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MEMORANDUM

To: Chairman Brunk
Members of the House Committee on Federal and State Affairs

From: Jason B. Long, Senior Assistant Revisor

Date: February 23, 2015

Subject: HB 2291 – Creating the Kansas Charitable Gaming Act.

House Bill No. 2291 was requested by the Department of Revenue. It proposes to create the Kansas Charitable Gaming Act (Act), which would provide for the oversight and regulation of all charitable gaming in Kansas. Charitable gaming in Kansas consists of bingo games and raffles conducted by charitable organizations. Under current law bingo games are regulated by the Office of Charitable Gaming, which is a part of the Department of Revenue. This regulation is conducted pursuant to the bingo gaming statutes (K.S.A. 79-4701 et seq.). HB 2291 repeals the bingo gaming statutes and proposes new laws to govern the regulation of both bingo and raffles.

First, HB 2291 provides for the licensure and regulation of charitable raffles. Section 3d of Article 15 of the Constitution of the State of Kansas, which was approved by the voters of this state last November, authorizes the Legislature to enact laws allowing charitable raffles in the state. Under the constitutional provision, charitable raffles can only be conducted by the specified nonprofit organizations, cannot be conducted by use of electronic gaming machines or professional vendors, and must be licensed and regulated by the Office of Charitable Gaming. HB 2291 provides the framework for such regulation.

Section 3 of the bill contains key definitions. “Charitable raffles” are defined in accordance with the constitutional description of what constitutes a “raffle.” Additionally, each of the nonprofit organizations specified in the constitutional provision is defined. These organization definitions are identical to how such organizations are currently defined in the bingo gaming statutes.

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Section 5 of the bill requires all organizations to be licensed in order to conduct charitable raffles. There is \$25 licensure fee that is waived if the organization's annual gross receipts from the sale of raffle tickets are \$2,500 or less. Licenses are issued annually and any person convicted of a gambling violation under state or federal law is prohibited from obtaining a license.

Section 6 of the bill imposes a 1% enforcement tax on the gross receipts from the sale of raffle tickets that are in excess of \$2,500. The taxes are to be paid to the Department of Revenue along with a tax return as required by Section 7 of the bill. HB 2291 also amends K.S.A. 79-3603 to exempt sales of charitable raffle tickets from the retailer's sales tax levy.

Under Section 9 of the bill, organizations must report the name of any individual who wins a prize that is \$1,199 or more. This dollar amount is a federal tax threshold for income tax reporting purposes. Licensees would be required to maintain records for three years. Also, no person under 18 would be permitted to manage, operate or conduct any charitable raffle.

The Secretary is to designate the Administrator of charitable gaming. The Administrator is charged with the oversight and regulation of charitable raffles. The Administrator may impose a civil fine of not more than \$500 for a violation of the Act.

In addition to proposing new laws for the regulation of charitable raffles, HB 2291 also proposes several changes to the regulation of bingo. The following is a brief summary of those changes:

1. There would no longer be a requirement to submit lease documents for pre-approval by the Administrator when the bingo game is conducted on leased premises. There would also no longer be any restrictions on the rent charged for a leased premises.
2. There would no longer be a restriction on the number of days bingo games could be conducted at a location other than the one specified in the license, and bingo games could be conducted by the licensee an in adjoining county.
3. The lessor of the premises and the lessor's employees and the licensee's employees would be permitted to participate in the management, operation and conduct of a bingo game.
4. There would no longer a limited on the number of bingo games conducted per week, or on the number of games conducted in one session. Also, there would be no restrictions as to subdividing a premises where bingo games are conducted, and no waiting period between sessions.

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5. The aggregate prize for a single session of call bingo would remain at \$1,200, but would be increased annually by the Administrator based on increases in the consumer price index. There would be no restrictions on the prize for single games of bingo.
6. There would no longer a time restriction on when instant bingo tickets could be sold.
7. There would no longer be a restriction as to the number of progressive bingo games that could be conducted during any one session. Also, there would be not limit on the starting amount of a progressive game of bingo. Finally, the consolation prize limit would be increased from \$400 to \$1,000.

These changes do not appear as amendments to current law since the current bingo statutes are repealed by the Act. They are incorporated within the new sections of law that make up the Act. The Act would consolidate the regulation of both bingo games and charitable raffles under the Act.

If enacted the Act would become effective on July 1, 2015.

