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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 2383 – Creating the Kansas Charitable Raffle Act.

House Bill No. 2383 proposes to create the Kansas Charitable Raffle Act (Act), which would provide for the oversight and regulation of all charitable raffles in Kansas. 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 2383 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.

Section 5 of the bill requires organizations to be licensed in order to conduct charitable raffles. There is \$25 licensure fee. Licenses are issued annually and any person convicted of a gambling violation under state or federal law is prohibited from obtaining a license. If the annual gross receipts from the sale of raffle tickets does not exceed \$25,000, then the organization is exempt from this licensure requirement, and is also subsequent exempt from any provisions in the Act that are applicable only to licensees.

Section 6 of the bill imposes a 1% enforcement tax on the gross receipts from the sale of raffle tickets by a licensee. The taxes are to be paid to the Department of Revenue along with a

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tax return as required by Section 7 of the bill. HB 2383 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, licensees 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.

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.

HB 2383 also amends K.S.A. 21-6403 to exclude charitable raffles conducted in accordance with the Act from the definition of "bet" in the criminal gambling statutes. With this amendment charitable raffles will not be considered illegal gambling.

If enacted the Act would become effective on publication in the Kansas Register.