the state [THE COMMISSIONER
20 MAY REQUIRE THE PERMITTEE TO PAY THE REASONABLE COST OF THE EXAMINA-
21 TION]. The commissioner may issue subpoenas for the attendance of
22 witnesses and the production of books, records, and other documents.

23 * Sec. 7. AS 05.15.080 is repealed and reenacted to read:

24 Sec. 05.15.080. REPORTS AND FEES REQUIRED OF MUNICIPALITIES AND
25 QUALIFIED ORGANIZATIONS. (a) A municipality or a qualified organiza-
26 tion issued a permit under this chapter shall file a report with the
27 department by the 45th day following each calendar quarter in which
28 the permittee had gross receipts of \$50,000 or more from activities
29 authorized under this chapter. The report must include the type of

1 activity conducted, the date and location of the activity, the amount
2 of gross receipts, the amount of authorized expenses, the value of
3 prizes awarded, the amount of net proceeds, and other information the
4 department may require. However, if the only activity conducted by a
5 municipality or qualified organization during a calendar quarter is a
6 raffle or lottery, then the municipality or qualified organization is
7 not required to file a report under this subsection until the raffle
8 or lottery is completed.

9 (b) A municipality or a qualified organization issued a permit
10 under this chapter shall file an annual report with the department by
11 March 15 of the year following the year in which activities were con-
12 ducted, accompanied by the payment of the additional fee, as may be
13 required under AS 05.15.020(b). The report must list the types of
14 activities conducted, and, for each activity, the total amount of
15 gross receipts, the total amount of authorized expenses, the total
16 value of prizes awarded, and the total amount of net proceeds.

17 * Sec. 8. AS 05.15 is amended by adding new sections to read:

18 Sec. 05.15.083. REPORTS TO DEPARTMENT BY OPERATORS. (a) An
19 operator shall file a report with the department by the last business
20 day of the month following each calendar quarter in which an activity
21 was conducted. The report must include, for each authorizing permit-
22 tee on whose behalf an activity was conducted during the quarter, the
23 date and location of each activity, the type of activity conducted,
24 the amount of gross receipts, the amount of authorized expenses, the
25 value of prizes awarded, the amount of net proceeds paid, and other
26 information the department may require; a completed Internal Revenue
27 Service Form 941; and a copy of the operator's employer contributions
28 and wage reports submitted to the Department of Labor for the quarter.
29 However, if the only activity conducted by an operator during the

1 calendar quarter is a raffle or lottery, then the operator is not
2 required to file a report under this subsection until the raffle or
3 lottery is completed.

4 (b) An operator shall file an annual report with the department
5 no later than February 28 of the year following the year in which
6 activities were conducted. The report must include, for each autho-
7 rizing permittee on whose behalf an activity was conducted, the types
8 of activities conducted, the total amount of gross receipts, the total
9 amount of authorized expenses, the total value of prizes awarded, the
10 total amount of net proceeds paid to each authorizing permittee. The
11 annual report shall also include a completed Internal Revenue Service
12 Form W-2 for each person employed by the operator during the preceding
13 year.

14 Sec. 05.15.087. REPORTS TO PERMITTEE AND PAYMENT OF NET PRO-
15 CEEDS. (a) An operator shall file a monthly report with each author-
16 izing permittee for which the operator has conducted an activity
17 during the preceding month. The report must include a daily summary
18 of activity conducted under the permit issued to the authorizing
19 permittee and an accounting of gross receipts, expenses, and net
20 proceeds for the month. A check in the amount of the net proceeds due
21 to the authorizing permittee for the month must accompany the report.
22 The operator shall file the report by the 15th day after the end of
23 the month covered by the report.

24 (b) An operator shall file a quarterly report with each autho-
25 rizing permittee for which the operator has conducted an activity
26 during the preceding calendar quarter. The report must contain quar-
27 terly summaries and year-to-date totals of the information provided
28 under (a) of this section. The operator shall file the report by the
29 last day of the month following the end of the calendar quarter.

1 (c) An operator shall file an annual report with each authoriz-
2 ing permittee for which the operator has conducted an activity during
3 the preceding calendar year. The report must contain an annual sum-
4 mary of the information provided under (a) of this section. The
5 operator shall file this report by February 28 of the year following
6 the year in which the activities were conducted.

7 (d) An operator shall provide original invoice documents and
8 deposit slips upon the request of an authorizing permittee for whom
9 the operator has conducted activities.

10 * Sec. 9. AS 05.15.090 is amended to read:

11 Sec. 05.15.090. REPORTS TO THE LEGISLATURE. Before April 15
12 [MARCH 2] of each year the commissioner of revenue shall submit a
13 detailed report containing a summary of all reports required of per-
14 mittees and operators [RECOMMENDING A PERMIT FEE SCALE THAT WILL COVER
15 COSTS OF ADMINISTRATION AND ENFORCEMENT]. The attorney general and
16 the commissioner of public safety shall, within 10 days after the
17 convening of the legislature each year, submit a jointly prepared,
18 detailed report outlining the effect, if any, of the operation of this
19 chapter on the legal and law-enforcement activities of the state.

20 * Sec. 10. AS 05.15 is amended by adding a new section to article 1 to
21 read:

22 Sec. 05.15.095. GENERAL PROVISIONS RELATING TO THE FILING OF
23 APPLICATIONS AND REPORTS AND PAYMENT OF FEES. (a) The applications
24 and reports to the department required by this chapter shall be signed
25 under penalty of perjury by the following person, as applicable:

- 26 (1) the member in charge for the qualified organization;
27 (2) a person authorized to sign on behalf of the municipal-
28 ity;
29 (3) the operator or the operator's agent;

1 (4) the licensed pull-tab distributor or the distributor's
2 agent; or

3 (5) the licensed pull-tab manufacturer or the manufactur-
4 er's agent.

5 (b) A permittee or operator may not conduct an activity under
6 this chapter during a period in which a report or fee is delinquent.

7 (c) A delinquent fee bears interest at the rate set by AS 43.-
8 05.225.

9 (d) A permittee or licensee under this chapter shall pay a
10 penalty of one percent of the unpaid balance, as determined by the
11 department, of a fee due under this chapter for each 30-day period or
12 part of a 30-day period that the fee is delinquent. The department
13 may waive the penalty if the failure to pay the fee on time is due to
14 a reasonable cause, as defined by regulation adopted by the depart-
15 ment. The amount of the penalty may not exceed 25 percent of the
16 unpaid fee.

17 * Sec. 11. AS 05.15.100(a) is amended to read:

18 (a) The commissioner [OF REVENUE] may issue a permit to a munic-
19 ipality or qualified organization. The permit gives the municipality
20 or qualified organization the privilege of conducting bingo, raffles
21 and lotteries, pull-tab games, ice classics, rain classics, goose
22 classics, mercury classics, salmon classics, dog mushers' contests,
23 fish derbies, and contests of skill.

24 * Sec. 12. AS 05.15.100 is amended by adding a new subsection to read:

25 (c) The commissioner may issue an operator's license to a natu-
26 ral person to conduct an activity permitted under this chapter on
27 behalf of a municipality or a qualified organization. The commis-
28 sioner may also issue an operator's license to a municipality or a
29 qualified organization to conduct an activity on behalf of another

1 municipality or qualified organization.

2 * Sec. 13. AS 05.15 is amended by adding new sections to read:

3 Sec. 05.15.112. MEMBER IN CHARGE. (a) Each municipality or
4 qualified organization that receives a permit under this chapter shall
5 designate a member in charge.

6 (b) The member in charge is responsible for preparation, mainte-
7 nance, and transmittal of all records and reports required of the
8 permittee. The member in charge shall be a member of the qualified
9 organization or the board of directors of the qualified organization
10 or an employee of the municipality.

11 (c) The member in charge shall monitor the operator's perfor-
12 mance under and compliance with contracts for the conduct of activ-
13 ities on behalf of the authorizing permittee.

14 (d) The municipality or qualified organization shall designate
15 alternate members in charge who are responsible for the duties of the
16 member in charge in the absence of the member in charge.

17 Sec. 05.15.115. CONTRACTS BETWEEN PERMITTEES AND OPERATORS. (a)
18 A municipality or qualified organization holding a permit to conduct
19 an activity under this chapter may enter into a contract with an
20 operator licensed under this chapter to conduct on behalf of the
21 municipality or qualified organization those activities permitted
22 under the authority of the permit.

23 (b) The contract between an authorizing permittee and an opera-
24 tor must include the amount and form of compensation to be paid to the
25 operator, the term of the contract, the activities to be conducted by
26 the operator on behalf of the permittee, the location where the activ-
27 ities are to be conducted, the name and address of the member in
28 charge, and other provisions the department may require.

29 (c) A permittee may not contract with more than one operator at

1 a time to conduct the same type of activity. For the purposes of this
2 subsection, bingo games, raffles, lotteries, pull-tab games, ice
3 classics, rain classics, goose classics, mercury classics, salmon
4 classics, dog mushers' contests, fish derbies, contests of skill, and
5 all activities permitted under AS 05.15.100(b) are each a different
6 type of activity.

7 (d) A permittee shall submit to the department a copy of each
8 contract with an operator with whom the permittee contracts to conduct
9 activities subject to this chapter. The permittee shall submit to the
10 department a copy of the contract or subsequent amendment of the
11 contract by certified mail at least 15 days before activities are
12 conducted under the contract or amended contract.

13 * Sec. 14. AS 05.15 is amended by adding new sections to read:

14 Sec. 05.15.122. OPERATOR'S LICENSE. (a) A person, municipal-
15 ity, or qualified organization may not conduct an activity subject to
16 this chapter on behalf of a municipality or qualified organization
17 unless the person, municipality, or qualified organization has re-
18 ceived an operator's license issued by the department.

19 (b) The department may issue an operator's license to a natural
20 person, municipality, or qualified organization that

21 (1) applies on the form provided by the department;

22 (2) pays the annual fee of \$500;

23 (3) discloses the identity of persons employed by the
24 applicant in a managerial or supervisory capacity;

25 (4) submits proof of liability insurance satisfactory to
26 the department; and

27 (5) posts a bond or security satisfactory to the department
28 in the amount of \$25,000 for each permit under which the operator
29 operates up to a maximum of \$100,000.

1 (c) The department may not issue an operator's license to an
2 applicant if the applicant or a person employed by the applicant in a
3 managerial or supervisory capacity, has been convicted of, in prison
4 for, or on parole for a felony within the preceding five years or
5 convicted of a crime involving theft or dishonesty or of a violation
6 of a municipal, state, or federal gambling law.

7 (d) A licensee may not employ a person in a managerial or super-
8 visory capacity if the person has been convicted of, in prison for, or
9 on parole for a felony within the preceding five years or convicted of
10 a crime involving theft or dishonesty or of a violation of a munici-
11 pal, state, or federal gambling law.

12 Sec. 05.15.124. MUNICIPAL REGULATION OF OPERATORS. A munic-
13 ipality may by ordinance prohibit an operator from conducting activ-
14 ities under this chapter within the municipality.

15 Sec. 05.15.128. REVOCATION OF OPERATOR'S LICENSE. (a) The
16 department shall revoke the license of an operator who does not

17 (1) report an adjusted gross income of at least 15 percent
18 of gross income for two consecutive quarters based on the total opera-
19 tion of the operator; or

20 (2) pay to each authorizing permittee for two consecutive
21 quarters at least 15 percent of the adjusted gross income, as de-
22 termined under (1) of this subsection, received from activities con-
23 ducted on behalf of the authorizing permittee.

24 (b) A person, municipality, or qualified organization whose
25 operator's license has been revoked under this section may appeal the
26 revocation if the person, municipality, or qualified organization
27 submits to and pays for a complete audit of the operator's financial
28 records by the department. The results of the audit are conclusive.

29 * Sec. 15. AS 05.15.140(b) is amended to read:

1 (b) In an application for a permit, a municipality or qualified
2 organization shall disclose the name and address of each person re-
3 sponsible for the operation of the activity and whether any person
4 named

5 (1) has [EVER] been convicted of, in prison for, or on
6 parole for a felony within the preceding five years or convicted of a
7 crime involving theft or dishonesty or of a violation of a municipal,
8 state, or federal gambling law [MISDEMEANOR]; or

9 (2) has a prohibited financial interest, as defined in
10 regulations adopted by the commissioner, in the operation of the
11 activity.

12 * Sec. 16. AS 05.15.140(c) is amended to read:

13 (c) The commissioner [OF REVENUE] may not issue a permit for an
14 activity operated by a person who has been convicted of, in prison
15 for, or on parole for a felony within the preceding five years or
16 convicted of a crime involving theft or dishonesty or of a violation
17 of a municipal, state, or federal gambling law [MISDEMEANOR].

18 * Sec. 17. AS 05.15.160 is amended to read:

19 Sec. 05.15.160. AUTHORIZED EXPENSES. The only expenses that [AN
20 ITEM OF EXPENSE] may [NOT] be incurred or paid in connection with the
21 operation of an activity under a permit issued under this chapter are
22 [EXCEPT FOR] bona fide expenses reasonably necessary for

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

25 (2) personal services [RENDERED THAT ARE NOT DIRECTLY OR
26 INDIRECTLY] involved with the operation of the activity, including
27 those [; OR

28 (3) PERSONAL SERVICES INVOLVED WITH THE OPERATION OF THE
29 ACTIVITY PROVIDED THE SERVICES ARE] performed by

1 (A) an employee of the permittee; [MUNICIPALITY, QUAL-
2 IFIED ORGANIZATION,] or

3 (B) an operator [A CONSULTANT] hired by the permittee
4 to conduct [MUNICIPALITY OR QUALIFIED ORGANIZATION CONDUCTING]
5 the activity if [AND] the compensation is not related to the
6 receipts from the activity.

7 * Sec. 18. AS 05.15.160 is amended by adding a new subsection to read:

8 (b) Municipalities, qualified organizations, and operators may
9 pay their employees a reasonable amount in wages or other compensation
10 for personal services rendered by their employees while the employees
11 are engaged in activities subject to this chapter. A reasonable
12 amount of compensation is an amount approximating the amount ordinari-
13 ly paid by similar businesses for similar work performed under similar
14 circumstances.

15 * Sec. 19. AS 05.15 is amended by adding new sections to read:

16 Sec. 05.15.165. OPERATORS. (a) An operator shall pay net
17 proceeds to the authorizing permittee by check.

18 (b) If the department finds that an operator has incurred ex-
19 penses that are not authorized under AS 05.15.160, the department
20 shall order the operator to refund to the authorizing permittee the
21 amount of the unauthorized expenses. The operator shall pay the
22 authorizing permittee interest on the amount ordered to be paid at the
23 rate of 1.5 percent a month for each month or fraction of a month
24 between the date of the activity and the date the refund is made.

25 (c) The operator shall post in a public place on the premises
26 where the activities are conducted the operator's permit and a copy of
27 the permit of each authorizing permittee with whom the operator has a
28 contract to conduct activities at the location.

29 (d) An operator shall obtain liability insurance covering each

1 location where the licensee conducts an activity subject to this chap-
2 ter. The operator shall provide upon request proof of insurance for
3 each location to the department. The operator and the insurer shall
4 inform the department of changes in the coverage of the insurance or
5 of cancellation of the insurance. Cancellation of the insurance
6 immediately suspends the rights of the operator to conduct activities
7 under this chapter at the location covered by the insurance until
8 subsequent insurance is obtained.

9 (e) An operator shall have its financial records reviewed an-
10 nually by a certified public accountant. The operator shall submit
11 the results of the review to the department by February 28 of the year
12 following the year for which the review is conducted.

13 (f) An operator may not

14 (1) charge losses resulting from bad checks or uncollect-
15 able debts against the net proceeds due to the authorizing permittee;

16 (2) extend credit to players;

17 (3) employ house players;

18 (4) allow the operator's employees to play a game conducted
19 by the operator at the location where the employee works for the
20 operator.

21 Sec. 05.15.167. OPERATOR'S BOND. (a) The bond or security
22 filed under AS 05.15.122(b) must be made payable to the department and
23 must be conditioned upon payment of the amounts due to the department
24 and payment of net proceeds due to the authorizing permittee. If the
25 operator fails to make the required payments, the operator forfeits
26 the bond or security to the department.

27 (b) The amount forfeited under (a) of this section shall be
28 first used to satisfy delinquent fees, interest, and penalties due the
29 department under this chapter. If the bond or security is not

1 exhausted by payment of delinquent fees, interest, and penalties, the
2 department may use the remaining amount to pay net proceeds due an
3 authorizing permittee. The total amount available for payment of net
4 proceeds shall be prorated among the permittees to whom proceeds are
5 due from that operator.

6 (c) The operator and the surety shall inform the department if
7 the bond is canceled or the security is impaired.

8 * Sec. 20. AS 05.15.180(b) is amended to read:

9 (b) With the exception of raffles, lotteries, bingo games,
10 pull-tab games, rain classics, goose classics, mercury classics,
11 salmon classics, and other activities authorized under AS 05.15.-
12 100(b), an activity may not be licensed under this chapter unless it
13 existed in the state in substantially the same form and was conducted
14 in substantially the same manner before January 1, 1959.

15 * Sec. 21. AS 05.15.180 is amended by adding new subsections to read:

16 (d) The total value of door prizes offered or awarded under
17 authority of a permit issued to a municipality or qualified orga-
18 nization under this chapter may not exceed \$20,000 a month or \$240,000
19 a year.

20 (e) The total value of all door prizes offered or awarded at a
21 single facility or bingo hall or parlor by an operator on behalf of
22 authorizing permittees or by a permittee in conjunction with other
23 permittees may not exceed \$20,000 a month or \$240,000 a year.

24 (f) A person under the age of 19 years may not play a bingo
25 game.

26 (g) A municipality or a qualified organization may award a
27 maximum of \$1,000,000 in prizes each year in activities authorized
28 under this chapter; however, if a municipality or a qualified orga-
29 nization contracts with an operator to conduct on its behalf

1 activities authorized under this chapter, the municipality or qual-
2 ified organization may award a maximum of \$500,000 in prizes each
3 year. In this subsection "activities authorized under this chapter"
4 means all activities subject to this chapter other than bingo.

5 * Sec. 22. AS 05.15 is amended by adding new sections to read:

6 Sec. 05.15.181. PULL-TAB MANUFACTURER'S LICENSE. (a) A person
7 may not manufacture pull-tabs in the state unless the person has
8 received a pull-tab manufacturer's license issued by the department.

9 (b) The department may issue a pull-tab manufacturer's license
10 to a person who pays an annual fee of \$500.

11 (c) Each series of pull-tabs manufactured in the state shall be
12 sealed and have a serial number label issued by the National Associa-
13 tion of Fund Ticket Manufacturers or other serial number label ap-
14 proved by the department.

15 (d) A pull-tab manufacturer may distribute pull-tabs only to a
16 licensed pull-tab distributor unless the pull-tab manufacturer is also
17 a licensed pull-tab distributor.

18 (e) Each pull-tab manufacturer shall report to the department by
19 the last business day of the month on each series of pull-tabs dis-
20 tributed during the preceding month, including the serial number of
21 each series distributed and the name of the distributor to whom the
22 series was distributed.

23 Sec. 05.15.183. PULL-TAB DISTRIBUTOR'S LICENSE; PULL-TAB TAX.

24 (a) A person may not distribute pull-tab games unless the person has
25 received a pull-tab distributor's license issued by the department.

26 (b) The department may issue a pull-tab distributor's license to
27 a person who pays an annual fee of \$1,000.

28 (c) Pull-tabs may be distributed only from a location in the
29 state. A person may not distribute pull-tabs directly to another

1 person in the state from a location outside of this state.

2 (d) A pull-tab distributor shall report to the department by the
3 last business day of each month on each pull-tab series distributed in
4 the preceding month. The report must include the name of the permit-
5 tee to whom each series of pull-tabs is distributed and the serial
6 number of each series.

7 (e) A pull-tab distributor shall collect a tax of three percent
8 of an amount equal to the gross receipts less prizes awarded on each
9 series of pull-tabs distributed. The pull-tab distributor shall pay
10 to the department the tax collected in the preceding month at the time
11 that the report under (d) of this section is filed with the depart-
12 ment.

13 Sec. 05.15.185. DISTRIBUTION OF PULL-TAB GAMES. Each series of
14 pull-tabs distributed in the state shall be sealed and have a serial
15 number label issued by the National Association of Fund Ticket Manu-
16 facturers or other serial number label approved by the department and
17 may be distributed only to a municipality or a qualified organization
18 that has obtained a permit issued under this chapter or to an operator
19 on behalf of an authorizing permittee.

20 Sec. 05.15.187. OPERATION OF PULL-TAB GAMES. (a) A municipali-
21 ty or qualified organization may operate pull-tab games. Pull-tabs
22 shall be obtained from a licensed distributor.

23 (b) Unless a pull-tab series also confers an additional right
24 upon all or some of the purchasers of the series to participate in a
25 lottery for additional prizes, a pull-tab series may not be sold at
26 more than one location during the same day.

27 (c) Pull-tabs from different series may not be mixed or com-
28 bined, unless 10 percent or less of a series remains unsold, in which
29 case, the remaining pull-tabs may be combined with a different series

1 having an identical price and prize structure.

2 (d) A pull-tab series may not be withdrawn from sale until all
3 pull-tabs in the series are sold, except that a pull-tab series may be
4 withdrawn from sale if a manufacturing defect exists in the series and
5 the department is notified of the defect and of the withdrawal from
6 sale within a period established by regulation by the department.

7 (e) Pull-tabs may not be sold to a person under the age of 19
8 years. A person under the age of 19 years may not purchase a pull-
9 tab.

10 (f) Each municipality or qualified organization that had gross
11 receipts exceeding \$100,000 during the preceding year from activities
12 conducted under this chapter or that is required to report under
13 AS 05.15.080(a), that conducts a pull-tab game shall maintain records
14 for two years of each prize of \$50 or more, the first day and last day
15 that each series was distributed, the serial number of each series,
16 and the distributor from whom each series was purchased.

17 (g) Notwithstanding other provisions of this chapter, a pull-tab
18 game that confers an additional right upon all or some of the purchas-
19 ers of a pull-tab series to participate in a lottery for additional
20 prizes may not be conducted in the state unless a surety bond in the
21 amount of \$250,000 conditioned upon payment of all prizes and awards
22 when due is submitted to the department by the operator or authorizing
23 permittee and approved by the attorney general.

24 * Sec. 23. AS 05.15.210(2) is amended to read:

25 (2) "charitable organization" means an organization, not
26 for pecuniary profit, that is operated for the relief of poverty,
27 distress, or other condition of public concern in the state[, AND THAT
28 HAS BEEN SO ENGAGED FOR FIVE YEARS BEFORE APPLYING FOR A PERMIT UNDER
29 THIS CHAPTER];

1 * Sec. 24. AS 05.15.210(3) is amended to read:

2 (3) "civic or service organization" means any branch or
3 lodge or chapter of a national or state organization that is a civic
4 or service organization, not for pecuniary profit, and authorized by
5 its written constitution, charter, or articles of incorporation, or
6 bylaws to engage in a fraternal, civic, or service purpose in the
7 state [AND THAT HAS BEEN SO ENGAGED FOR FIVE YEARS BEFORE APPLYING FOR
8 A LICENSE UNDER THIS CHAPTER];

9 * Sec. 25. AS 05.15.210(5) is amended to read:

10 (5) "dog mushers' association" means a civic, service, or
11 charitable organization in the state, not for pecuniary profit, formed
12 exclusively to promote interest in the breeding and training of dog
13 teams for work or recreational and racing purposes [AND WHICH HAS BEEN
14 IN EXISTENCE FOR FIVE YEARS BEFORE APPLYING FOR A PERMIT UNDER THIS
15 CHAPTER], but does not include an organization formed or operated for
16 gaming or gambling purposes;

17 * Sec. 26. AS 05.15.210(7) is amended to read:

18 (7) "educational organization" means a civic, service, or
19 charitable organization in the state, not for pecuniary profit, whose
20 primary purpose is educational in nature and designed to develop the
21 capabilities of individuals by instruction [AND WHICH HAS BEEN IN
22 EXISTENCE FOR FIVE YEARS BEFORE APPLYING FOR A LICENSE UNDER THIS
23 CHAPTER];

24 * Sec. 27. AS 05.15.210(8) is amended to read:

25 (8) "fishing-derby association" means a civic, service, or
26 charitable organization in the state, not for pecuniary profit, whose
27 primary purpose is to promote interest in fishing for recreational
28 purposes [AND WHICH HAS BEEN IN EXISTENCE FOR FIVE YEARS BEFORE APPLY-
29 ING FOR A PERMIT UNDER THIS CHAPTER], but does not include an

1 organization formed or operated for gaming or gambling purposes;

2 * Sec. 28. AS 05.15.210(10) is amended to read:

3 (10) "fraternal organization" means a civic, service, or
4 charitable organization in the state, except a college and high school
5 fraternity, not for pecuniary profit, that is a branch or lodge or
6 chapter, of a national or state organization and exists for the common
7 business, brotherhood, or other interest of its members [AND THAT HAS
8 SO EXISTED FOR FIVE YEARS BEFORE APPLYING FOR A LICENSE];

9 * Sec. 29. AS 05.15.210(15) is repealed and reenacted to read:

10 (15) "net proceeds" means the gross receipts from an autho-
11 rized activity less the fee described in AS 05.15.020(b), the expenses
12 authorized by AS 05.15.160, and the prizes awarded at the activity;

13 * Sec. 30. AS 05.15.210(19) is amended to read:

14 (19) "police or fire department and company" means a civic,
15 service, or charitable organization in the state, not for pecuniary
16 profit, consisting of members of a police department or fire company
17 established by the state or a political subdivision of the state [THAT
18 HAS BEEN IN EXISTENCE FOR FIVE YEARS BEFORE APPLYING FOR A LICENSE
19 UNDER THIS CHAPTER];

20 * Sec. 31. AS 05.15.210(21) is amended to read:

21 (21) "qualified organization" means a bona fide civic or
22 service organization or a bona fide religious, charitable, fraternal,
23 labor, political, or educational organization, police or fire depart-
24 ment and company, dog mushers' association, outboard motor associa-
25 tion, or fishing derby [FISHING-DERBY] or nonprofit trade association
26 in the state, that operates without profits to its members and that
27 has been in existence continually for a period of three [FIVE] years
28 immediately before applying for a license; the organization may be a
29 firm, corporation, company, association, or partnership;

1 * Sec. 32. AS 05.15.210(22) is repealed and reenacted to read:

2 (22) "raffle and lottery" means the selling of rights to
3 participate and the awarding of prizes in a game of chance conducted
4 by the drawing for prizes by lot;

5 * Sec. 33. AS 05.15.210(24) is amended to read:

6 (24) "religious organization" means an organization, church,
7 body of communicants, or group, not for pecuniary profit, gathered in
8 common membership for mutual support and edification in piety, wor-
9 ship, and religious observances, or a society, not for pecuniary
10 profit, of individuals united for religious purposes at a definite
11 place and that [HAS BEEN SO GATHERED OR UNITED FOR FIVE YEARS BEFORE
12 APPLYING FOR A LICENSE AND] is recognized as a religious organization
13 under the federal income tax laws and the selective service law;

14 * Sec. 34. AS 05.15.210(26) is amended to read:

15 (26) "veterans organization" means a civic, service, or
16 charitable organization in the state, or a branch or lodge or chapter
17 of a national or state organization in the state, not for pecuniary
18 profit, the membership of which consists of individuals who were
19 members of the armed services or forces of the United States, [AND
20 WHICH HAS BEEN IN EXISTENCE FOR FIVE YEARS BEFORE APPLYING FOR A
21 LICENSE UNDER THIS CHAPTER].

22 * Sec. 35. AS 05.15.210 is amended by adding new paragraphs to read:

23 (27) "adjusted gross income" means gross income less prizes
24 awarded and state, federal, and municipal taxes paid or owed on the
25 income;

26 (28) "authorizing permittee" means a municipality or qual-
27 ified organization that authorizes an operator to conduct an activity
28 subject to this chapter on its behalf;

29 (29) "commissioner" means the commissioner of revenue;

1 (30) "department" means the Department of Revenue;

2 (31) "distribute" means sell, distribute, furnish, or sup-
3 ply;

4 (32) "operator" means a natural person who, or a municipal-
5 ity or qualified organization that, has obtained a license to conduct
6 an activity subject to this chapter on behalf of a permittee;

7 (33) "pull-tab game" means a game of chance where a card,
8 the face of which is covered to conceal a number, symbol, or set of
9 symbols, is purchased by the participant and where a prize is awarded
10 for a card containing certain numbers or symbols designated in advance
11 and at random;

12 (34) "series" means a unit of pull-tabs with the same serial
13 number.

14 * Sec. 36. AS 05.15 is amended by adding a new section to read:

15 Sec. 05.15.995. SHORT TITLE. This chapter may be cited as the
16 Alaska Gaming Reform Act.