

Indiana Department of Revenue

Office of the Commissioner

October 1, 1998

The Honorable Frank O'Bannon
Governor, State of Indiana
State House, Room 206
Indianapolis, Indiana 46204

Dear Governor O'Bannon,








Accompanying this letter is the Department of Revenue's 1998 Charity Gaming Annual Report. I hope you will find this report to be both informative and an accurate accounting of the past fiscal year's charity gaming activities statewide.

The included financial information pertaining to not-for-profit organizations is available for public inspection according to IC 6-2.1-8-4.

Sincerely,

Kenneth L. Miller, Commissioner
Indiana Department of Revenue

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In FY98, gross revenues from charity gaming events increased by \$6.3 million.



History of Indiana Charity Gaming

In June of 1992, the Indiana Department of Revenue was given the responsibility of enforcing charity gaming laws in Indiana. Only qualified not-for-profit organizations can legally conduct charity gaming events in Indiana. These gaming events are limited to bingo, charity game nights, door prizes, festival events, raffles, and the sale of pull tabs, punchboards, and tip boards. Organizations must be licensed and registered for each type of charity gaming event they want to conduct.

Which Organizations Qualify?

An organization may conduct legal charity gaming events if it is a bona fide educational, religious, senior citizen, veteran, or civic/fraternal/charitable organization operating in Indiana, and is exempt from taxation under Section 501 of the Internal Revenue Code (IRC).

The not-for-profit organizations that are eligible to engage in Indiana charity gaming events are defined in Title 4, Article 32, of the Indiana Code. A brief description of these organizations is as follows:

Bona Fide Civic Organization

A branch, chapter, or lodge of a local, national, or state organization that is not-for-profit and primarily operated for charitable, civic, or fraternal purposes.

Bona Fide Educational Organization

An organization that is not-for-profit, whose primary purpose is educational in nature, and is designed to develop the capabilities of individuals by instruction in public or private elementary and secondary schools, as well as colleges and universities.



Bona Fide Political Organization

An association, committee, fund, party, or other organization that is established and operated for either directly or indirectly accepting contributions and making expenditures for an exempt purpose, as defined in Section 527 of the Internal Revenue Code). These organizations are the Democratic Party, Republican Party, Independent Party, etc.

Note: A political candidate's committee is not a political organization by this definition.

Bona Fide Religious Organization

An organization, church, or body of communicants that operates on a not-for-profit basis and primarily for religious purposes. The organization must operate under Section 501 of the Internal Revenue Code and provide written documentation as such.

Bona Fide Senior Citizens Organization

An organization that is not-for-profit and has at least 15 members who are at least 60 years old. The purpose of the organization is to advance and support the causes of the elderly and retired persons.

Bona Fide Veterans Organization

A local organization, or a branch, chapter, or lodge of a national or state organization that is not-for-profit, chartered by the United States Congress, and whose members are or were in the United States Armed Forces. The purpose of the organization is for the mutual advancement and support of the organization's membership and patriotic causes.

All organizations that meet one of the preceding requirements must also have been in active and continuous existence for at least 5 years, or be affiliated with a parent organization that has been in existence and operating for at least 5 years. Except where a qualified organization or its affiliate is having a convention or other annual meeting of its membership, charity gaming events may only be conducted in the county where the Indiana principal office is located.

Contracting with an individual or group to operate a gaming event on behalf of a qualified organization is a Class D Felony. (IC 4-32-12)



Any hospital licensed under IC 16-21, a health facility licensed under IC 16-28, or a psychiatric facility licensed under IC 12-25, may conduct charity gaming events under certain circumstances.

Being exempt from taxation under Section 501 of the Internal Revenue Code does not ensure that an organization is eligible to conduct legal charity gaming events. The types of organizations that do not qualify include federal credit unions, pension trusts, and generally those established primarily for literary, scientific, and social purposes.

What Are Legal Charity Gaming Activities?

Qualified not-for-profit organizations may conduct certain types of legal charity gaming activities in Indiana. These activities include bingo, charity game nights, door prizes, festival events, and raffles, as well as the sale of pull tabs, punchboards, and tip boards. Individuals participating in licensed events must be at least 18 years old. Definitions for most of the activities are listed below.

Bingo

A bingo game is played with regulation bingo cards, pads, or sheets. A player covers the numbers that are called out by the announcer. The winner of each game is the player who is the first to properly cover the announced pattern of squares on the bingo surface.

Door Prizes

A door prize is awarded to a person based solely upon the person's attendance at an event, or the purchase of a ticket to attend an event.



Pull Tabs

A pull tab is either a single, folded, banded ticket, or a two-ply card with a perforated break-open tab that has a hidden symbol that determines the winner. The prize must be fully described on the inside of the ticket.

Punchboards

A punchboard is a board or card that contains a grid or sections that hide the random opportunity to win a prize based on the results of punching a single section to reveal either a prize amount or a symbol.

Raffles

A raffle is the selling of chances or tickets to win a prize awarded through a random drawing.

Other Games

Other types of games that may be licensed include cards, dice, wheel games (roulette), and spindles (wheel of fortune style games). These types of games are allowed at “Charity Game Nights” and “Festival” events.

Midway-Style Games and Games of Skill, such as cranes, darts, target shooting, etc, are not regulated by the charity gaming laws or licensed by the Charity Gaming Section.

“Calendar Raffles” are a variation of the standard raffle. Chances are purchased for a time period (e.g. one month) and multiple drawings are held during that period. This type of event is sometimes confused with a lottery.



Types of Licenses

The six different types of licenses available are as follows:

1. Annual Bingo License
2. Charity Game Night License
3. Door Prize License
4. Festival License
5. Raffle License
6. Special Bingo License

Each type of license allows an organization to conduct a limited number of charity gaming events within certain prize limitations. There are also restrictions on how many times an organization may receive each type of license during the year.

A total of 1,032 Annual Bingo Licenses were issued in FY98; 102 more than last year.

Annual Bingo License

The Annual Bingo License is available for those organizations that conduct bingo events throughout the year. This type of license allows for the following games to be played:

1. Door Prize drawings
2. Multiple Bingo events
3. The sale of pull tabs, punchboards, and tip boards

This also is the license used by organizations selling pull tabs, punchboards and tip boards throughout the year, even if they don't play bingo.



Charity Game Night License

Charity Game Nights are commonly referred to as “Las Vegas Nights” or “Monte Carlo Nights”. This type of license allows for the following games to be played:

1. Card games
2. Dice games
3. Door Prize drawings
4. Roulette wheel games
5. Spindle games
6. The sale of pull tabs, punchboards, and tip boards

*The wagering on banking and percentage games, bookmarking activities, numbers games, pinball machines, or slot machines are not included in these legal charity gaming events.

Door Prize License

A Door Prize License may be needed when an organization gives away door prizes as a fund-raising event. This type of license allows for the following games to be played:

1. Door prize drawings
2. The sale of pull tabs, punchboards, and tip boards

Only 8 Door Prize Licenses were issued in FY98; 2 more than last year.



48 more Festival Licenses were issued in FY98 than in FY97.

Festival License

The festival license permits one (1) organization to conduct a variety of charity gaming events for up to four (4) consecutive days. All of these events have to be conducted within certain limitations. This type of license allows for the following games to be played:

1. Bingo games
2. Charity Game Night event
3. Door Prize drawings
4. One (1) Raffle drawing event
5. The sale of pull tabs, punchboards, and tip boards

The average cost of a Raffle License was \$112.96.

Raffle License

A Raffle License is needed when an organization holds a raffle drawing as a fund-raising event. This type of license allows the following game to be played:

1. Door Prize drawings
2. Raffle drawings
3. The sale of pull tabs, punchboards, and tip boards



Special Bingo License

The second type of bingo license is a Special Bingo License. This license is usually used by those organizations who want to hold bingo events only occasionally, and not weekly, throughout the year. This license is valid for only one location and time. This license may also be used by Annual Bingo License holders who want to conduct a bingo event on a day that is not listed on their annual license. This type of license allows for the following games to be played:

1. One (1) Bingo event
2. Door Prize drawings
3. The sale of pull tabs, punchboards, and tip boards



License Fees

The fee for the first license in any category is \$25.

For a subsequent license, fees are based on the gross receipts from the previous event for which the same type of license was held.

These receipts include:

1. The income from all gaming activities, including the sale of pull tabs, punchboards, and tip boards.
2. The sale of tangible personal property specifically sold at the gaming event. Some items commonly sold at these events include card doblers, good luck dolls, keychains, etc.
3. Concessions which are sold specifically at the gaming event.



Charity gaming license fees are based on the following chart:

Gross Revenues		
<u>At Least</u>	<u>But Less Than</u>	<u>Fee</u>
\$ 0	\$ 15,000	\$ 25
\$ 15,000	\$ 25,000	\$ 75
\$ 25,000	\$ 50,000	\$ 200
\$ 50,000	\$ 75,000	\$ 350
\$ 75,000	\$ 100,000	\$ 600
\$ 100,000	\$ 150,000	\$ 900
\$ 150,000	\$ 200,000	\$ 1,200
\$ 200,000	\$ 250,000	\$ 1,500
\$ 250,000	\$ 300,000	\$ 1,800
\$ 300,000	\$ 400,000	\$ 2,500
\$ 400,000	\$ 500,000	\$ 3,250
\$ 500,000	\$ 750,000	\$ 5,000
\$ 750,000	\$ 1,000,000	\$ 6,750
\$ 1,000,000	\$ 1,250,000	\$ 8,500
\$ 1,250,000	\$ 1,500,000	\$ 10,000
\$ 1,500,000	\$ 1,750,000	\$ 12,000
\$ 1,750,000	\$ 2,000,000	\$ 14,000
\$ 2,000,000	\$ 2,250,000	\$ 16,250
\$ 2,250,000	\$ 2,500,000	\$ 18,500
\$ 2,500,000	\$ 3,000,000	\$ 22,500
\$ 3,000,000	\$ -----	\$ 25,000

**The average cost
of an Annual
Bingo License in
FY98 was
\$3,769.80.**



Manufacturers and Distributors

**Gaming card
excise tax
collections
increased by
\$28,442.00
during FY98.**

All business entities that desire to manufacture, distribute, or sell the following items in Indiana must be licensed by the Indiana Department of Revenue. These items include bingo sheets, devices, equipment, and other supplies to be used in playing bingo, as well as pull tabs, punchboards and tip boards.

A manufacturer's annual license fee is \$3,000. There were 11 manufacturers' licenses issued in fiscal year 1998, 10 of which were located out-of-state. The total fee collected was \$33,000.00.

A distributor's annual license fee is \$2,000. There were 61 distributors' licenses issued in fiscal year 1998, 15 of which were located out-of-state. The total fee collected was \$122,000.00.

An excise tax is imposed on the distribution of pull tabs, punchboards, and tip boards, in the amount of ten percent (10%) of the wholesale price. For fiscal year 1998, manufacturers and distributors remitted \$1,222,748.00 in gaming card excise taxes and penalties, up from \$1,194,306.00 during fiscal year 1997.

Administrative Highlights 1998



The Charity Gaming Section of the Indiana Department of Revenue was created to administer charity gaming laws. This section, along with field investigators from the Criminal Investigation Division, makes sure licensed organizations are operating within charity gaming laws and regulations. The Department's charity gaming administrative costs in fiscal year 1998, totaled \$460,658.00, approximately \$146,000.00 less than the previous year. Under IC 4-32-10-6, the Indiana Department of Revenue is required to remit charity gaming surplus revenue into the "Build Indiana Fund". This revenue is generated by license fees, as well as excise taxes and penalties. The Department deposited \$2,500,000.00 into this fund during fiscal year 1998.

The Department transferred \$2,500,000.00 into the Build Indiana Fund in FY98.

Taxpayer Assistance

During fiscal year 1998, the Charity Gaming Section of the Indiana Department of Revenue assisted 394 taxpayers in the walk-in assistance center, which was down from 525 in fiscal year 1997, and answered 13,983 phone calls, compared to 14,310 in fiscal year 1996.

Education

During fiscal year 1998, the Charity Gaming Section conducted training seminars in six cities around the state. These seminars were advertised through a direct mailing to all qualified organizations, whether they were licensed or not. The total attendance at all seminar locations was 242.

Location	Attendees
Evansville	49
South Bend	27
Indianapolis	63
New Albany	21
Merrillville	35
Fort Wayne	47
Total	242

Form Revision

During fiscal year 1998, there were no new changes made to charity gaming forms.



78% of Distributed Income was actually kept by the licensed organization for it's own use.

Legislation

There was no new legislation passed during fiscal year 1998 that affected charity gaming laws and regulations.

Enforcement



During fiscal year 1998, investigations led to eighteen not-for-profit organizations being assessed civil penalties for statute/rule violations and income tax assessments were imposed against the noncomplying organizations.

Eight organizations were issued income tax assessments totalling \$153,753.47, including penalty and interest. The income from the operation of a non-licensed charity gaming event is considered unrelated income and subject to gross income tax, adjusted gross income tax, and supplemental net income tax per 45 IAC 18-5-1.

A breakdown of the civil penalties for statute/rule violations can be seen in the table on the next page.

Additional enforcement efforts are performed through desk examinations of financial reports submitted to the Charity Gaming Section of the Compliance Division. Those desk examinations resulted in an additional \$14,625.00 in renewal fees from organizations who under reported gross receipts.

The income from unlicensed events is subject to income taxes per 45 IAC 18-5-1.

The total amount of penalty assessments during FY98 increased more than \$180,000.00 over the previous year, however the total number of violations decreased.



Joining an organization for the sole purpose of working at a charity gaming event is considered fraud. Commission of this act is grounds for civil penalties.

Neither operators nor workers at an event may be paid, this includes the acceptance of tips.

Statute/Rule	Description	Number of Violations	Total Penalty Assessed
IC 4-32-6-17	"Operator" defined	2	\$2,000.00
IC 4-32-7-4	Licensing; obtaining materials	2	1,500.00
IC 4-32-9-2	License requirement	11	26,000.00
IC 4-32-9-7	Charity game night licenses	1	2,500.00
IC 4-32-9-17	Financial records; deposit of funds; payment of expenses	12	11,250.00
IC 4-32-9-18	Event limit	1	500.00
IC 4-32-9-20	Lease of facilities and personal property	1	1,000.00
IC 4-32-9-21	Events limited to county of principal office; exception	1	750.00
IC 4-32-9-25	Remuneration of operators and workers	4	15,500.00
IC 4-32-9-28	Operator membership requirement	1	1,500.00
IC 4-32-9-29	Worker membership requirement	2	2,500.00
IC 4-32-9-30	Bingo event prize limits	1	500.00
IC 4-32-11-3	License renewal fee schedule	12	13,025.00
IC 4-32-12-1	Violation; suspension or revocation of licenses; civil penalties	3	9,500.00
IC 6-2.5-3-6	Liability; payment; collection; computation	1	202.10
45 IAC 18-5-1	Taxability of income from unlicensed events	8	153,753.47
Totals		63	\$241,980.57

Statistics



Every organization that holds a charity gaming license is required to file a financial report for each license it has. The following statistics are based on financial reports which were received during the State of Indiana's fiscal year 1998 (July 1, 1997 - June 30, 1998). An organization cannot receive another gaming license until they have filed a financial report for their previous event.

Organizations reported an increase of \$6.3 million in gross income over FY97, however net proceeds (profit) decreased almost \$1.6 million.

Grand Totals

Type of License	Gross Income	Total Expenses	Net Proceeds	Distributed Income	
				Amount Given to Other Organizations	Amount Retained for use by the Organization
Annual Bingo	\$496,961,294.24	\$443,159,430.82	\$53,801,863.42	\$10,459,796.78	\$36,929,100.18
Charity Game Night	1,440,749.14	762,936.83	677,812.31	187,523.36	440,432.76
Door Prize	73,687.75	29,282.89	44,404.86	0.00	46,179.52
Festival	10,415,769.99	5,518,753.37	4,897,016.62	531,204.35	3,991,242.16
Raffle	11,891,808.00	6,302,346.91	5,589,461.09	1,289,743.75	3,519,482.22
Special Bingo	1,187,347.98	881,589.05	305,758.93	99,815.45	173,318.58
Total	\$521,970,657.10	\$456,654,339.87	\$65,316,317.23	\$12,568,083.69	\$45,099,755.42

Note: Amounts were taken directly from the financial reports filed with the Department by the organizations. Desk examinations of reports were performed to correct obvious calculation errors.



License Fees

Type of License	Number Issued	Fees Collected	Average Cost
Annual Bingo *	1,032	\$3,890,434.00	\$3,769.80
Charity Game Night	282	8,275.00	29.34
Door Prize	8	775.00	96.88
Festival	303	50,575.00	166.91
Raffle	517	58,400.00	112.96
Special Bingo	137	6,875.00	50.18
Total	2,279	\$4,015,334.00	

* The Annual Bingo License category includes organizations who sell pull tabs, punchboards and tip boards only, but do not hold traditional bingo events.

87 Annual Bingo licenses were issued to organizations who only sell pull tabs, punchboards and tip boards, but don't play bingo.

Concession Income

License Type	Income
Annual Bingo	\$2,157,303.10
Charity Game Night	87,966.71
Festival	2,151,669.25
Raffle	250,642.60
Special Bingo	28,952.29
Total	\$4,676,533.95

168 more licenses were issued in FY98 than in FY97.



Financial Information by County

The following information is a breakdown of individual organizations by county. The information was obtained from all Forms CG-8, Annual Bingo Financial Reports, and Forms CG-9, Single Event Financial Reports, received during fiscal year 1998. *The number of licenses issued during the fiscal year may differ from the number of financial reports actually received during the fiscal year.*

Information pertaining to not-for-profit organizations is available for public inspection according to IC 6-2.1-8-4. This includes all applications for exemption and all annual reports filed by the not-for-profit organizations under IC 6-2.1-3-19, IC 6-2.1-3-20, IC 6-2.1-3-21, and IC 6-2.1-3-22, which also includes information on the above mentioned forms.

Since an organization may hold more than one type of charity gaming license at a time, some names may appear more than once in the following listings.

Names also may be repeated within each license category. An unlimited number of door prize, raffle, and special bingo licenses may be issued to an organization during a year, as long as all required applications and fees have been received and approved by the Indiana Department of Revenue.

Annual bingo licenses are valid for one year from the date of issuance. Names may appear more than once in the annual bingo category if the organization filed an amended financial report for the previous year.

All figures in this section came directly from the financial reports filed with the Indiana Department of Revenue by the licensed organizations.

Gross Receipts ¹

Total Expenses

Net Proceeds ²

Income and Expense Summary			
Gross Income		Expenses	
Income Sources:		Prizes/Payouts:	
Bingo	1	Bingo	9
Pull Tabs	2	Pull Tabs	10
Punchboards	3	Punchboards	11
Tip boards	4	Tip Boards	12
Raffles	5	Raffles	13
Door Prize	6	Door Prize	14
Concessions	7	Supplies and Purchases:	
Other Gross Income (Attach itemized sheet or listing)	8	Bingo Game Supplies	15
		Pull Tabs, Punchboards, and Tip Board Purchases	16
		Other Purchases	17
		Miscellaneous Expenses:	
		Rent to Independent Lessor	18
		Rental of Tangible Personal Property (or chairs, tables, mobile wheel, bingo mower, etc.)	19
		Advertising	20
		Concessions	21
		Other Expenses from Bingo events: List sources:	
			22
		Total Expenses: Add lines 9 through 22. Enter here and on line B of Section B	23
Section B			
Totals			
Total Gross Income *Add lines 1-8. *This amount will be used to calculate your fee. Also, partially exempt and for-profit organizations should refer to the annual income tax return, Form IT-200P, and the Charity Gaming Publication #2 concerning the usability of this income.	A		
Total Expenses from line 23	B		
Total net proceeds available for charitable purposes (A minus B)	C		

(Page 2 of 4 from Form CG-8)

Amount Given to Other Organizations

Amount Retained for Use by the Organization

Undistributed Income

Charitable Contributions Information					
24. Net proceeds from line C of the Income and Expense Summary, Section B, page 2.	24				
25a. Amount from Line 24 <u>allocated</u> for charitable purposes.....	25a				
These contributions must be made to organizations (individuals) other than your own. Details of these contributions need to be reported on Schedule CG-DIST, which must be attached to the Gross Receipts Report, (Form CG-21), and mailed with this license application. Failure to attach this information will result in the delay of the issuance of your license.					
b. Amount from Line 24 <u>retained for and/or spent on your organization</u>	25b				
These funds must be used for the lawful purpose of your organization. A detailed listing of how these funds were spent or were set aside for a specific use should be kept with your records.					
c. Add the amounts from Lines 25a and 25b and enter total here.....	25c				
26. Undistributed balance (Line 24 minus Line 25c).....	26				
Manufacturer and Distributor Information					
27. List the manufacturer(s) and/or distributor(s) from whom you purchased bingo supplies, pull tabs, punchboards, and/or tip boards. Attach additional sheets if necessary.					
Name	Address	City	State	Zip Code	License Number
Financial Information					
28. Where are the charity gaming financial records maintained?					
Address					
City	State			Zip Code	
29. Name, address, and telephone number of the person maintaining these records.					
Name					
Address					
City	State	Zip Code	Daytime Telephone Number ()		
30. Organization's Banking Information (Attach additional sheets if necessary).					
Name of Bank					
Street Address					
City	State	Zip Code	County		
Name of Account	Account Number	Type of Account (Checking, savings, CD)			
Name of Account	Account Number	Type of Account (Checking, savings, CD)			

(From the page) 10

The **Percent Profit** figure in the Annual Bingo Licenses section was calculated as follows:

$$\text{Net Proceeds}^2 / \text{Gross Receipts}^1 = \text{Percent Profit}$$

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