

# *SMALL GAMES OF CHANCE*

*Presented by the  
Pennsylvania State Police  
Bureau of Liquor Control  
Enforcement*



# THE SMALL GAMES OF CHANCE ACT

- Act 2 of 2012 was signed into law by the Governor on February 2, 2012 and made sweeping changes to the Local Option Small Games of Chance Act.
- Act 184 of 2012 was signed into law on October 25<sup>th</sup>, 2012 and made some additional changes to the Act. It amended some of the changes in Act 2 and approved an additional “small game of chance.” **Effective date - 12/24/12**



# THE SMALL GAMES OF CHANCE ACT



The information being provided in this presentation is based upon our interpretation of the statute and like many new laws, is subject to interpretation and further clarification by the courts going forward.



# OVERVIEW

- **Gambling**
  - Definition
  - Legal vs. Illegal Gambling
- **Small Games of Chance Act**
  - Application
  - Permitted Games
  - Use of Proceeds
  - Prize Limits



# OVERVIEW

(CONTINUED)

- *Small Games of Chance Act* (CONTINUED)
  - Discussion of Individual Games
  - Licensed Premises and Location of Games
  - Gambling in P.L.C.B. licensed establishments
  - Record Keeping/Reporting Requirements
  - Penalties



# GAMBLING

# GAMBLING

- What activities constitute “gambling” in Pennsylvania?



- The Pennsylvania Crimes Code lists various gambling offenses:



# PENNSYLVANIA CRIMES CODE

- Section 5513 Gambling Devices, Gambling, Etc...

- (a) Offense Defined. A person is guilty of a misdemeanor of the first degree if he:

- (1) intentionally or knowingly makes, assembles, sets up, maintains, sells, lends, leases, gives away or offers for sale, loan, lease or gift, any punchboard, drawing card, slot machine or any device to be used for gambling purposes, except playing cards





# PENNSYLVANIA CRIMES CODE

(continued)

(2) allows persons to collect and assemble for the purpose of unlawful gambling at any place under his control

(3) solicits or invites any person to visit any unlawful gambling place for the purpose of gambling; or

(4) being the owner, tenant, lessee, or occupant of any premise, knowingly permits or suffers the same, or any part thereof, to be used for the purpose of unlawful gambling



# GAMBLING

- However, there is *NO* definition of gambling in the *Crimes Code*.
- Gambling is not specifically defined by Statute in Pennsylvania.
- Instead we must refer to *Commonwealth Court* decisions to define gambling.



# GAMBLING

PENNSYLVANIA COURTS HAVE DETERMINED THAT GAMBLING CONSISTS OF THREE BASIC ELEMENTS:

(PLCB V. PPC CIRCUS BAR, INC.)

CONSIDERATION + CHANCE + REWARD =

# GAMBLING



# ELEMENTS OF GAMBLING

- Let's look at each of the three elements individually:
  - Consideration
  - Chance
  - Reward

All three elements must be present to establish that an activity constitutes gambling.



# CONSIDERATION

- **COST TO BEGIN PLAY OR EVENT**
  - bet
  - wager
- **EXAMPLES**
  - block purchase in pool
  - “buy-in” in poker tournament
  - purchase of pull tab
  - money in slot machine



# CHANCE

- **EVENT OUTCOME BASED WHOLLY OR PREDOMINANTLY ON CHANCE**
  - “Dominant Factor Test”
  - Individual has little to no effect over outcome
- **EXAMPLES**
  - roll of dice or turn of card
  - result of race or sporting event
- **SKILL**
  - to be considered a skill, a person would have to be able to master the game
    - Darts, billiards, etc.
    - Playing poker may involve some skill or knowledge, however the cards are still dealt randomly



# REWARD

- Return to player for winning event
  - May be cash, merchandise, service or anything of value
  - For video games, free games DO NOT constitute reward.
- If the value of the available prize(s) for an individual chance is less than the cost of the chance (consideration), then the contest is not gambling
  - E.G. Duck pond game



# LEGAL VS. ILLEGAL GAMBLING

- Currently, the only forms of gambling authorized by statute in Pennsylvania are:
  - Gambling activities conducted pursuant to the Horse Racing Industry Reform Act.
  - Pennsylvania Lottery
  - Bingo conducted pursuant to the Bingo Law
  - Gambling activities conducted pursuant to the Local Option Small Games of Chance Act
  - Gambling activities conducted pursuant to the Pennsylvania Race Horse Development and Gaming Act (slots).





# LEGAL VS. ILLEGAL GAMBLING

## PA Superior Court Decision Commonwealth vs. Betres (1975)

“Unlawful gambling is ANY gambling that has not been authorized by Legislature.”



# COMMON UNLAWFUL GAMBLING ACTIVITIES

- Texas Hold'em Tournaments
- Night at the Races
- Paddle Auctions
- Casino Nights
- Pools – football, basketball, NASCAR, etc.
- “Chinese Auctions”
- Vertical wheel or “Chuck-a-luck Wheel”
- Video Gambling Devices – video poker or slots



**NONE OF THESE ACTIVITIES ARE AUTHORIZED  
BY THE SMALL GAMES OF CHANCE ACT**



# THE SMALL GAMES OF CHANCE ACT

# LEGISLATIVE INTENT

## § 102. Legislative intent

The General Assembly hereby declares that the playing of small games of chance for the purpose of raising funds, by certain nonprofit associations, for the promotion of charitable or civic purposes, is in the public interest. In some cases the proceeds from games of chance may be utilized to support certain operating expenses of certain organizations.

It is hereby declared to be the policy of the General Assembly that all phases of licensing, operation and regulation of small games of chance be strictly controlled, and that all laws and regulations with respect thereto as well as all gambling laws should be strictly construed and rigidly enforced.

The General Assembly recognizes the possibility of association between commercial gambling and organized crime, and wishes to discourage commercialization of small games of chance, prevent participation by organized crime and prevent the diversion of funds from the purposes herein authorized.

(EMPHASIS ADDED)



# NEW DEFINITIONS

## CLUB

An organization that:

- (1) is licensed to sell liquor under section 404 of the liquor code (Hotels, Restaurants & Clubs); and
- (2) qualifies as an exempt organization under section 501(c) or 527 of the IRS code

## CLUB LICENSEE

A “club” that holds a license to conduct small games of chance.



# NEW DEFINITIONS

## 50/50 DRAWING

- A game in which:

- a participant buys a ticket for a chance to win a prize where the winner is determined by a random drawing of corresponding tickets sold for that drawing.
- the prize paid to the winner is comprised of one-half of the money collected from tickets from the drawing and the remaining money retained by the eligible organization for distribution in accordance with this act.



# NEW DEFINITIONS

## AFFILIATED NONPROFIT ORGANIZATION\*

An organization established by or affiliated with a MAJOR LEAGUE SPORTS TEAM defined as a team that is a member of:

- Major League Baseball (MLB)
- The National Hockey League (NHL)
- The National Basketball Association (NBA)
- Major League Soccer (MLS)



For the purpose of raising funds for A charity, which is qualified for an exemption under section 501(c)(3) of the internal revenue code.

(\*ADDED TO THE DEFINITION OF "ELIGIBLE ORGANIZATION")



# NEW DEFINITIONS

## MAJOR LEAGUE SPORTS DRAWING

A 50/50 drawing conducted by an affiliated nonprofit organization at a home game of a major league sports team in which 50% of the money collected from ticket sales from the drawing are offered as the prize and the remaining 50% is retained by the affiliated nonprofit organization sponsoring the drawing for distribution to charitable organizations.





# TYPES OF LICENSES

- “Regular” License – issued to eligible organizations which own their own premise or lease a specific location to conduct normal business. Permits holders to operate SGOC during entire licensing year. [SGOCA § 307 (B.1)]
- Limited Occasion License – issued to eligible organizations which do not own their own premises or which do not lease a specific location to conduct their normal business.
  - no more than three occasions covering a total of seven days a year.
  - no more than two raffles during a licensed year where prizes may not exceed the established limits for regular monthly raffles. [SGOCA § 307 (B.3)]



# THE SMALL GAMES OF CHANCE ACT

## APPLICATION

# APPLICATION

- Specifies address where games of chance are to be conducted.
- Includes an affidavit relating to who will operate games and where they will be operated.
- Specifies operating day and week.
- Lists responsible persons.
- Lists auxiliary groups.



# AUXILIARY GROUPS

- Are **NOT** eligible to obtain a license or limited occasion license.
- Are eligible to conduct SGOC using the license issued to the eligible organization, provided that the auxiliary group is listed on the license and the application.
  - Do not include branches, lodges or chapters of a statewide organization.



# APPLICATION

- Effective March 3, 2012, each application for a license submitted by an eligible organization which has proceeds in excess of \$2,500 in a year\* must include the results of a criminal history check from the Pennsylvania State Police for the executive officer and secretary of the eligible organization making the application.

\*Change made by Act 184

[SGOCA § 307 (H)]

- The results shall be no more than 60 days old.
- Effective Feb. 1, 2013, each application for a club license must include the most recent report filed with the department.

[SGOCA § 307 (E)]



# APPLICATION

## PSP Background Check

- E-Patch - Pennsylvania Access To Criminal History
  - <https://epatch.state.pa.us>
- Results may take up to two or three weeks.
  - Results may be delayed if an individual with the same or similar name has a criminal history.



# APPLICATION

## Affidavit

PAGE 2

**11** As the executive officer or secretary of the eligible organization, I certify, under penalties of perjury and falsification found in 18 Pa. C.S.A. §4901 et seq., that:

- A. No person under 18 years of age shall be permitted to operate or play games of chance.
- B. No person who will manage, set up, supervise or participate in the operation of games of chance has been convicted of a felony, a violation of the Bingo Law, or the Local Option Small Games of Chance Act.
- C. The facility in which games of chance are to be played has adequate means of ingress and egress and adequate sanitary facilities available in the area and meets all Department of Health and other local or federal sanitary requirements.
- D. The eligible organization is the owner of the premises upon which the games of chance are played; or, if it is not, the organization is not leasing such premises from the owner under an oral agreement, nor is it leasing such premises from the owner under a written agreement as a rental which is determined by the amount of receipts realized from the playing of games of chance or by the number of people attending, except for a banquet where a per head charge is applied connecting to the serving of a meal.
- E. The organization has not been convicted of a violation of the Act of Dec. 19, 1988 (P.L. 1262, No. 156), known as the Local Option Games of Chance Act.

I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, all information provided is true, correct and accurate.

Signature of Officer Preparing Application	Date of Birth	Title	Date
Print Name	Social Security Number (Optional)		Telephone Number

**12** COMMONWEALTH OF PENNSYLVANIA

COUNTY OF \_\_\_\_\_

Before me this day personally appeared \_\_\_\_\_, who, being duly sworn according to law, deposes and says that the statements contained in the foregoing application are true and correct.

Subscribed and sworn to before me this date: \_\_\_\_\_  
Month Day Year

**DOES NOT INCLUDE ADMINISTRATIVE VIOLATIONS**

# APPLICATION

## Responsible Persons

**SCHEDULE B** - List the following data for all officers, directors, owners and partners. If incorporated, list all officers and shareholders controlling 10 percent or more of outstanding stock. If organized as a partnership, list data for all partners. For all other entities, list data of any other financially responsible person.

Full Name	Date of Birth	Title or Relationship	Social Security Number (Optional)
Complete Mailing Address			Telephone Number
Full Name	Date of Birth	Title or Relationship	Social Security Number (Optional)
Complete Mailing Address			Telephone Number
Full Name	Date of Birth	Title or Relationship	Social Security Number (Optional)
Complete Mailing Address			Telephone Number

**SCHEDULE C** - List all persons who will be responsible for operation of games of chance, including employees, bar personnel and organizational members or auxiliary members who will obtain and coordinate use of games of chance.

Full Name	Date of Birth	Title or Relationship	Social Security Number (Optional)
Complete Mailing Address			Telephone Number
Full Name	Date of Birth	Title or Relationship	Social Security Number (Optional)
Complete Mailing Address			Telephone Number
Full Name	Date of Birth	Title or Relationship	Social Security Number (Optional)
Complete Mailing Address			Telephone Number



# NEW APPLICATION

## Responsible Persons

- Changes must be reported to the issuing authority within 15 days.
- Information on file with the issuing authority **MUST** be accurate.



# THE SMALL GAMES OF CHANCE ACT

## OPERATION OF GAMES

# PERMITTED GAMES

- The Act is very specific as to the games of chance that are permitted. They are:
  - Punchboards
  - Pull-Tabs
  - Raffles (including lotteries)
  - Daily Drawings
  - Weekly Drawings
  - 50/50 Drawings\*
    - Major League Sports Drawing\*



\* Added by Act 184

# OPERATION OF GAMES

- Only licensed eligible organizations or auxiliary group managers, officers, directors, bar personnel or bona fide members of the licensed eligible organization may conduct games of chance.  
[SGOCA §307(D)(3)]
- A person may not be compensated for conducting games of chance.
  - Example: seller of winning ticket wins a prize or a prize is provided to the top ticket seller.

[SGOCA §307(D)(3)]



# OPERATION OF GAMES

(CONTINUED)

- No person under the age of 18 may operate or participate in S.G.O.C. [SGOCA §307(D)(1)]
- A person visibly intoxicated may not purchase or sell a punchboard or pull-tab chance. [R&R §901.731]



# OPERATION OF GAMES

(CONTINUED)

- An officer or employee of a club licensee who operates a game of chance shall not participate in the game. [SGOC §502(B)(2)]
  - This does not apply to a raffle.
- Intent of Subsection 502(B)(2):
  - This subsection is intended to prohibit persons with inside knowledge, influence or control of a game from participating in that game in an effort to prevent any fraudulent or criminal activities.



# OPERATION OF GAMES

(CONTINUED)

- What is meant by the phrase, “operates a game of chance?”
  - As the wording, “the game of chance” and not “games of chance” is used in the Subsection it not a blanket prohibition for officers and employees of club licensees.
  - The prohibition would apply only to those particular games in which they participated in the operation.



# OPERATION OF GAMES

(CONTINUED)

- When determining whether an individual's involvement in a specific game of chance constitutes "OPERATING", the following activities should be considered.
  - selling of chances.
  - paying winners
  - note-taking or recording of information (winners, payouts, etc. of the individual game)
  - involvement in the process of selecting a winner.





# OPERATION OF GAMES

(CONTINUED)

- No person who has been convicted of a Felony within the last five years or of a violation of the S.G.O.C. Act or Bingo Act within the past ten years may:

- Manage S.G.O.C.

- Set-up S.G.O.C.

- Supervise S.G.O.C.

- Participate in the operation of S.G.O.C.



[SGOCA §307(D)(2)]



# THE SMALL GAMES OF CHANCE ACT

## USE OF PROCEEDS



# USE OF PROCEEDS

PROCEEDS - Defined in the Act as the difference between:

- the actual gross revenue collected by a licensed eligible organization from a game of chance; and
- the actual amount of prizes paid by a licensed eligible organization from a game of chance, plus the cost to purchase games of chance.

[SGOCA §103]

- Proceeds are to be maintained in a Separate bank account.

[SGOCA §307(D.1)]



# S.G.O.C. Math

Gross Revenue from Game(\$\$\$)

- Costs (\$)

- Prizes (\$)

---

**PROCEEDS (\$)**



# EXAMPLE OF RAFFLE PROCEEDS

\$10000	Sale of 1000 tickets
- \$100	Printing Costs
- \$5000	Prizes
<hr/>	
\$4900	Proceeds



# USE OF PROCEEDS

## (CONTINUED)

- The proceeds from the operation of small games of chance may be used for only four purposes:
  - purchase of small games of chance.
  - public interest purposes.
  - certain operating expenses of certain eligible organizations.
  - for the payment of the license fee or for the payment of the fee for background checks\*



[SGOCA §301]

\* Added by Act 184



# USE OF PROCEEDS

(CONTINUED)

Public interest purposes are defined in the Act as:

1. The activities and operations of a nonprofit benevolent, religious, educational, philanthropic, humane, scientific, patriotic, social welfare, social advocacy, public health, public safety, emergency response, environmental or civic objective.
2. Initiating, performing or fostering worthy public works or enabling or furthering the erection or maintenance of public structures.



# USE OF PROCEEDS

(CONTINUED)

3. Lessening the burdens borne by government or voluntarily supporting, augmenting or supplementing services which the government would normally render to the people.
4. Improving, expanding, maintaining or repairing real property owned or leased by an eligible organization and relating operational expenses used for purposes specified in paragraphs (1), (2) and (3).
  - The term does not include the erection or acquisition of any real property, unless the property will be used exclusively for one or more of the purposes specified in this definition.

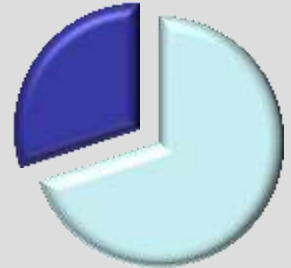




# USE OF PROCEEDS

## CLUB LICENSEES

- The proceeds from games of chance received by a club licensee shall be distributed as follows:



- No less than 70% of the proceeds shall be paid to organizations for public interest purposes in the calendar year in which the proceeds were obtained.

[SGOCA §502(A)(1)]

- No more than 30% of the proceeds may be retained by a club licensee and used for certain operational expenses relating to the club licensee.

[SGOCA §502(A)(2)]



# USE OF PROCEEDS

## CLUB LICENSEES

- Approved “operational expenses”:
  - Real property taxes.
  - Utility and fuel costs.
  - Heating and air conditioning equipment or repair costs.
  - Water and sewer costs.
  - Property or liability insurance costs.
  - Mortgage payments.
  - Interior and exterior repair costs, including repair to parking lots.
  - New facility construction costs.
  - Entertainment equipment, including television, video and electronic games.
  - SGOCA licensing fee and background check fees.

[SGOCA §103]



# USE OF PROCEEDS

## CLUB LICENSEES

- Proceeds retained by a club licensee for approved operational expenses (30%) shall be expended within the same calendar year unless the club notifies the Department of Revenue that funds are being retained for a substantial purchase or project.
- Notification shall include:
  - a description of the purchase or project.
  - the cost.
  - the anticipated date of the purchase or the project.

[SGOCA §502(A.1)]



# USE OF PROCEEDS

## CLUB LICENSEES

- **PROCEEDS FROM SGOCA SHALL NOT BE UTILIZED FOR:**
  - WAGES
  - ALCOHOL OR FOOD PURCHASES
  - FOR THE PAYMENT OF ANY FINE LEVIED AGAINST THE CLUB LICENSEE.

[SGOCA §502(A.1)(B)(1)]



# USE OF PROCEEDS

## CLUB LICENSEES

The intent of the legislation is that the 70% of SGOC proceeds that are to be paid to other organizations are to be utilized in the “public interest.”

Any attempts to divert these funds from their intended purpose will likely result in prosecution.



# EXAMPLES OF “PUBLIC INTEREST PURPOSE” EXPENSES

- Support of youth programs
  - e.g. sports, youth centers, etc.
- Donations to food pantries
- Community projects
- Donation to certain charitable or non-profit organizations
  - “Non-profit” does not necessarily indicate an organization serves a “public interest purpose.”
- Purchase of fire and rescue equipment



# THE SMALL GAMES OF CHANCE ACT

## PRIZE LIMITS

# PRIZE LIMITS

- General Prize limits – All games of chance EXCEPT weekly drawings:

–\$1,000 for single chance. [SGOCA §302(A)]

–\$25,000 total for operating week.

- Listed in the Act as the “Aggregate Prize Limit”

[SGOCA §302(B)]

- Weekly drawings are only limited by the \$25,000 weekly limit. [SGOCA §302(H)]





# PRIZE LIMITS

(CONTINUED)

- Prize limit for raffles:
  - \$10,000 per calendar month. [SGOCA §302(C)]
- Exception – Special Permit Raffle
  - \$100,000 per year. (\$150,000 for certain organizations)
  - No \$1,000 limit on individual chance.
  - Prizes not included when calculating weekly total. [SGOCA §308(A)]
- There are additional exceptions for Daily and Weekly Drawing prizes under specific circumstances and for Major League Sports Drawings.



# THE SMALL GAMES OF CHANCE ACT

DISCUSSION OF  
INDIVIDUAL GAMES

# DAILY DRAWINGS

- Term includes Sign-in Drawings and Half-and Half Drawings. [SGOCA §103]
- Requirements:
  - Chances may only be purchased by bona fide members.
  - May only be sold on the licensed premises.
  - No more than \$1 per chance.
  - No more than one chance per member.
  - Drawing **MUST** be conducted during same operating day in which chances were sold.
  - No requirement that person be present.
    - May not reduce prize if winner is not present.

[R&R §901.784]



# DAILY DRAWINGS

(CONTINUED)

- May be operated in the same week as “Weekly Drawings” \*
- No restriction on the number of daily drawings permitted in an operating day. \*

\* Changed in Act 2

## • BONA FIDE MEMBER

- Any individual who holds a membership in the eligible organization as defined by that organization's constitution, charter, articles of incorporation or bylaws.
  - Social members may or may not be “bona fide members.”
  - Ensure by-laws permit social members.



# DAILY DRAWINGS

(CONTINUED)

- Daily Drawing prize limits
  - Generally subject to \$1,000/chance limit and prizes are added when calculating \$25,000/week prize limit.

## -EXCEPTIONS:

- Prize may exceed the \$1,000 per chance limit if a portion of the prize is a “carryover” of a drawing with no winner.
- Not applicable if no drawing is held or if chances are sold for more than \$1.

[SGOCA §302(F)]



# DAILY DRAWINGS

(CONTINUED)

- **PRIZE LIMIT EXCEPTIONS** (continued)

- Prizes in daily drawings may cause an organizations prize total to exceed the \$25,000 weekly limit if the drawing is set up to pay out 100% of the gross revenues.

[SGOCA §302(G)]

- In this case, the prizes are not added to the weekly total.
    - Such prizes may not, however, exceed the \$1,000 per chance limit unless it is paid pursuant to a “carryover” drawing.

- The rules of the game must be prominently displayed.

[R&R §901.783]



# WEEKLY DRAWINGS

- Requirements:

[SGOCA §103]

- Chances may only be purchased by bona fide members.
- May only be sold on the licensed premises.
- No more than \$1 per chance.
- One drawing per operating week.
  - Drawing **MUST** be conducted during same operating week in which chances were sold



# WEEKLY DRAWINGS

- **Requirements** (Continued): [SGOCA §103]
  - More than one chance per member permitted.
    - The eligible organization's rules dictate how many and in what manner.
  - No requirement that person be present.
    - May not reduce prize if winner is not present. [R&R §901.794]
  - May be operated in same operating week as "Daily Drawings." Changed in Act 2





# WEEKLY DRAWINGS

(CONTINUED)

- Weekly Drawing prize limits:
  - Prize may exceed \$1,000 per chance limit.
  - Generally prizes in a weekly drawing are added when calculating aggregate (weekly) prized totals. (\$25,000 per week limit.)
  - **EXCEPTION**
    - A weekly drawing may also exceed the \$25,000 prize limit if it is set up to pay out 100% of the revenues generated. [SGOCA §302(G)]
      - In this case, the prizes are not added when calculating the organization's weekly prize total.
    - Not applicable if chances are sold for more than \$1 [SGOCA §302(H)]



# PUNCHBOARDS

- A Punchboard must comply with the following:
  - Must be purchased from licensed distributor.
  - Minimum 60% payout.
  - Winning punchboard plays should be perforated, punched or marked when redeemed.
  - Prize for individual punch may not exceed \$1,000. **No exceptions.**
  - Flare provided by manufacturer must be unaltered and on display.
    - Substitute flare may be displayed if it meets all requirements.
  - All winners must be predetermined by the manufacturer [R&R 901.621-901.628]



# PULL-TABS

- A pull-tab deal must comply with the following:
  - Must be purchased from licensed distributor.
  - Minimum 65% payout.
  - Prize for individual pull-tab may not exceed \$1,000. **No exceptions.**
  - Flare provided by manufacturer must be unaltered and on display.
    - Substitute flare may be displayed if it meets all requirements.
  - No more than 4,000 pull-tabs per deal.
  - Only one flare displayed per deal.
  - Winners and prizes must be predetermined by the manufacturer.

[R&R 901.601-901.609]



# PULL-TABS (CONTINUED)

- Winning pull-tabs should be perforated, punched or marked when redeemed.
- Tip Boards are a form of pull-tab
  - Must meet all requirements for pull-tabs.
  - Prizes must be predetermined by manufacturer.



114 \_\_\_\_\_

115 \_\_\_\_\_

116 \_\_\_\_\_

PA FORM-A 120TIPCSI

SEALED NUMBER IS WINNER

PRICE PER PLAY \$1.00

TOTAL PRIZE \$100.00

GROSS PROFIT \$20.00

**INFORMATION ON  
REVERSE OF TIP BOARD**

# RAFFLES

- Two types:
  - “Regular” Raffle
    - May be conducted by any licensed eligible organization.
  - Special Permit Raffle
    - Permit is obtained through the issuing authority.
    - Special permit not available to limited occasion licensees.
    - A permit is valid for only one raffle.



# RAFFLES

## “Regular” Raffles

- Subject to \$1,000 per chance prize limit.
- Prizes counted towards \$25,000 weekly limit.
- Limited to \$10,000 per calendar month in total prizes.
- Limited occasion licensees must see all chances and award prizes during limited licensing period.



# RAFFLES

## Special Permit Raffles

- General prize limits do not apply.
  - No \$1,000 per chance prize limit.
  - No \$10,000 per month prize limit.
  - Prizes not added when calculating weekly prize totals.
- May award a total of \$100,000 in prizes per calendar year in special permit raffles.
  - \$150,000\* for fire, ambulance and rescue organizations.
- Licensed organizations may apply for eight per license year. (previously calendar year)
  - Ten for fire, ambulance and rescue organizations (not club licensees)



\* Increased by Act 2

[SGOCA §308(A)]





# RAFFLES

(CONTINUED)

Both types of raffles must comply with the following:

[R&R 901.745]

- Ticket printing requirements:
  - Must be sequentially numbered and have a detachable stub with the same number.
  - Must be accounted for by the use of a logbook showing to whom they were given to be sold.
  - Stub must contain the purchaser's name address and phone number.
  - Minimum information required on ticket:
    - The date time and location of the drawing
    - The name of the licensee
    - SGO license number
    - Special raffle permit number if applicable
    - Must list the cost of the ticket and the available prizes.



# RAFFLES

(CONTINUED)

- There must be a winner in a raffle.
  - The eligible organization may NOT be a ticket holder and is not eligible to win.
- Drawing must be conducted in plain view of players present.
  - Use of state lottery number is permissible.
    - Only when tickets sales equal the total possible numbers.
    - E.g. 1000 tickets must be sold to utilize the daily number.
- Winners need not be present.
- Tickets do not have to be purchased from licensed distributors.
  - must provide the printer with a copy of your S.G.O.C. license and Special Raffle Permit if applicable.



# 50/50 Drawings

## Proposed Guidelines for Operation

- **Tickets:**

- Two part Individually numbered.
- Ticket and stub have same number.

- **Operation:**

- Tickets sold individually.
  - No “arms length”, etc.
  - Simplifies recordkeeping.
  - Reduces opportunities for theft and fraud.



# 50/50 Drawings

## Proposed Guidelines for Operation

(CONTINUED)

- **Drawing:**
  - Conducted in plain view of players.
- **Prizes:**
  - Half of money collected must be paid to winner.
  - All prize limits apply.
    - \$1,000 per chance prize limit.
    - Prizes are added when calculating weekly prize total.



# MAJOR LEAGUE SPORTS DRAWING

- **GENERAL RULE**

- A person may purchase one or more major league sports drawing tickets at a home game.
  - no more than one major league sports drawing per home game.
  - no sales permitted in designated family sections.
- Each ticket purchased shall represent one entry in the drawing.
- A single ticket shall be randomly chosen as the winner after a certain number of tickets are sold or a specified time period expires as designated by the affiliated nonprofit organization.



# MAJOR LEAGUE SPORTS DRAWING

## DESIGNATED CHARITABLE ORGANIZATION

- The affiliated nonprofit organization conducting the major league sports drawing shall disclose to all ticket purchasers the designated charitable organization for which the major league sports drawing is being conducted.
- The designated charitable organization must:
  - be in existence and fulfilling its purposes for at least two years prior to the drawing
  - be eligible for exemption under section 501(c)(3) of the internal revenue code.
    - A political subdivision shall not qualify as a charitable organization.



# MAJOR LEAGUE SPORTS DRAWING

## PRIZE DISTRIBUTION

- The prize amount of a major league sports drawing shall be 50% of the total amount collected from the sale of tickets.
- The other 50% of the total amount collected from the sale of tickets shall be donated within seven days from the date of the drawing to the designated charitable organization for which the drawing was conducted.
- Unclaimed prizes shall be donated within 30 days from the end of the season to the designated charitable organization for which the major league sports drawing was conducted.



# MAJOR LEAGUE SPORTS DRAWING

## PRIZE LIMITS

- Prizes in Major League Sports Drawings and not subject to the general prize limits.
  - May exceed the \$1,000 per chance limit
  - May exceed the aggregate or weekly \$25,000 limit.





# ADVERTISING

- **GENERALLY:**

- It is unlawful to advertise prizes or their dollar value.

- Applies to a games of chance



- **EXCEPTION:**

- Prizes and their value may be displayed on a raffle ticket.

- Prizes and their values may be advertised in a publication limited in circulation to members.

[SGOCA §704]

*Advertising prohibition does not apply to  
Major League Sports Drawings (Act 184)*



# THE SMALL GAMES OF CHANCE ACT

LICENSED PREMISES AND  
LOCATION OF GAMES

# LICENSED PREMISES AND LOCATION OF GAMES

- GENERAL RULE

- Games of chance may only be conducted on the licensed eligible organizations licensed premises.

- Address / location on SGOC license.

- Eligible organization may not share the same premise.

- One license per location.

[SGOCA §307(B.1)(1)]



# LICENSED PREMISES AND LOCATION OF GAMES

(CONTINUED)

- When a premises exists, the eligible organization shall identify its licensed premises on its license application.
  - When a premises consists of more than one building, the organization must indicate the specific building where the games will be conducted.

[SGOCA §307(B.1)(2)]



# LICENSED PREMISES AND LOCATION OF GAMES

(CONTINUED)

- When a organization does not own or lease a specific location to conduct its normal business, they may obtain a Limited Occasion License and utilize another licensed organization's premises to conduct games or enter into a written lease agreement at an unlicensed location.

– In cases where an organization uses the premise of another, the “host” organization may not operate SGOCA at the same time.

[SGOCA §307(B.1)(4)]



# LICENSED PREMISES AND LOCATION OF GAMES

(CONTINUED)

## Major League Sports Drawings

-for purposes of major league sports drawings, the facility at which a major league sports team conducts its games shall constitute a premises for purposes of the Act.



# LICENSED PREMISES AND LOCATION OF GAMES

(CONTINUED)

- A licensed eligible organization may not permit another licensed eligible organization holding a “Regular” SGOC license to conduct games of chance on their licensed premise.
  - Does not apply to limited occasion licensees.

[SGOCA §307(B.1)(1)]



# LICENSED PREMISES AND LOCATION OF GAMES

(CONTINUED)

## EXCEPTIONS TO OPERATING ON LICENSED PREMISE:

- Raffle Ticket Sales
- Certain Annual Events
- 50/50 Drawings (certain organizations)
- Premise Rendered Unusable





# LICENSED PREMISES AND LOCATION OF GAMES

(CONTINUED)

## EXCEPTIONS – *Raffle Ticket:*

–Raffle tickets may be sold in any municipality that has approved a small games of chance referendum.

- If an licensed organization plans to sell raffle tickets in a county other than that in which it is licensed, they must notify the District Attorney and licensing authority of the other county as to the dates and location of sales.



[SGOCA §307(B.2)(2)]



# LICENSED PREMISES AND LOCATION OF GAMES

(CONTINUED)

## EXCEPTIONS – *Annual Event*:

- A licensed eligible organization may conduct games of chance at a location off its premises when they are part of an annual carnival, fair, picnic or banquet held or participated in by that licensed eligible organization on a historical basis.
  - Notification in writing to the district attorney and licensing authority.
  - Notification must include the location, date and times of the event.

[SGOCA §307(B.2)(1)]



# LICENSED PREMISES AND LOCATION OF GAMES

(CONTINUED)

## EXCEPTIONS – 50/50 Drawings:

- The following eligible organizations established to raise funds shall not be required to conduct a 50/50 drawing or a raffle at a licensed premises or to own, lease or establish a licensed premises:
  1. A nonprofit sports team.
  2. A primary or secondary school sponsored club, sports team or organization.
    - “Booster Clubs”

(Exception added by Act 184)



# LICENSED PREMISES AND LOCATION OF GAMES

(CONTINUED)

## EXCEPTIONS – Unusable Location:

- If an eligible organization is unable to conduct games of chance at the location listed on its application and license due to:
  - natural disaster
  - fire
  - other circumstance that renders the location unusable
- They may, upon approval of the District Attorney, conduct games of chance at a different location
  - including the premise of another eligible organization.



# LICENSED PREMISES AND LOCATION OF GAMES

(CONTINUED)

The eligible organization must submit a written request to the District Attorney. The request must include the change in the location and the dates and times the games of chance will be operated at the alternative location.

- District Attorney may approve or deny the request or stipulate additional requirements as a condition of approval and shall establish a time limit.
- Following the expiration of the authorization period, the eligible organization must return to the location specified in its application and license or apply to the licensing authority for a new permanent location.



**GAMBLING ON P.L.C.B.  
LICENSED PREMISES**

**CLUB LICENSEES**

# GAMBLING ON P.L.C.B. LICENSED PREMISES

- Generally, the five forms of gambling previously listed are permitted on a P.L.C.B. licensed premises with the proper license or authority.
  - State Lottery, Horse Racing, Bingo, S.G.O.C. & Slots
- However, these are the only forms of gambling (legal or illegal) permitted on a licensed premise.



# GAMBLING ON P.L.C.B. LICENSED PREMISES

(continued)

- Even activities that would be permissible elsewhere, are not permitted on P.L.C.B. licensed establishments.
  - Example:
    - Sale of raffle tickets (with no S.G.O.C. license)
- Commonwealth vs. Kehler





# GAMBLING ON P.L.C.B. LICENSED PREMISES

(continued)

- Where all three elements of gambling exist, if one or more element occurs on a P.L.C.B. licensed premise, gambling is considered to have occurred on the premise.
  - Example: Dice & Poker Runs – the element of chance FREQUENTLY occurs on P.L.C.B. licensed premises.



# GAMBLING ON P.L.C.B. LICENSED PREMISES

(CONTINUED)

- If a P.L.C.B . licensee wishes to permit another organization to conduct S.G.O.C. or bingo on their premise, that organization **MUST** be registered as a charitable organization with the Pennsylvania Department of State.
  - Specific exemption to self sponsored tournament, contest or event regulations.
  - Administrative violation for the P.L.C.B. licensee.



# THE SMALL GAMES OF CHANCE ACT

## REQUIRED RECORDS

# REQUIRED RECORDS

- GENERAL REQUIREMENTS

- Generally SGOC records must be maintained for a period of two years.

- From last day of month in which game ended.

- Club licensees must retain records for five years. **\*ONLY change in record keeping!**

- Records must include separate totals for each operating week.



# REQUIRED RECORDS

(CONTINUED)

- GENERAL RECORDS INCLUDE :
  - Number of W-2G forms issued and the gross winnings reported.\*
  - Gross revenue collected.
  - Total expenses
  - Total prizes paid
  - Proceeds – separate bank account MUST be maintained.
  - Amount of proceeds used for public interest purposes



# REQUIRED RECORDS

(CONTINUED)

- GENERAL RECORDS FOR CLUB LICENSEES INCLUDE:
  - Number of W-2G forms issued and the gross winnings reported.
  - Gross revenue collected, itemized by week and type of game.\*
  - Total expenses, itemized by week and type of game.\*
  - Total prizes paid, itemized by week and type of game.\*

\* Includes 50/50 drawings.



# REPORTABLE WINNINGS/ W-2G

- When an organization awards a prize in excess of a specified amount on a single chance, the organization is responsible to issue and file a W-2G.
  - Unless the winnings are from poker, keno, bingo, or slot machines, you must report a payment of winnings, including raffle prizes, when the amount paid is:
    - \$600 or more, AND at least 300 times the amount of the wager.
    - In determining whether the \$600 threshold is met, you may reduce the winnings by the amount of the wager.

- IRS Publication 3079



# REQUIRED RECORDS

(CONTINUED)

- **GENERAL RECORDS FOR CLUB LICENSEES** (CONTINUED):

- Proceeds, itemized by week and type of game, detailing the following:

- Amount of proceeds used for public interest purposes.

- Dates, recipients and amounts.

- Amount of proceeds used for operational expenses.

- Details regarding amount used for each permitted expense.





# REQUIRED RECORDS

(CONTINUED)

## RAFFLES

- Record for each raffle should include:
  - Gross proceeds received.
  - Expenses.
  - List of merchandise, prizes and their receipts.
  - Names and address for all winners over \$100.
  - Cash value of all prizes.



# REQUIRED RECORDS

(CONTINUED)

## PUNCH-BOARDS AND PULL-TABS

- Punch-Board and Pull-Tab records should include:
  - Name and serial number of games.
  - Date placed into and removed from play.
  - Total number of plays in each game.
  - Cost per play, cost of prizes paid and cash value of all prizes in games.
  - If a prize is awarded in excess of \$100:
    - The form and serial number of the game.
    - The name of the game.
    - Date of win.
    - The amount of cash or the cash value and description of merchandise.
    - The full name and address of the winner.



# REQUIRED RECORDS

(CONTINUED)

## PUNCH-BOARDS AND PULL-TABS

(CONTINUED)

- All unplayed chances must be retained for two years
- All winning chances for prizes in excess of \$100 must also be retained for two years.

(as these requirements are listed separately from the recordkeeping requirements in the rules and regulations the new 5 year retention period for club licensees does not apply)



# REQUIRED RECORDS

(CONTINUED)

## DAILY AND WEEKLY DRAWINGS

- Eligible organizations records must include:
  - Type of drawing (daily and/or weekly).
  - Operating day or week in which chances are sold and the date/time of drawing.
  - List of entrants.
  - Each entrant's assigned number.
  - Gross proceeds and payout percentage.
  - Winner's name. (and address if > \$100)
  - Winners signed acknowledgment of receipt of prize.
  - Notation if the drawing is a "carryover" and the amount carried over.



# REQUIRED RECORDS

(CONTINUED)

## 50/50 DRAWINGS - Proposed

- Records for 50/50 drawings should include:
  - Date ticket sales commenced.
  - Date ticket sales ended.
  - Total number of chances sold.
  - Cost per chance.
  - Expenses directly related to the operation of the game.
    - Cost of tickets used in the specific drawing, not the entire roll unless used in its entirety.
  - Amount of prize paid.
  - If a prize is awarded in excess of \$100:
    - The full name and address of the winner.



# REQUIRED RECORDS

(CONTINUED)

- Additionally, separate annual records must be kept for:
  - The number and amount of all prizes awarded in excess of \$100.
    - Includes 50/50 prizes.
  - The total amount of all prizes awarded in each 7-day period.
    - Includes 50/50 prizes.
  - The amount of raffle prizes awarded each month.



# THE SMALL GAMES OF CHANCE ACT

## REPORTING REQUIREMENTS

# REPORTING REQUIREMENTS

Beginning Feb. 1, 2013:

- Eligible organizations with proceeds in excess of \$2,500 in a year\* must electronically file annual reports with the Department of Revenue for the proceeding calendar year.
- Club licensees – those organizations with liquor licenses that hold licenses to conduct small games of chance – are required to electronically file semi-annual reports with the department regardless of annual proceeds.

\* Added by Act 184

The Department of Revenue anticipates its electronic reporting system will be accessible online sufficiently in advance of the Feb. 1, 2013, filing deadline. Additional information will be posted at [www.revenue.state.pa.us/SGOC](http://www.revenue.state.pa.us/SGOC) as it becomes available.





# REPORTING REQUIREMENTS

Eligible organizations with annual proceeds in excess of \$2,500 will have to report the following annually (by Feb. 1 for the preceding calendar year) with respect to small games of chance:

- Number of W-2G forms issued
- Total gross winnings reported on W-2G forms
- Gross revenue collected from small games of chance
- Total expenses associated with small games of chance
- Total prizes paid
- Proceeds
- Amount of proceeds used for public interest purposes



# REPORTING REQUIREMENTS

*All Club licensees, regardless of annual proceeds, will have to report the following twice a year (by 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) with respect to small games of chance:*

- *Number of W-2G forms issued*
- *Total gross winnings reported on W-2G forms*
- *Gross revenue collected for all games of chance, itemized by week and type of game*
- *Total small games of chance expenses, itemized by week and type of game*
- *Total prizes paid, itemized by week and type of game*



# REPORTING REQUIREMENTS

*Club licensees* will have to report the following twice a year with respect to small games of chance:

Proceeds, itemized by week and type of game, detailing the following:

- Amount of proceeds used for public interest purposes, including details regarding the date(s) distributed, name of recipient(s) and the amount(s) distributed; and
- Amount of proceeds used for operational expenses, including details regarding amount used for real property taxes, utility and fuel costs; heating and air conditioning equipment or repair costs; water and sewer costs; property or liability insurance costs; mortgage payments; interior and exterior repair costs, including repair to parking lots; new facility construction costs; entertainment equipment, including television, video and electronic games; and the description, completion date; amount retained for a substantial purchase or project; and the description, completion date and amount retained for a substantial purchase or project.



# REPORTING REQUIREMENTS

Amount of proceeds used for operational expenses, including details regarding amount used for:

- real property taxes
- utility and fuel costs
- heating and air conditioning equipment or repair costs
- water and sewer costs
- property or liability insurance costs
- mortgage payments
- interior and exterior repair costs, including repair to parking lots
- new facility construction costs
- entertainment equipment, including television, video and electronic games; and
- the description, completion date; amount retained for a substantial purchase or project; and the description, completion date and amount retained for a substantial purchase or project.



# REPORTING REQUIREMENTS

Additionally, 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.

- The information to be supplied regarding retained proceeds includes the following:
  - the description of the project
  - the anticipated completion date
  - amount retained.



# THE SMALL GAMES OF CHANCE ACT

## PENALTIES

# PENALTIES

## ENFORCEMENT

### CLUB LICENSEES

- B.L.C.E / Administrative Law Judges.

### OTHER ELIGIBLE ORGANIZATIONS

- District Attorney.
- Local law enforcement.



# PENALTIES

## CRIMINAL

### Eligible organizations

- An eligible organization violating the act is guilty of a summary offense, and shall pay a fine of up to \$1000 for a first offense and \$1,500 for each subsequent offense and:
  - 1<sup>st</sup> offense – forfeit its license for not more than 30 days.
  - 2<sup>nd</sup> or subsequent offense – forfeit its license for not less than 30 nor more than 180 days.
  - 3<sup>rd</sup> or subsequent offense For a third offense within three years of the first offense, the eligible organization shall forfeit its license and be ineligible for a license renewal for 30 months thereafter.





# PENALTIES

## CRIMINAL

### Individuals

- A person who conducts, or who assists in the conduct of games of chance in violation of the act is guilty of:
  - 1<sup>st</sup> offense - a summary
  - 2<sup>nd</sup> offense - a misdemeanor of the third degree
  - 3<sup>rd</sup> offense - a misdemeanor of the first degree



# PENALTIES

## CRIMINAL

- Rigging games or accepting contingency fees on the operation of games in a Misdemeanor of the First Degree.



# PENALTIES

## CIVIL PENALTIES

- ELIGIBLE ORGANIZATIONS, OTHER THAN A CLUB LICENSEES:
  - FOR AN INITIAL VIOLATION, UP TO \$500.
  - FOR A SECOND VIOLATION, UP TO \$1,000.
  - FOR A THIRD OR SUBSEQUENT VIOLATION, UP TO \$1,500.



# PENALTIES

## CIVIL PENALTIES

- CLUB LICENSEES:

- FOR AN INITIAL VIOLATION, UP TO \$800.
- FOR A SECOND VIOLATION, UP TO \$1,000.
- FOR A THIRD OR SUBSEQUENT VIOLATION, UP TO \$2,000.

THE INTENTIONAL OR WILLFUL FAILURE OF A CLUB LICENSEE TO PROVIDE ACCURATE RECORDS SHALL RESULT IN A LICENSE SUSPENSION OF A MINIMUM OF SIX MONTHS.



# PENALTIES

(CONTINUED)

- The licensing authority, or, in the case of a club licensee, the Bureau Of Liquor Control enforcement may impose the following penalties:
  - A civil penalty.
  - Suspension or revocation of the license. [702(D)]



# PENALTIES

(CONTINUED)

- *Grounds for suspension, revocation or non-renewal of license:*
  - *Use of proceeds for other than authorized purposes.*
  - *Permitting persons under 18 to operate or play games of chance.*
  - *Permitting person convicted of enumerated crimes to set up, manage, supervise or participate in the operation of games of chance.*
  - *Facility does not meet minimum requirements.*
  - *Permitting unauthorized persons to operate games of chance.*
  - *Compensating persons for conducting games of chance*
  - *Exceeding prize limits.*
  - *Violation the provisions of a special permit.*



# PENALTIES

(CONTINUED)

- *Grounds for suspension, revocation or non-renewal of license (CONTINUED):*
  - *Providing false or erroneous information to the Dept. Of Revenue or issuing authority.*
  - *A criminal conviction of an eligible organization for a violation of the Act.*
  - *Conducting games of chance while permitting another organization to do so.*
  - *Failure to file required reports.*
  - *Failing to file an accurate semi-annual report. (Club Licensees)*
  - *Failure to comply with regulations with respect to distribution of proceeds. (Club Licensees)*



# GENERAL INFORMATION

An up-to-date version of the Local Option Small Games of Chance Act may be accessed at the following web address:

<http://www.legis.state.pa.us/WU01/LI/LI/US/HTM/2012/0/0002..HTM>





# GENERAL INFORMATION

The complete text of the Department of Revenue Rules and Regulation related to Local Option Small Games of Chance can be found at:

<http://www.pacode.com/>

- Go to the above website
- Select "BROWSE" from left column
- Select "61 REVENUE"
- Scroll down to "Chapter 901. Small Games of Chance"
- Click on Small Games of Chance

Or, you may type in the following web address to access the site directly:

<http://www.pacode.com/secure/data/O61/chapter901/chap901toc.html>



# GENERAL INFORMATION

The schedules developed by the Bureau of Liquor Control Enforcement to aid eligible organization in meeting their record keeping requirements and instruction for their use can be found at:

<http://www.lce.state.pa.us>



**QUESTIONS?**