

*****2015 UPDATE: Small Games of Chance Amendments*****

Pennsylvania Governor Tom Corbett signed into law Act 2 amending the Local Option Small Games of Chance Act. This became effective on March 3, 2012. However, the law was subsequently amended several times with the latest changes becoming effective on January 27, 2014. Some highlights include:

- **License and Criminal Background checks** – The regular license must be renewed annually for \$125. The requirement for background checks has been eliminated unless a “distributor license” is applied for.
- **Annual Report** – It has been clarified that eligible organizations that do not have a Club license do not have to file an annual report.
- **A separate bank account** - Must be used for small games of chance income and expenses if the eligible organization has games of chance proceeds that exceed \$40,000 per year. Other funds of the parish, school, or organization, including bingo income are not to be commingled in the account.
- **Record-Keeping Requirements** – Includes the requirement that all records related to games, including a list of the winners’ names and addresses for prizes in excess of \$600, be maintained for at least two years.
- **The individual prize limit** - Increases from \$1,000 to \$2,000, and the maximum amount of prizes that may be awarded during an operating week increases from \$25,000 to \$35,000.
- **IRS Form W-2G** – Issue the winners Form W-2G for sweepstake and lottery winnings of \$600 or more. This includes noncash winnings. Federal income tax withholding of 25% applies for sweepstake and lottery winnings of more than \$5,000. Obtain the winner’s name, address and social security number if you are required to issue a W-2G. You may use Form W-9, *Request for Taxpayer Identification Number and Certification*, to request the Taxpayer’s identification number. You can also go to page 14-1 of the Financial Practices Policy Manual at eriercd.org and irs.gov for additional information.
- **Auxiliary Group, Games Allowed and Miscellaneous Information** – Please refer to the memorandum below issued to the PA Catholic Conf.

Visit www.revenue.state.pa.us/SGOC for details on the requirements of the act. Note that the administration and enforcement of the provisions of the act continue to be the responsibility of each county in the Commonwealth. The Office of Financial Services will provide updates as additional information on any regulations pertaining to the act become available.

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MEMORANDUM TO: Dr. Robert J. O'Hara, Jr.
Executive Director
Pennsylvania Catholic Conference

Mr. Sean McAleer
Education Director
Pennsylvania Catholic Conference

RE: Act 92-2013 -Small Games of Chance Bill (HB 290 [P.N. 2651])

On November 27, 2013, Governor Corbett signed House Bill 290 (P.N. 2651) into law as Act 92 of 2013. Act 92 takes effect on January 27, 2014.

COMMENTS: Act 92-2013 makes numerous changes to The Local Options Small Games of Chance Act. A non-profit charitable, religious, fraternal or veterans' organization, club, civic and service association in existence and fulfilling its purposes for one year prior to the date of application may apply for a license to conduct small games of chance as an eligible organization. Two licenses are available. A regular license must be renewed annually, the fee for which is \$125. The fee for a monthly license, which shall be valid for any period of 30 consecutive days, is \$25.

An auxiliary group of an eligible organization may conduct games of chance using the eligible organization's license if the auxiliary group is listed on the application and license. In such a case, the auxiliary group shall not be eligible to obtain its own license. An auxiliary group is defined to exclude "a branch, lodge or chapter of a [s]tatewide organization."

While games of chance are usually conducted at the premise which is the operating site of the eligible organization, under certain circumstances, an eligible organization may conduct games of chance at a different location if it is not prohibited by local ordinance and the issuing authority is notified of the change. Under certain circumstances three different license holders may operate separate games of chance at the same location.

The most notable change to the law is the addition of three new games of chance. In addition to the Punchboards, Daily Drawings, Weekly Drawings, 50/50 Drawings, Raffles and Pull-tab games presently allowed, Act 92 now allows Race Night games, Raffle Auctions and Pools. Race Night games and Raffle Auctions (otherwise known as Chinese Auctions or Basket Raffles) are common games and familiar events in many parishes and need no explanation.

However, the addition of “Pools” may require some explanation. Only licensed eligible organizations (not just any charity or non-profit organization) are now permitted to run a pool. The pool is limited to 100 participants, with a pool entry fee not exceeding \$20. Therefore, the maximum payout for a pool cannot exceed \$2,000 which coincides with the new individual prize limit. ALL proceeds must be paid out to at least one pool participant and none of the pool money may be retained by the eligible organization or a person running the pool.

Act 92 places certain limits on the pools an eligible organization may run. Section 301.1 of ACT 92 reads “[t]he operation of a pool must comply with the Professional and Amateur Sports Protection Act (Public Law 102-559, 28 U.S.C. § 3701 et seq.) or other Federal law in the operation of or participation in the pool.” The Professional and Amateur Sports Protection Act, 28 U.S.C. § 3702 (2006) prohibits states from making legislation regarding sports betting and prohibits any person from participating in professional or amateur sports gambling. The language specifically prohibits any

“lottery, sweepstakes, or other betting, gambling, or wagering scheme based, directly or indirectly (through the use of geographical references or otherwise), on one or more competitive games in which amateur or professional athletes participate, or are intended to participate, or on one or more performances of such athletes in such games.” 28 U.S.C § 3702.

Act 92 clearly subjects the pools conducted by eligible organizations to federal law which prohibits sports gambling.

Act 92 also increases prize limits. Except as noted below, the individual prize limit was increased from \$1,000 to \$2,000. The weekly prize limit was increased from \$25,000 to \$35,000 and the annual prize limit was increased from \$100,000 to \$150,000. The law still allows each eligible organization to conduct up to ten (10) (increased from eight (8)) special permit raffles annually. The individual prize limit on each of these special permit raffles may exceed \$3,000 but the total of all 10 special permit raffle prizes cannot exceed \$150,000. This amount shall not count against the organization’s aggregate \$150,000 annual prize limit.

The daily drawing carryover and the weekly drawing carryover exception still applies. Both daily and weekly drawings may be conducted concurrently.

Raffle and Raffle Auction tickets may be sold, issued at a discounted price, sold or given free in conjunction with other tickets, distributed as a prize or as a bonus ticket with the sale of other tickets.

Act 92 also eases certain administrative and oversight requirements. The requirement for background checks on individuals applying for a license for an eligible organization was eliminated, but background checks will still be conducted on individuals applying for a “distributor license.” Additionally, only eligible organizations with games of chance proceeds that exceed \$40,000 per year need to maintain a separate bank account and maintain account records, for at least two (2) years, that show all expenditures and income.

Act 92 also included Veteran's groups in those organizations which are able to share in Small Games of Chance proceeds. Therefore, if a club licensee such as a Catholic War Vets (which is an eligible organization licensed to sell alcohol under the liquor code) is affiliated with a veterans organization, and uses the name of the veteran's organization (Catholic War Vets) the club licensee may distribute games of chance proceeds to the veteran's organization to conduct public interest activities."

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