

DISCLAIMER

The Pennsylvania Department of Revenue has prepared this overview on Pennsylvania's Local Option Small Games of Chance Act, 1988 P.L. 1262, No. 156, as amended, for use by the general public. This overview is for informational purposes only. Nothing contained in herein should be considered legal advice. Any person or entity with legal questions regarding the Local Option Small Games of Chance Act should review the provisions of the Act for guidance or consult private legal counsel.

SMALL GAMES OF CHANCE OVERVIEW

INTRODUCTION

The Pennsylvania Local Option Small Games of Chance Act was passed in 1988 and has been amended several times since its enactment. The act authorizes certain organizations, known as eligible organizations, to conduct limited types of gambling. The types of gambling authorized by the act are as follows:

1. Pull-tab games
2. Punchboards
3. Raffles (including special permit raffles)
4. Daily drawings
5. Weekly drawings
6. Fifty-fifty (50/50) drawings (including major league sports drawings)

ADMINISTRATION AND ENFORCEMENT

The act is administered and enforced by three different levels of government: the licensing authorities, the Department of Revenue and law enforcement officials.

Licensing Authorities – The licensing authorities are the County Treasurers in each of the 67 counties in the commonwealth. Where there is no county treasurer, such as in a home-rule county or city of the first class, the licensing authority is the designee of the governing body. The licensing authority is responsible for licensing eligible organizations to conduct games of chance in the commonwealth and for issuing special raffle permits.

Department of Revenue – The department is charged with several responsibilities under the act, as follows:

1. Registration of games of chance manufacturers.
2. Reviewing and approving pull-tab games and punchboards for use in the commonwealth.
3. Licensing of distributors to sell games of chance for use in the commonwealth.
4. Receipt and retention of games of chance reports from licensed eligible organizations.
5. Limited regulatory authority related to manufacturer registration, distributor licensing, games of chance, and games of chance records and reports.

Law enforcement officials – Commonwealth law enforcement officials are responsible for overseeing the operation of games of chance, and for bringing civil and criminal charges against organizations and individuals for violations of the act. Law enforcement officials include the Attorney General, district attorneys, the state police (including the Bureau of Liquor Control Enforcement) and local police.

Information Sharing: Licensing authorities, the department and law enforcement officials are allowed to share information and documentation regarding a games of chance investigation of a manufacturer, distributor or eligible organization for purposes of administering and enforcing the act.

SALE/PURCHASE OF GAMES OF CHANCE

Pull-tab games and punchboards for use in the commonwealth can only be produced by and purchased from a manufacturer registered with the Department of Revenue. Pull-tab games and punchboards for use in the commonwealth can only be sold by and purchased from a licensed distributor. Tickets and other products used to play raffles, daily drawings, weekly drawings and 50/50 drawings do not have to be purchased from a registered manufacturer or licensed distributor.

Only licensed eligible organizations may purchase and operate games of chance in the commonwealth.

ELIGIBLE ORGANIZATIONS

An eligible organization is one of the following types of entities: a charitable, religious, fraternal or veterans' organization; a club; civic and service association; or an affiliated nonprofit organization of a major league sports team.

An eligible organization must be in existence and fulfilling its purpose for one year in order to be eligible for a games of chance license.

An **auxiliary group** of an eligible organization is not eligible for its own games of chance license, but it may conduct games of chance using the license of the eligible organization so long as the auxiliary group is listed on the eligible organization's license application. All games of chance conducted by the auxiliary group are considered as if they were conducted by the eligible organization.

A **club licensee** is a specific type of eligible organization. Any organization that is an 'exempt organization' under the Internal Revenue Code Section 501(c) or 527, which is licensed to sell liquor under Section 404 of the Pennsylvania Liquor Code, is a 'club'. If it obtains a games of chance license from the county treasurer, it is a 'club licensee' for purposes of the Act. Club licensees, unlike other licensed eligible organizations that can only use games of chance proceeds for public interest purposes, can use some games of chance proceeds for operating expenses. However, club licensees have greater reporting requirements than other licensed eligible organizations.

PRIZE LIMITS AND USE OF PROCEEDS

All games of chance are subject to general **prize limits**, as follows:

1. A prize for a single chance in any game may not exceed \$1,000.
2. An eligible organization is limited to awarding \$25,000 in prizes during an operating week (the seven consecutive, reoccurring operating or non-operating days).

There is an additional prize limit for raffles. No more than \$10,000 may be awarded in raffles during a calendar month.

Exceptions: Certain limited exceptions to the prize limits exist. Reference should be made to the act for the applicable prize limit exceptions.

Generally, all games of chance **proceeds** are to be used for public interest purposes as defined by the act. Reference should be made to both the act for the definition of public interest purposes and to the legislative intent of the act, which states in part that raising funds for the promotion of charitable or civic purposes is in the public interest.

Games of chance proceeds may also be used to purchase games of chance and to pay for fees and background checks required related to game of chance license applications.

A club licensee may use up to 30 percent of its games of chance proceeds per calendar year for operating expenses of the club licensee during the calendar year. Any proceeds not used for operating expenses must be used for public interest purposes. A club licensee may, however, retain some or all of its allotted proceeds to pay for operating expenses, if such proceeds are to be used for a substantial purchase or project. A club licensee is required to notify the department that it is retaining the proceeds for the project. (See the “Eligible Organization Records and Reports” section for additional information.)

Separate Bank Accounts: An eligible organization is required to keep all games of chance proceeds in a bank account separate from all other organization funds or accounts.

GAMES REGULATED BY THE DEPARTMENT

The department regulates pull-tab games and punchboards sold for use in the commonwealth.

Definitions

- A pull-tab game is a deal of pull-tabs and its corresponding flare.
- A pull-tab is a game piece in a pull-tab game made completely of paper or paper products with concealed numbers or symbols that must be exposed by the player to reveal pre-determined winning numbers or symbols.

- A punchboard is a board, placard or other device comprised of receptacles, usually laid out in a grid or column pattern, containing a deal of hidden punches and its corresponding flare.
- A punch is a crimped strip of paper that is enclosed in a punchboard receptacle that contains pre-determined winning or losing numbers or symbols.
- A deal is a set of pull-tabs or punches.
- A flare is a card, graphic, illustration or other document that identifies the rules for the game, the prize structure, payout percentages and winning and losing numbers or symbols.

A **pull-tab game** must comply with the following:

1. At least 65 percent of the maximum potential gross receipts from the sale of pull-tabs must be payable as prizes.
2. A prize on an individual pull-tab may not exceed \$1,000.
3. An individual pull-tab deal may not contain more than 4,000 individual pull-tabs.
4. The flare advertising prizes available from the pull-tab deal must be made by the manufacturer and may only be altered by the eligible organization to indicate that merchandise of equivalent value will substitute for a cash prize.
5. Only one flare may be displayed for each deal and must be placed on the face or on the top of the dispenser used to dispense pull-tabs.
6. The flare must display the winning numbers or symbols for all prizes in the amount of \$5 or more, the manufacturer's name or logo and the cost per play.
7. The pull-tab game must be manufactured by a registered manufacturer, approved by the department for use in the commonwealth, and purchased from a licensed distributor.

A **punchboard** must comply with the following:

1. At least 60 percent of the maximum potential gross receipts from the sale of punches in a punchboard must be payable as prizes.
2. A prize on an individual punch may not exceed \$1,000.
3. The flare advertising prizes available from the operation of the punch board must be made by the manufacturer and may only be altered by the eligible organization to indicate that merchandise of equivalent value will substitute for a cash prize.
4. Only one flare may be displayed and must be on the face or on top of the punchboard.
5. The flare must display the winning numbers or symbols for all prizes in the amount of \$5 or more, the manufacturer's name or logo and the cost per play.
6. The punchboard must be manufactured by a registered manufacturer, approved by the department for use in the commonwealth, and purchased from a licensed distributor.

ELIGIBLE ORGANIZATION RECORDS AND REPORTS

Records: A licensed eligible organization is required to keep **records** related to its games of chance activity sufficient to demonstrate the organization's compliance with the act. A licensed eligible organization must retain its records for at least two years. A club licensee must maintain its records for at least five years.

Following is a general explanation of the games of chance records a licensed eligible organization is required to keep so they may be available for inspection or audit.

Records must include the following:

1. All sales invoices.
2. Gross receipts from the conduct of each game of chance.
3. The cost of each game of chance and other expenses related to the conduct of each game of chance.
4. The total of prizes paid out for each game of chance and each prize's cost or fair market value.
5. The proceeds from the conduct of each game of chance.
6. Totals for items enumerated in Items 2 through 5 above for each operating day, operating week, calendar month, calendar year and licensed term.
7. Details as to how proceeds from games of chance were used or disbursed by the eligible organization.
8. A record of any prize for which the licensed eligible organization is required to make a W-2G report to the U.S. Secretary of the Treasury (IRS).
9. A list of winners' names and addresses for prizes in excess of \$100.
10. For merchandise prizes, the licensed eligible organization is required to obtain a sales invoice showing the purchase price of the prize, or if the prize was donated to the licensed eligible organization, a written statement from the donor indicating the fair market value of the prize.

A licensed eligible organization shall maintain records relating to the printing or purchase of materials to be used for raffles and daily and weekly drawings. Records shall include an invoice or receipt from the place of purchase that shows the cost and number or amount of the materials purchased.

Reports: A licensed eligible organization is required to file **reports** with the department of its games of chance activity. The reports are to be filed electronically through the department's website, www.revenue.state.pa.us/SGOC.

All licensed eligible organizations that are non-club licensee and receive proceeds in excess of \$2,500 for the calendar year reporting period are required to submit **annual reports** to the department by Feb. 1 detailing games of chance activities during the prior calendar year.

All licensed eligible organizations that are club licensees, regardless of the amount of proceeds received during the reporting period, are required to submit **semi-annual** reports to the department detailing its games of chance activities. Reports are due Feb. 1 for the preceding six-month period beginning July 1 and ending Dec. 31, and August 1 for the preceding six-month period beginning Jan. 1 and ending June 30.

A club licensee that retains games of chance proceeds for a substantial purchase or project is required to give **notice of the retention** to the department via the club licensee's semi-annual report.