

Approved: 02/16/99  
Date

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL & STATE AFFAIRS.

The meeting was called to order by Chairperson Representative Susan Wagle at 1:30 P.M. on February 10, 1999 in Room 313-S of the Capitol.

All members were present except:

Committee staff present:

Theresa Kiernan, Revisor of Statutes  
Russell Mills, Legislative Research  
Mary Galligan, Legislative Research  
Judy Goeden, Committee Secretary

Conferees appearing before the committee:

Bill Long, Pearce-Keller Post #17  
Chuck Yunker, Kansas American Legion  
Ralph Snyder, Kansas Sunflower Club Association  
Thomas Frenn, Kansas Charities Cooperative  
Marti Bichell, Elks Lodge #427, Wichita  
Tim Koske, Bingo Systems & Supply  
Gerald Michael, American Legion Ball-McColm Post  
Ray Hamlim, American Legion Post 282, Wetmore  
Carl Nelson, Commander, Holton American Legion

Others attending:

See attached list

After calling the meeting to order, Chairperson Wagle turned the Committee over to Vice-Chair Franklin. She excused herself due to the fact she owns Bingo halls and wanted no appearance of impropriety.

Vice-Chair Franklin opened hearings on **HB 2013**, Bingo, taxation and enforcement of bingo act.

Russell Mills, Legislative Research, explained the bill in relationship to the interim committee report.

Bill Long, Pearce-Keller Post No. 17, American Legion, Manhattan, testified against the bill. (Attachment #1) He said he felt no proposed changes were needed in the present law. In response to Rep. Hutchins, Long said currently there is no prize limit for Instant Bingo. He did not want Bingo to be taken away from Department of Revenue and given to Racing & Gaming Commission.

Charles Yunker, Kansas American Legion, testified in favor of the bill. He said he believes the ABC realizes Bingo licensees "police" each other and each organization conducting Bingo has internal safeguards which insure all games are conducted within the laws of Kansas, including payment of taxes. (Attachment #2) He did not want Bingo put under the Racing & Gaming Commission. He asked the Committee to allow progressive Bingo games in Kansas.

Ralph Snyder, Kansas Sunflower Club Association, testified in favor of **HB 2013**. He also did not want Bingo put under the Racing & Gaming Commission. (Attachment #3) He supported progressive Bingo games in Kansas.

Thomas Frenn, Kansas Charities Cooperative, testified in favor of the bill. He supports the bill because it brings taxes down. He supports the American Legion to add progressive games. (Attachment #4)

Marti Bichell, Elks Lodge #427 F.O.E. #3251 Fresh Start and Air Capital Soccer, Wichita, urged the Committee to pass the bill. She felt it would keep more dollars in Kansas. (Attachment #5)

Tim Koske, Bingo Systems & Supply, Inc., Salina, supported **HB 2013**. He made several recommended amendments. (Attachment #6) He said tax revenue from Bingo will expand only if the tax base expands.

Gerald Michael, American Legion Ball-McColm Post 5, Emporia, testified in favor of the bill. He wants

Bingo to remain under the Department of Revenue. (Attachment #7)

Ray Hamlin, American Legion Post 282, Wetmore, testified in favor of **HB 2013**. (Attachment #8) He said he completely agreed with the testimony of the Sunflower Club Association.

Written testimony was received from Jul Fischer, President of All American Bingo, Inc., supporting the bill. (Attachment #9)

In response to Rep. Edmonds, Yunker said that the Manhattan American Legion Post is the only one who does not support this bill.

Koske said in response to Rep. Edmonds that Bingo should be tax exempt because it is for charitable organizations. He also said it is less costly to do invoices than packing slips when shipping supplies.

Carl Nelson, Commander of Holton American Legion, said his American Legion Post is at a big disadvantage because of the casinos in his area.

Vice-Chair Franklin closed the hearing on **HB 2013**.

Rep. Faber made a motion to introduce a bill concerning employer responsibility for illnesses. Rep. Dahl seconded the motion. The motion carried.

Meeting adjourned at 2:25 P.M.

HOUSE FEDERAL & STATE AFFAIRS

GUEST LIST

DATE: 2-10-99

NAME	REPRESENTING
Scott Schneider	WGA
Alan Steppat	A.E. Steppat & Co.
Tom Bruno	Alex & Assoc.
Kelley Kuetala	City of Overland Park
Alfred E. Sape	KREC
Dick Billingsley	KREC.
Lance Baird	Air Capital Soccer Wichita KS
Erma Kaltenbach	Fresh Start Inc. Wichita KS.
Rita Bradley	Fraternal Order of Eagles # 3251 Wichita, KS.
Martha Bichel	Elks Lodge # 427 Wichita, KS.
JAMES Clark	VFW 1786 MANHATTAN, KS
Heide Clark	AUX VFW 1786 MANHATTAN,
Ray Hamlin	Am. Legion 282 Wetmore
Carl Nelson	Am. Leg. Post # 44, Holton
Marshall N. Morgan	Am. Leg. Post # 282, Wetmore
Clarence L. Ash	Am. Leg. Post 282, Wetmore
Jeff Moore	Tyler Towers Res. Advocate
Donal Moore	Tyler Towers Res. Advocate

HOUSE FEDERAL & STATE AFFAIRS

GUEST LIST

DATE: 2-10-99

NAME	REPRESENTING
William C. Long	Pearce-Keller Post 17, Ak Manhattan
Charles Yunker	AMERICAN Legion State Headquarters
Ralph Snyder	KS Sunflower Club
Dwight D. Michael	Post 5 Emporia Ks
Lee R. Stolius	" " " "
James Galt	" " " "
Richard McCoy	Post #5 Emporia Ks.
William E. Gardner	Post #5 Emporia Ks
Ronnie D. Harper	Post 225 BZAWKIE KS
Bob Swann	AMERICAN Legion
TIM KOSKE	BINGO SYSTEMS AND Supply
JEFF SCOTT	KS DEPT OF REVENUE (KDOR)
Joyce Bartel	Ks DEPT OF REVENUE
David Weeks	Ks Dept. of Revenue
Dean Reynolds	KS Dept. of Revenue
Pete Bodys	KDOR
Phil Wilkes	KDOR
Nik Kramer	KDOR
Monica Blum	KDOR



TO: Representative Susan Wagle, Chair, and the House Federal and  
State Affairs Committee

FROM: William C. Long, representing Pearce-Keller Post No. 17,  
The American Legion, Manhattan, Kansas

SUBJECT: House Bill No. 2013 - Bingo; taxation and enforcement  
of bingo act

1. The purpose of my appearance is to express our opposition to House Bill No. 2013 and to further state that no changes are needed in the current bingo law. Last fall I had the opportunity to appear before the Special Committee on Federal and State Affairs reviewing the need for "clarification and improvement of the state bingo tax laws". In my appearance I expressed concern about the changes to the state bingo laws that were proposed in Senate Bill 692 and the adverse impact those proposed changes would have on organizations such as ours. In my testimony I discussed the March 1998 Performance Audit Report which apparently triggered the introduction of SB 692. The primary premise of the Report was that the State was not receiving all of the Bingo Enforcement Tax which was due. In my testimony I explained why I considered the auditors' conclusions to be incorrect. I will not repeat all of my testimony to the Special Committee, but I invite your attention to the copy of my October 22nd testimony which is attached.

2. House Bill 2013 repeats the requirement in SB 692 that all Call Bingo faces must be disposable and cannot be reused, however allows for a two year phase out of "hard cards". The apparent reason for this change goes back to the premise that licensees are not reporting and paying their bingo enforcement tax correctly. That premise is incorrect as I explained in my October 22nd testimony. House Bill 2013 transfers bingo enforcement to

the Racing and Gaming Commission. Current law limits the conduct of bingo games to "bona fide nonprofit religious, charitable, fraternal, educational and veterans organizations and prohibits paying individuals involved "in the management, conduct or operations of any game of bingo". The individuals conducting the games are all volunteers and must be members or spouses of members of the sponsoring nonprofit organization, or members of an auxiliary unit or society of the sponsoring organization. Speaking for the organization I represent, we do not want to see these restrictions changed. We should not be lumped in with racetracks and other gaming organizations. Supervision of bingo should continue to remain with the Department of Revenue.

3. We are very concerned with the possibility that the record keeping requirements proposed in the Performance Audit Report might be implemented. We have difficulty getting enough volunteers now and the onerous recordkeeping recommended by the Report would make this even more difficult and would make many of us feel it's not worth it. As stated in my October 22nd testimony, the primary reason for the apparent "loss" of bingo enforcement tax is not a failure of the licensees to report and pay the correct taxes, but is rather the reduction in bingo revenues the licensees have suffered from competition with the casinos, who pay no state taxes.

4. Please note the apparent error on line 13 of page 11 which limits the amount of prizes which can be paid in one day to \$1200. The \$1200 limit previously applied only to Call Bingo. As written, the \$1200 limit would also include prizes for Instant Bingo and would significantly reduce the amount of prizes that could be paid. Like anyone else we would like lower taxes, but we know we must pay our fair share and are willing to do so. While the proposed sales tax exemption is a tempting sweetener, I am not sure we can justify it, particularly when considered against the potentially adverse impact of some the proposed changes. In our opinion, the proposed

changes and potential recordkeeping requirements will result in some nonprofit organizations now conducting bingo to decide that it's just not worth it, resulting in further loss of Bingo Enforcement Taxes and sales taxes now going to cities and counties.

5. In conclusion, no changes are needed from current bingo laws. The Department of Revenue should be able to provide the enforcement and assistance necessary. We are used to dealing with them now concerning our club license and bingo is just another part of that relationship. I thank you for your consideration.

William C. Long  
824 Church Avenue  
Manhattan, Kansas  
(785)539-8777

October 22, 1998

TO: Senator Lana Oleen, Chair, and the Special Committee on Federal and State Affairs, reviewing the need for "clarification and improvement of the state bingo tax laws."

FROM: William C. Long, representing Pearce-Keller Post No. 17, The American Legion, Manhattan, Kansas.

SUBJECT: Is there a need for "clarification and improvement of the state bingo tax laws."

1. The purpose of my appearance is to express concern about the changes to the state bingo laws that were proposed in Senate Bill 692 and to make you aware of the adverse impact those changes would have on organizations such as ours. The unexpected introduction of SB 692 last spring caused great alarm as we became aware of the serious problems it would cause to our **call bingo** operation. As soon as I became aware of the situation, I obtained a copy of the bill and the March 1998 Performance Audit Report which apparently triggered its introduction. This presentation is based on my review of the Performance Audit Report and the impact the changes proposed in SB 692 would have on our **call bingo** operations. I will not address **instant bingo** since there is only one outstanding issue that I am aware of and it primarily concerns interpretation.

2. First, I want to state that, in my opinion, there is no demonstrated need for changes to current bingo law. The law is clearly written to restrict the conduct of bingo games to

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nonprofit organizations and even prohibits paying individuals involved "in the management, conduct or operation of any game of bingo." The individuals conducting the games are all volunteers and must be members or spouses of members of the sponsoring nonprofit organization, or members of an auxiliary unit or society of the sponsoring organization. Speaking for the organization I am representing, we do not want to see those restrictions changed.

3. The pertinent portion of the Performance Audit Report begins on page 29 and is titled "Is the State Receiving All the Tax Revenues Required by State Law from Call and Instant Bingo Activities". After becoming aware of the impact of SB 692, I called several legislators and expressed my concern. Senator Oleen assured me that the bill would not be acted on during the 1998 session, but would be the subject of an interim study and that we would be given the opportunity to express our concerns during that study. The next event was receipt of the "Survey of Bingo Licensees" from the Division of Alcoholic Beverage Control, Department of Revenue. Attached to this testimony are copies of Post 17's and Unit 17's responses to that survey.

4. a. The stated reason for the changes proposed in SB 692 is that "no one can tell whether the state is receiving all the bingo taxes owed to it....". The analysis supporting this premise then appears to use the sales of paper cards to licensees as the basis for projecting what expected revenues should be as compared to reported revenues. Since the analysis does not seem to take the use of reuseable "hard" cards into consideration in the projection of "expected revenue" some kind of ratio based on the number of paper cards sold by vendors was apparently used to develop the projected figures.

b. If my assumption is correct, the estimated "projected" revenue is an invalid figure that cannot be used to determine if actual revenue is correctly reported. The reason is that **call bingo** is actually conducted using a mix of "hard" cards and disposable paper cards. In fact, we have two games that are played on one disposable paper card, which is entirely legal under present rules. In our bingo session, we play 21 games on each hard card and 4 games on three paper cards. We pay bingo enforcement tax and sales tax on all sales.

c. In our case, as I've shown in the enclosure, we averaged 13,404 faces played per session in May, of which 2,274 were on disposable paper cards and 11,130 were on "hard" cards. Some organizations use only paper cards and I do not know whether they play more than one game on a card or not, but, in my opinion, that's not important. What is important is that they correctly report their sales and pay their taxes. I believe that in a comprehensive review you will find that the vast majority of organizations and individuals are reporting correctly. While there are always exceptions, I believe you will find that many of the problems stem from the failure of the Department to provide the level of assistance they provided as recently as five or six years ago. In the past we found that the inspectors were a valuable source of assistance in the correct way to conduct bingo and keep our records.

5. The assumption stated above also appears to be confirmed on page 33 of the Performance Audit Report where the analysis shows that the reported revenue for 1997 was 8.6% higher than the expected revenue. It is not clear in the chart on

page 31 whether the **call bingo** revenue shown was "reported" or "estimated". The figures show a 4.7% reduction from 1994 to 1997, while during the same period taxes declined 10%. Our experience during that period was a 11.8% reduction in both **call bingo** revenue and taxes paid. For the period including 1998, the reduction was 20.4%. While I haven't been to the indian casinos, myself, I believe Manhattan is approximately 70 miles distance from the closest one. I know from listening to our players that many of them frequent the casinos on a frequent basis. I don't dispute their right to do so, but mention it to emphasize one reason bingo revenues are down. I believe you will find even more declines in bingo revenue from organizations conducting bingo closer to the casinos. Organizations even further away are also being adversely affected. While we are talking mostly about **call bingo**, revenue from **instant bingo** has also been significantly reduced because of the casino competition.

6. The Performance Audit Report seems to be primarily concerned about an apparent underpayment of bingo enforcement tax. I have already explained why revenue from this tax is down. The report fails to mention that we also pay sales tax on all sales. While we directly pay 3% bingo enforcement tax on our **call bingo**, we pay 6.4% sales tax on all bingo receipts. Needless to say, our sales tax paid is also down 20.4% from 1994. As you can see from the enclosures we pay almost as much in bingo enforcement tax and sales tax as we realize in net profit from **call bingo**.

7. a. SB 692 proposes to outlaw our "hard" cards as well as outlawing more than one game on disposable paper cards. It would result in us losing our investment in our "hard" cards and incur more cost in disposable paper cards. As we understand it, the bill was written to implement the

recommendations of the Performance Audit Report. That implies that the Department should also implement the other recommendations in the report. Those recommendations appear to be written by and designed for accountants and auditors. They sure weren't written to make it easy for us to conduct bingo. The author of the Report clearly does not appreciate the adverse effect the proposed record keeping would have on non-profit organizations conducting bingo with unpaid volunteers. The recommendations would require us to use cash registers for bingo sales. I would invite the author(s) to come to our bingo sessions and tell us how we could realistically do so. Cash registers would be an excessive investment when, by law, no organization can conduct bingo more than twice a week, and bingo cannot be conducted more than three times a week on the same premises. Cash registers are not needed and we do not need the additional costs and problems they represent.

b. We have difficulty getting enough volunteers now and the onerous record keeping recommended by the report would make this even more difficult and make most of us feel it's not worth it. As I stated before, our bingo receipts have been already adversely impacted by the casinos. We know we can't compete directly with them and we don't want to. If it hadn't been for **instant bingo**, many organizations would already have been forced to abandon bingo. The recommended changes, if implemented, can be expected to force many of them to discontinue bingo. The loss of bingo revenue will force most of these organizations to severely reduce their programs. This would result in a further reduction of bingo enforcement tax and sales tax receipts, which have already been adversely impacted by the competition from casinos.



8. In summary, the Performance Audit Report describes an apparent problem that is speculative, at best. The actual problem appears to be that ABC has lost its bingo experience and expertise, or a minimum that expertise is stretched too thin. We have seen this loss of expertise when we've asked questions. The institutional memory or expertise seems to be gone, or at least, disregarded. In my opinion, the first step should be to rebuild the necessary expertise in the organization. Training should not just consist of audit/inspection procedures, but should include exposure to a number of various size bingo operations so that the individuals being trained will learn to appreciate and understand the nonprofit organizations and volunteers who conduct bingo. If they will do that we'll make a big start towards correcting any problems. In her October 12th response to the follow-on Performance Audit Report, Secretary Pierce explained the Department's lack of emphasis on bingo enforcement on their experience that "the rate of compliance for bingo taxes is high and the risks to public safety and welfare are low". Ladies and gentlemen, no changes in the bingo laws are necessary.

Thank you for this opportunity.

STATE OF KANSAS  
BILL GRAVES, GOVERNOR

Bernie Norwood  
Director  
4 Townsite Plaza, Suite 210  
200 S.E. 6th Street  
Topeka, Kansas 66603-3512



(913) 296-3946  
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Department of Revenue  
JOHN D. LaFAVER, SECRETARY

*Division of Alcoholic Beverage Control*

## SURVEY OF BINGO LICENSEES

There is legislation pending that would shift the payment of the bingo enforcement tax from bingo licensees to the bingo paper distributors. The tax would apply to each disposable bingo "face" sold and would be set at a rate so as to make the shift "revenue neutral." In other words, the total amount of tax collected over the entire state would remain about the same. Under this proposal, the bingo enforcement tax would be paid at the time that the bingo paper is purchased by each licensee from a registered distributor. The distributors would then report and remit the taxes collected to the Department of Revenue on a monthly basis. Each licensee would include the amount of the tax in the charge to the players for the disposable paper faces. Since the tax could only be collected on disposable bingo paper cards, it would be necessary to prohibit licensees from selling "hard cards."

In order to advise the Legislature on the impact of this proposal, we need to gather data on many hard cards are being sold by the licensees. Please respond to the questions below and mail this survey back to me as follows:

Phil Wilkes, Bingo Attorney  
Kansas Department of Revenue  
4 Townsite Plaza, Suite 210  
Topeka, KS 66603-3512

1. Your organization's bingo license number: 39-0358-B001
2. Your organization's name: Pearce-Keller American Legion Post No. 17
3. How many times per year does your organization hold bingo games? approx. 102
4. If you currently sell disposable paper cards or "faces," what is the total number of faces which you typically sell to all players during a bingo session? (see reverse)
5. If you currently sell hard cards, what is the total number of cards which you typically sell to all players during a bingo session? (see reverse)

earce-Keller Post No. 17  
The American Legion  
114 McCall Road  
Manhattan, Kansas 66502

Prepared June 10, 1998

Bingo license number- 39-0358-B001

NOTE: "Typical" numbers are based on the average of nine sessions conducted during May 1998. Sales and payouts vary significantly based on players present and games played. No \$300 jack pot payouts occurred in May 1998, normally at least one such payout could have been expected, which would increase payout by \$250 (\$250 less profit).

NOTE: Bingo "face" is as defined in Sec.1(1), lines 1-7 on page 4 of SB 692.

"4. If you currently sell disposable paper cards or "faces," what is the total number of faces which you typically sell to all players during a bingo session?"

Disposable red paper card: 187 each X  
3 faces = 561

Disposable blue paper card: 179 each X  
3 faces = 537

Disposable green paper card: 196 each X  
3 faces X 2 games ( 2 games played on  
same face: 1st game- double bingo; 2nd  
game- blackout) 1,176

**Total disposable paper card faces played  
per session= 2,274**

"5. If you currently sell hard cards, what is the total number of cards which you typically sell to all players during a bingo session?"

Hard cards: 530 each X 21 (games played on each  
card) = (faces played per session) 11,130

**TOTAL FACES PLAYED PER SESSION 13,404**

Average <u>call bingo</u> receipts per Session	\$ 1,090.89
-less bingo enforcement tax	32.73
-less sales tax (call bingo only)	<u>69.32</u>
Gross <u>call bingo</u> receipts after taxes	\$ 958.34
-less average payout (call bingo only)	827.89
-less approximate cost of disposable paper cards	<u>19.67</u>
APPROXIMATE NET PROFIT PER SESSION (Call Bingo only)	<u>\$ 110.78</u>

[Note that the total of bingo enforcement and sales tax (\$102.55) paid is almost as much as the net profit.]

STATE OF KANSAS  
BILL GRAVES, GOVERNOR

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Department of Revenue  
JOHN D. LaFAVER, SECRETARY

*Division of Alcoholic Beverage Control*

## SURVEY OF BINGO LICENSEES

There is legislation pending that would shift the payment of the bingo enforcement tax from bingo licensees to the bingo paper distributors. The tax would apply to each disposable bingo "face" sold and would be set at a rate so as to make the shift "revenue neutral." In other words, the total amount of tax collected over the entire state would remain about the same. Under this proposal, the bingo enforcement tax would be paid at the time that the bingo paper is purchased by each licensee from a registered distributor. The distributors would then report and remit the taxes collected to the Department of Revenue on a monthly basis. Each licensee would include the amount of the tax in the charge to the players for the disposable paper faces. Since the tax could only be collected on disposable bingo paper cards, it would be necessary to prohibit licensees from selling "hard cards."

In order to advise the Legislature on the impact of this proposal, we need to gather data on many hard cards are being sold by the licensees. Please respond to the questions below and mail this survey back to me as follows:

Phil Wilkes, Bingo Attorney  
Kansas Department of Revenue  
4 Townsite Plaza, Suite 210  
Topeka, KS 66603-3512

1. Your organization's bingo license number: 39-0390 8001(0)
2. Your organization's name: Pearce-Keller American Legion Aux. No. 17
3. How many times per year does your organization hold bingo games? approx. 52
4. If you currently sell disposable paper cards or "faces," what is the total number of faces which you typically sell to all players during a bingo session? (see reverse)
5. If you currently sell hard cards, what is the total number of cards which you typically sell to all players during a bingo session? (see reverse)

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Pearce-Keller Unit no. 17  
The American Legion Auxiliary  
114 McCall Road  
Manhattan, Kansas 66502

Prepared May 29, 1998

Bingo license number- 39-0390 8-001(0)

NOTE: "Typical" numbers are based on the average of four sessions conducted during May 1998. Sales and payouts vary significantly based on players present and games played.

NOTE: Bingo "face" is as defined in Sec.(1) lines 1-7 on page 4 of SB 692.

"4. If you currently sell disposable paper cards or "faces," what is the total number of faces which you typically sell to all players during a bingo session?"

Disposable yellow paper card: 56 each X  
4 faces= 224

Disposable orange paper card: 60 each X  
3 faces X 2 games (2 games played on same  
face, 1st- regular bingo, 2nd game- 1/4th  
black-out)= 360

Disposable blue paper card: 56 each X  
4 faces= 224

Total disposable paper card faces  
played per session= 808

"5. If you currently sell hard cards, what is the total number of cards which you typically sell to all players during a bingo session?"

Hard cards: 284 each X 21 (games played  
on each card= (faces played per session) 5,964

TOTAL FACES PLAYED PER SESSION 6,772

Total call bingo receipts \$ 456.00  
-less bingo enforcement tax 14.56  
-less sales tax (call bingo only) 29.18

Gross call bingo receipts  
after taxes \$ 412.26

-less average payout (call bingo  
only) 358.75

-less approximate cost of disposable  
paper cards 5.90

APPROXIMATE NET PROFIT  
(Call Bingo only) \$ 47.53

[Note that the total of bingo enforcement and sales tax (\$43.74) paid is almost as much as the net profit.]

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TESTIMONY IN SUPPORT OF  
HOUSE BILL 2013  
PRESENTED TO  
HOUSE FEDERAL AND STATE AFFAIRS  
BY CHARLES M. YUNKER, DEPT. ADJUTANT  
KANSAS AMERICAN LEGION

Thank you for allowing me this opportunity to present testimony on House Bill 2013. My name is Charles Yunker and I represent the American Legion Department of Kansas as its State Adjutant.

On Friday, February 5, 1999 the Executive Committee of The American Legion Department of Kansas, which serves as our governing body between Conventions, voted unanimously to endorse the concept of HB 2013. But before I explain what we mean by the word "concept" I would like to briefly outline from our view point why HB 2013 was recommended by the Special Committee on Federal and State Affairs.

Last year a Department of Revenue Legislative Post Audit contained a statement indicating there was not a reliable method to determine if the State of Kansas was receiving all the Bingo tax due to the state. That statement prompted a Senate Bill which would have outlawed "hard" cards from Bingo games thereby requiring all call Bingo games to be played on paper faces. The tax on bingo would then be collected in advance by the Bingo Distributors when individual Bingo licensees purchase their paper cards for resale to Bingo players. The Distributors would then report and pay the taxes collected to the State of Kansas. Further, during testimony the Senate Committee was told that approximately only 10% of all Bingo licensees still

*House Fed & Stat  
Attachment #2  
2-10-99*

conducted Bingo on "hard" cards.

However The American Legion and others testified against that Bill because it represented a tax increase, the prohibition of hard cards would cause extreme hardship for small organizations who hold Bingo games more as a community service than a fund raising source and we questioned the 10% figure attributed to those playing on hard cards. Distributors testified against the Bill because it did not contain a provision to reimburse their expenses for collecting taxes and that the Bill would increase taxes on an already struggling charitable fund raising activity.

Consequently a more detailed Post Audit was conducted. During testimony before the Special Committee on Federal and State Affairs this summer it was learned a very small percentage of Bingo enforcement tax could be traced to having been actually used for enforcement of the Bingo laws by the Department of Revenue's Alcohol Beverage Control Division and local officials. It also became apparent a number of licensees' charitable Bingo fund raising games were experiencing more and more losses because Bingo is taxed on gross receipts thus after paying sales and enforcement taxes, and distributing each game's cash prizes many Bingo sessions resulted in a net loss. Compounding the issue was, and remains, increased competition from Casinos and River boats.

Simply stated, Bingo Enforcement has not been a "priority" of ABC and the Department of Revenue because Bingo tax is relatively small when

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compared to other revenue sources and areas of concern. Please keep in mind Bingo is small time charitable gaming. Further, we believe ABC realizes Bingo licensees 'police' each other, and each organization conducting Bingo has various internal safeguards which insure all games are conducted within the laws of the State of Kansas including payment of taxes. We feel that if any under reporting of taxes occurs, it is only due to a lack of understanding the laws and not overt cheating. Thus little policing is required.

The American Legion Department Executive Committee acknowledges and understands the concern of some within State Government over tax payments which leads me back to its endorsement of HB 2013's concept. We ask you to amend HB 2013 in the following manner:

- I. Allow for the use of "hard" or reusable cards beyond the year 2001 in special cases as determined by the Department of Revenue. These special cases could include but not be limited to braille cards, normal hard cards for the physically or sight impaired who have difficulty using paper face cards, and those non-profit organizations who only conduct Bingo games once or twice a year for special events such as church bazaars, school PTA's and PTO's, etc.
  
- II. Retention of Bingo games under the Department of Revenue. By collecting taxes when paper faces are purchased by licensees we feel there is no merit to being placed under the Racing and Gaming Commission. Bingo is small stakes gaming and more often

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looked upon as entertainment, not gambling. Further, many Bingo licensees' premises also contain a Private Club, (not accessible to Bingo players) therefore it is more economical for the state to only send one inspector to a given location, and more convenient to the licensees to undergo a liquor and Bingo inspection at the same time.

III. Lowering the proposed .003% tax per paper Bingo face to .002% and retaining the 3% enforcement tax on hard reusable cards if permitted after the year 2001 as suggested in item I. We feel Kansas should not have a tax rate higher than Missouri's .002%.

IV. Adding a provision allowing two additional special or jackpot progressive games whose prizes would be over and above the \$1200 maximum payout per session currently allowed. We ask that a beginning prize for such games not exceed \$250.00, and not increase more than \$100.00 per Bingo Session before the prizes are awarded.

--A few years ago we asked the Legislature to approve Instant Bingo as a means to offset competition from high stakes gaming. We appreciate your approval of Instant Bingo; it has helped stem the erosion of our charitable fund raising and provided additional tax revenue for Kansas just as we said it would.

However as indicated earlier in my testimony many Bingo games have become a community service for Bingo players rather than a

2-11

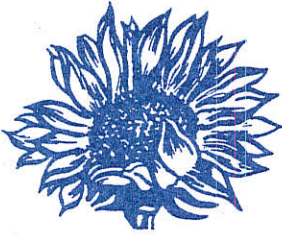
charitable fund raising source to be used to benefit a wide variety of community services. We believe the authorization of two progressive jackpots will help restore and maintain our community service programs, slow the competition of high stakes gaming at Indian casinos and Missouri river boats, and provide additional tax revenue to the state.

In closing I would like to say that several years ago those representing Bingo Parlors and those conducting Bingo in their own buildings entered into an agreement not to seek any changes in the Bingo laws if together we were successful in getting Instant Bingo approved by the legislature. That agreement remains intact and we would not be here today if it were not for the Legislative Post Audit, but most of all the competition from high stakes gaming at casinos and river boats. I believe all of us, Parlors and those who own our buildings, are in agreement today with the proposed amendments I have outlined. We ask that you support HB 2013 with the following amendments: allow reusable cards beyond the year 2001 for use by the handicapped and those who hold Bingo games once or twice a year; lower the tax rate to at least match Missouri's .002%; legalize two progressive jackpot games; and to retain enforcement under the Department of Revenue. I have attached to my testimony a proposal modeled after Missouri law to legalize two progressive games for your review.

2-5

## PROPOSED PROGRESSIVE BINGO LAW FOR KANSAS

- (1) A progressive game is one in which the established prize amount and number of bingo balls called may increase from one occasion to the next scheduled occasion and increased in value, if no player completes the required pattern within the specified number of bingo balls drawn. The player's opportunity to win must increase as the established prize amount increases. No progressive game may exceed 20 consecutive occasions prior to the awarding of the established prize.
- (2) No more than two (2) progressive games may be conducted per occasion.
- (3) A prize for a progressive game may start at an amount not to exceed two hundred fifty (\$250) and may be increased by no more than one hundred (\$100) for each occasion during which the progressive game is played.
- (4) If the progressive game prize is not awarded at a bingo occasion, the progressive game shall be continued at a future occasion until such time a winner is determined. The winning prize does not have to be the full amount, but a stated consolation prize may be awarded. The consolation prize is exempt from Section 313.040(4), RSMo; however the consolation prize must be less than the value of the progressive game prize amount.
- (5) All progressive bingo games must be fully described and posted in the house rules prior to the start of the occasion and must comply with all other statutory and rule and regulation requirements.
- (6) When a person achieves the first preannounced winning combination, the game is completed and the next game and winning combination must be commenced with a new bingo card or sheet and all seventy-five (75) objects/balls in the receptacle.
- (7) Each operator's/licensee's progressive game rule(s) must remain in effect until the game ends and the winner(s) is determined.
- (8) Progressive games may not be conducted in conjunction with a Special Event Bingo License.
- (9) An operator may not cease bingo operations unless all progressive bingo game(s) are completed and prize(s) are awarded, unless prior approval has been received from the Commission.



# *Kansas Sunflower Club Association*

TESTIMONY IN SUPPORT OF  
HOUSE BILL 2013  
PRESENTED TO  
HOUSE FEDERAL AND STATE AFFAIRS

My name is Ralph Snyder and I represent the Kansas Sunflower Club Association. Our Association was formed almost thirty years ago to lobby for the legalization of Bingo in the State of Kansas. After accomplishing that goal the Association elected to remain in existence to monitor Bingo and liquor laws as they effect our member organizations.

Our members include American Legion and VFW Posts and Auxiliaries, Knights of Columbus Councils, Eagles, Elks and Moose Lodges, the Shrine and a variety of other religious and civic groups including a Chamber of Commerce, Arthritis Water Exercise Clubs, Baseball Associations, Mentally Handicapped Assistance Groups, etc. located throughout the state of Kansas. Some of the cities represented by those organizations include Agra, Arkansas City, Atchison, Chanute, Clyde, Clay Center, Coffeyville, Concordia, Derby, Dodge City, Douglas, Elkhart, El Dorado, Emporia, Fredonia, Frontenac, Galena, Garden City, Grainfield, Great Bend, Hays, Hiawatha, Holton, Hutchinson, Iola, Junction City, Kansas City, Larned, Lawrence, Leavenworth, Liberal, Manhattan, Marysville, McPherson, Newton, Olpe, Osage City, Osawatomie, Overland Park, Parsons, Pittsburg, Pratt, Prairie Village, Russell, Salina, St. George, Shawnee, Topeka, WaKeeney, Wetmore, and Wichita.

House Bill 2013 in its present form will eliminate sales tax on Bingo games gross receipts and should be welcome relief to every Bingo licensee. But the proposed .003% tax is too high and should be lowered to at least .002% which is the same rate for paper card faces in Missouri.

Some of our member organizations are against phasing out reusable or hard cards because their  
*House Fed + State  
Attachment #3-1  
2-10-99*

players prefer them over paper faces which can be hard to read and some organizations worry about the increased cost of buying paper faces instead of using reusable shutter cards. But as I understand it, easier to read paper face cards are available and the elimination of the sales tax should offset the cost of buying paper cards.

We see no reason to be placed under the Racing and Gaming Commission. Bingo is small stakes gaming and not related to horse and dog tracks. So we ask to remain under the Department of Revenue's jurisdiction.

We also ask to be allowed two new progressive jackpot games. Because of the competition from Indian Casinos in Kansas and River boats in Missouri we need relief from taxes and the ability or means to attract players instead of watching them board buses to the casinos.

My testimony today is based on some of the letters and cards we've received from our member organizations. Jane Schumacher of the Hays Baseball Association which sponsors three teams wrote "God Bless You. We really appreciate what you are doing -- The kids deserve it! Again Thanks!"

Glen A. Miller, the Adjutant-Quartermaster of Great Bend VFW Post 3111 said, "Let's do our very best to eliminate all the taxes on Bingo."

Donalem Conway of VFW Auxiliary 56 in Leavenworth perhaps says it best. "We work hard to raise money to do things for veterans at the VA and their families. But last year we went in the hole after paying \$6,831.45 in taxes for Bingo. We could have done a lot more for them. We had to cash in our savings bonds to do Christmas for them last year." "We are so close to Missouri and the boats that

3-2

it has really hurt us. I don't know if we should cut our prices or hope things will get better." "There has been four Bingo places close in Leavenworth this past year. We have got to have some place for the older people without going on buses all over to spend their money to have fun."

To summarize my testimony we ask that you allow us two progressive jackpots, eliminate sales tax on Bingo, charge no more than .002% enforcement tax, keep us under the Department of Revenue, and allow reusable hard cards for handicapped players and by those who only hold Bingo games a few times a year. Please remember those in Kansas who sponsor Bingo games are true, non-profit charitable groups who rely on their volunteer members to conduct Bingo. We are not casinos or race tracks with high paid professional employees or owners and all of our profits stay in our communities to fund local programs.

3-2



# KANSAS CHARITIES COOPERATIVE

5265 SW 28th Ct,  
Topeka, KS 66614  
785-273-8304



2-10-99

Members of the Federal and State Affairs Committee.

Kansas Charities Cooperative is an association of non profit fraternal organizations and bingo halls in Kansas that use bingo for their fundraising efforts.

We have been involved in bingo for almost eight years and during that time there has never been anything as devastating as the casino's to Kansas bingo games . In some cities like Olatha, Ks where bingo had been used as fundraising for decades there are now no more bingo games by any non profit organization. The American Legion and Knights of Columbus had bingo there for years before the riverboats came to Kansas City.

We support this bill because it brings taxes down to a favorable rate compared to the national average of 2.5% instead of the present 9.15% here in Shawnee County.

We also support the state American Legion with their suggestion of adding progressive games. These games along with the reduction of taxes can help safeguard the success of bingo for non-profit organizations in Kansas. We ask for your vote in favor of HR 2013.

Yours truly,

A handwritten signature in cursive script, appearing to read "Thomas Frenn". The signature is written in dark ink and is positioned above the printed name.

Thomas Frenn

House Fed & Sta  
Attachment #4  
2-10-99

On behalf of Elks Lodge #427 F.O.E. #3251 Fresh Start and Air Capital Soccer all from Wichita, KS, we encourage you to pass House Bill 2013, because of so much competition with Indian Casinos, High Stake Bingo and dog and horse racing, our local Bingo games don't have a chance to survive. People go where the money is. Reducing our taxes will help each organization and legalizing progressive jackpots will encourage our customers to stay in Kansas and spend their money instead of going out of state or to the reservations. We need your help! Please pass House Bill 2013

MARTI BICHELL

House Fed + State  
Attachment 5  
2-10-99

**Comments of Tim Koske, Bingo Systems & Supply, Inc.,  
of Salina, Kansas  
regarding HB 2013**

Bingo Systems is in support of Bill HB 2013 with amendments. We also support the efforts of the Kansas American Legion in improving bingo in Kansas:

- I. Agreement with sales tax exemption of bingo cards, bingo faces, and instant bingo tickets. Would prefer that this would include all bingo supplies purchased from a licensed distributor.
- II. Although \$0.003 face tax is preferable to \$0.004 as originally proposed, we prefer a tax rate of \$0.002 similar to the rate in Missouri.
- III. Agree with the repeal of the 3% gross receipt tax, however we prefer that the 3% tax on gross receipts on hard cards be eliminated upon enactment of this bill.
- IV. Disagree with New Section 8 of K.S.A. 79-4706.  
The information requested should be put on the invoice and not a packing slip with the product. Most invoicing programs can be modified to include the information requested, it is more difficult with packing slips. It is much easier to audit using invoices rather than packing slips. All product identifies the manufacturer on the product. There is no need to list the manufacturer on the invoice. However, to ensure a greater degree of accountability, the invoice should list the serial of the top sheet of a bingo paper booklet.
- V. We believe that Kansas should have a provision for a progressive game outside of the current payout structure. The beginning prize amount should be \$250 and increment each session by \$100. Having at least (2) two progressive games would further enhance bingo in the State of Kansas.
- VI. The authority for regulating bingo should rest with the Department of Revenue not the Gambling and HorseRacing Commission.
- VII. Special bingo licenses should be issued to organizations that only play bingo annually. The organization must meet the qualifications of a regular bingo licensee. These licensees should be able to purchase hard cards indefinitely. There also should be made an exception for the vision impaired concerning the use of hard cards.

Final Comment: The tax revenue from bingo games will expand only if the tax base expands. Currently that base is stagnant. If taxes are not reduced, bingo in Kansas will continue to stagnate or even falter. Kansas bingo games need help in competing with the land based casinos. We hope that the State of Kansas will help charitable gaming expand and thus help organizations raise needed funds for their charitable causes.

*House Fed + State  
Attachment #6-1  
2-10-99*



2001 CORPORATE PLACE - COLUMBIA, MO 65202 1-800-569-7580  
 120 POINT WEST BLVD. - ST. CHARLES, MO 63301 1-800-569-4996  
 17501 EAST 40 HWY. - INDEPENDENCE, MO 64055 1-800-569-4992  
 317 N. 12TH ST. - SALINA, KS 67401 1-800-886-8713  
 999 44th STREET - MARION, IA 52302 1-800-324-3511  
 1520 HUDSON DRIVE - POPLAR BLUFF, MO 63901 1-800-214-2464

INVOICE No. - 230331  
 Invoice Date - 11/13/98

01 CHARGE SALE

Sold To

Ship To

Customer No. - 3000000-000

Payment Terms - Past due after 20 days  
 Payment due on or before 12/03/98

Shipped Via - KC TRUCK - 11/13  
 Special Info. - B-2140

Salesrep No. - 000301 DIEBOLD, P  
 Entry Date - 11/12/98  
 Our Order No. - 62177

Qty Order	Qty Ship	Qty Faces	Item Number / Description	Price Per	Amount
5 18000	5 18000	180000 0	09V20BLB095 9V20/09-5 BLUE BORDER STND MOFACE MISSOURI BINGO FACE TAX SER # 971891 BLUE	77.400 CTN .020 EA	387.0 360.0
5 18000	5 18000	180000 0	09V20BLB185 9V20/18-5 BLUE BORDER STND MOFACE MISSOURI BINGO FACE TAX SER # 923108 BLUE DRILLED-KC WILL DO	77.400 CTN .020 EA	387.0 360.0
5 18000	5 18000	180000 0	09V20BLB455 9V20/45-5 BLUE BORDER STND MOFACE MISSOURI BINGO FACE TAX SER # 997980 BLUE CLIPPED-KC WILL DO	77.400 CTN .020 EA	387.0 360.0
1 900	1 900	5000 0	109VBKB18 9V BLACK BORDER - 18 MOFACE MISSOURI BINGO FACE TAX SER # 018247 BLACK WE APPRECIATE YOUR BUSINESS THANKS, KAREN	20.950 CTN .020 EA	20.9 18.0

MO DIST. LIC. NO.: P-1000 • IL DIST. LIC. NO.: BF-175 • KS DIST. LIC. NO.: BD-0028 • IA DIST. LIC. NO.: 4-00-900002-002

WE MUST HAVE YOUR INVOICE STUB TO PROCESS PAYMENT

Taxes  
 Sales: \$1.00

INVOICE AMOUNT ==> \$3,279.1

6-2



**AMERICAN LEGION  
BALL-McCOLM POST 5  
EMPORIA, KANSAS**

1301 CHESTNUT ST., EMPORIA, KS 66801  
316-342-1119

TESTIMONY ON  
HOUSE BILL 2103  
FEBRUARY 10, 1999

I am Gerald Michael from Post 5 of Emporia, Kansas. Our Post is supporting the concepts presented by Department Adjutant Chuck Yunker and Sunflower Club Association spokesman Ralph Snyder. We wish to remain under the Department of Revenue, eliminate Sales Tax, reduce the enforcement tax and provide for a progressive jackpot.

Our Bingo revenue has decreased with the influx of Indian casinos and to support our programs we need tax relief.

*House Fed + State  
Attachment #7  
2-10-99*

TESTIMONY ON  
HOUSE BILL 2103  
FEBRUARY 10, 1999

I am Ray Hamlim from Wetmore, Kansas and a member of American Legion Post 282.

We are in complete agreement with the statements from the Sunflower Club Association about Bingo. We are trying to maintain a place for the people of our area to go for Bingo, celebrate wedding anniversaries, funeral dinners, and other affairs for our people.

We are operating in the area of two casinos and have lost many of our people to them. We need your help to keep us going. Bingo is the only support we have for our building.

House Fed & State  
Attachment #8  
2-10-98



**ALL AMERICAN  
BINGO, INC.**

1626 Headland Drive  
Fenton, Mo. 63926  
800-752-4675  
(Fax) 314-336-1600

Tuesday, February 9, 1999

Committee on Federal & State Affairs  
State Capitol  
300 S.W. 10th Street  
Topeka, Ks. 66612-1504

Dear Committee Members:

My name is Jul Fischer, President of All American Bingo, Inc. a licensed distributor in State of Kansas of charitable gaming supplies. My comments today are in support of House Bill #2013.

As a licensed distributor for the past 10 years I have seen the number of charities using bingo as their primary fundraiser decline in the State of Kansas. Under the current conditions I can only see this trend continue. Charitable bingo in Kansas has been hurt by land based Native American Bingo & Casino operations, River - Boat Casino's, Horse Racing, and the Lottery. While I do not feel that charitable bingo should be large scale gaming it should have some tools to compete for the consumers dollar.

The charity bingo market in Kansas needs to be able to take advantage of new technology that has been introduced to the industry over the past several years. Many of the changes involve equipment that helps both the charity and State Regulatory Agency manage and account for the product and revenue generated in the charity bingo game. By requiring that the charities use paper cards Vs hard cards is a step in the right direction. Additional consideration should be given allowing charities to have larger jackpots by either increasing the amount of money a charity can payout each session or playing a progressive game each session in additions to their current payout structure. Both means of improving a charities attendance and spend per player have been successful in other state that I distribute bingo supplies.

I ask your support of House Bill #2013 and welcome any questions that you may have of me. Thank - you for the time you have given me today

Sincerely,

  
JUL FISCHER  
President

House Fed & State  
Attachment #9  
2-10-99