

# North Dakota Gaming Update



March 2009

## Contents

Top Ten Things to Review  
BEFORE Filing Your  
Gaming Tax Return  
FRONT PAGE NEWS

Lottery Update Page 2

Overview of  
Legislation Page 2 & 3

Analysis of  
Gaming Activity Page 4

Top Twenty  
Organizations Page 5

Poker Tournament  
Clarification Received  
from the IRS Back Page

A copy of GAMING UPDATE is provided free of charge to all gaming distributors and organizations, and to the Gaming Commission and Advisory Board members. Please share this newsletter.

## Top Ten Things to Review BEFORE Filing Your Gaming Tax Returns



1. If you report any amounts on Line 10 (Other) and/or Line 25 (Adjustment) circle the reasons listed or attach a detailed explanation.
2. Line 19 (Net proceeds carry-over) must be the amount from Line 22 (Net proceeds carry-over) from the prior quarterly gaming tax return. If you received an Adjustment Notice on the prior quarter make sure the adjusted amount is reported.
3. If reporting on a Long Form tax return check that Line 30 (Total gaming expenses for all sites) equals the total amount of the gaming expenses reported from all sites listed on the Schedule A.
4. Recalculate the math on Lines 12 (Pull Tab Excise Tax), 14 (Bingo Excise Tax), 16a (Allowable Expenses), 16b (Allowable Expenses), 17 (Gaming Tax), and 31 (Total Tax Due). Always round dollar amounts up if .50 or greater or down if .49 or less.
5. Lines 28 (End of quarter trust account) and 29 (End of quarter gaming account) are check register balances NOT bank statement balances.
6. If reporting on a Long Form tax return, make sure that all sites equal the reported amounts on page 1 for each item on Line 1 through 11 (Gaming Activity) and Line 30 (Total gaming expenses for all sites).
7. For Schedule B activity, verify for each game that actual prizes

## Top Ten Things to Review, Continued

do not exceed ideal prizes. Also, verify for each game that the number of stamps listed equals the number of stamps stated. (Box J on Long Form Schedule B1 and in the "Total number of deals conducted" box on Short Form tax return.)

8. On Schedule C (Eligible Use Contributions) round each check amount to the nearest dollar, do not record cents.
9. Round ALL amounts reported on the tax return & any required accompanying schedules. Do not enter cents, decimals, dashes or dollar signs. Round up if .50 or greater, round down if .49 or less.
10. If you have an active North Dakota Gaming License the organization MUST file a North Dakota gaming tax return each quarter, whether or not the organization conducted gaming. Organizations who report on a Long Form tax return must report any active site for the quarter whether or not they conducted gaming at that site on the Schedule A.

Make reporting easier by using the auto calculating forms on our web site at:

<http://www.ag.nd.gov/Gaming/Gaming.htm> Go to Gaming Forms, then Auto Calculating Gaming Forms, and select the appropriate Tax Return or schedule.

## Lottery Update

---

In January 2009, the North Dakota Lottery along with 31 additional states adjusted the Powerball game to meet player demand for bigger jackpots. Lottery officials estimate the change will produce an additional \$3 million more prizes won per year and the average jackpot will grow from \$95.5 million to \$141 million.

Highlights of the new Powerball game include:

- Starting Jackpots were increased from \$15 million to \$20 million.
- Match Five (white numbers) prizes with Power Play always has a 5X multiplier, increasing the prize to \$1 million.
- The number of white balls was changed from 55 to 59 and the number of red balls was reduced from 42 to 39.
- Although the jackpot odds were changed from 1 in 146.1 million to 1 in 195.2 million, the overall odds for the game improved from 1 in 36.6 to 1 in 35.1, which will result in an estimated \$3 million in extra prizes won per year nationwide.

According to Lottery Director Randy Miller, since the Lottery began in March 2004, North Dakota Lottery players have won more than \$34 million in prizes and the state has raised more than \$26 million for programs that benefit North Dakota citizens.

## Overview of Legislation

---

*This is an overview of all gaming related bills that have been introduced in the 2009 Legislative Session. The status indicated for the measures is as of March 2, 2009.*

**HOUSE BILL 1175** - Relates to Withholding of Past-Due Child Support Payments from Certain Gambling Winnings

This bill is part of a comprehensive child support enforcement revision which would require gaming operators that are required to file an IRS form W-2G or equivalent form, to check with the De-

partment of Human Services (child support enforcement unit) prior to paying a winning player. A secure interactive website would be maintained by the Department of Human Services to assist gaming organizations in checking past-due child support records. If past-due child support is due the gaming operator must withhold payment from the winning player and submit it within 24 hours after the withholding to the child support enforcement unit. The bill was amended to require submission of the payments within 7 business days rather than the original 24 hours.

- Passed in the House (89-4)



## *Overview of Legislation, continued*

---

**HOUSE BILL 1194** -Allows Foreign Corporations to be Eligible Organizations to Conduct Charitable Games of Chance and Removes the Maximum Prize Amount under Local Permits for Organizations that Receive Governor's Proclamations under Chapter 20.1 of the Century Code

This bill was introduced at the request of the Mule Deer Foundation which has its principal executive office in Salt Lake City, UT and is not eligible to receive a state gaming license. This organization receives proceeds from a mule deer hunting raffle by Governor's proclamation which must be used for projects in North Dakota but desires to conduct additional raffles under local permits by its statewide chapters with unlimited prize amounts. The bill was amended to remove unlimited prize amounts under local permits.

- Passed in the House (84-9).

**HOUSE BILL 1316** - Requires the Office of Attorney General to Calculate and Transfer Breeders' Funds paid as Supplemental Purses at Horse Races

This bill originally required the Office of Attorney General to determine the amount of breeders' funds paid out between June 30, 2007 and before August 1, 2009, as supplemental purses offered at racetracks in the state. The Attorney General was also required to transfer the calculated amounts back to the breeders' fund before August 31, 2009. The bill was amended to also transfer supervision of the Racing Commission and hiring of the Director of Racing to the Attorney General's office.

- Passed in the House (91-3)

**HOUSE BILL 1317** - Eliminates Pull Tab and Bingo Excise Tax

This bill was originally introduced with the elimination of all pull tab and bingo excise taxes. The bill was amended to reduce the 4½% pull tab excise tax to a 3% pull tab excise tax and retain the 3% bingo excise tax.

- Passed in the House (85-8)

**HOUSE BILL 1367** - Increases the Primary Prize under a Local Permit or Charity Local Permit from \$2,500 to \$6,000

This bill would allow the primary prize under a

local permit or charity local permit to increase from \$2,500 to \$6,000, however, raffle cash prize limits would be restricted to \$4,000 as outlined in 53-06.1-10.1 (Raffles) of the Century Code. The maximum total prize amount for local permits and charity local permits would remain at \$12,000.

- Passed in the House (81-12).

**SENATE BILL 2091** - Relates to the Deposit and Allocation of Gaming and Excise Taxes

This is a general housekeeping bill indicating that the Attorney General shall deposit all gaming and excise taxes and allocate funds quarterly to local cities and counties rather than the State Treasurer which is the current practice.

- Passed in the Senate (45-1).

**SENATE BILL 2190** - Exempts Permits Obtained by Local School and Church Groups from Bingo Excise Tax

This bill would exempt certain school and church groups that obtain local permits and charity local permits from paying bingo excise tax.

- Failed in the Senate (6-40).

**SENATE BILL 2215** - Exempts All Local Permit/Charity Local Permit Holders from Excise Taxes and clarifies that Interest, Penalties, and Estimated Taxes Applies to Licensed Organizations Only

This bill, introduced on behalf of the Attorney General's office, exempts local permit /charity local permit holders from any excise taxes and clarifies that the collection of interest, penalties, and estimated taxes applies to licensed organizations only.

- Passed in the Senate (46-0).

**SENATE CONCURRENT RESOLUTION**

**4028** - This resolution directs Legislative Council to study the charitable gaming laws regarding a number of issues including taxes, enforcement, and conduct & play of games.

- First hearing scheduled for March 2.



# Analysis of Gaming Activity

---

The amount of money wagered on charitable games of chance for the quarter ended September 30, 2008, was \$64,814,678. This represents an increase of \$3,432,318 or 5.3% from wagers made during the same quarter in 2007 when \$61,382,360 was wagered. The largest dollar increases were in pull tab dispensing devices with \$1,288,626 or 9%, twenty-one with \$1,138,912 or 6%, and pull tabs with \$681,850 or 3.2%.

## Quarter Ended September 30, 2008

	Gross Proceeds	Prizes	Adjusted Gross Proceeds
Bingo	\$8,253,082	\$6,470,930	\$1,782,152
Raffles	685,335	283,506	401,829
Pull Tabs	21,021,091	16,551,850	4,469,241
Pull Tabs - Dispensing	14,397,094	11,137,634	3,259,460
Club Specials, Tip, Seal & Prize Boards	264,112	192,225	71,887
Punch Boards	2,796	2,164	632
Sports Pools	9,444	7,826	1,618
Twenty-One	18,834,861	15,864,109	2,970,752
Calcuttas	112,605	97,713	14,892
Paddlewheels	24,340	13,117	11,223
Paddlewheels – with Table	1,189,943	864,373	325,570
Poker	6,750	5,400	1,350
Other (Cash Long/Interest)	<u>13,225</u>	<u>0</u>	<u>13,225</u>
<b>Totals:</b>	<b>\$64,814,678</b>	<b>\$51,490,847</b>	<b>\$13,323,831</b>

Less: ND Excise Tax	\$1,537,449
Federal Excise Tax	24,063
ND Bingo Excise Tax	<u>240,160</u>
Total Adjusted Gross Proceeds	<b>\$11,522,159</b>

Less: Gaming Tax	\$778,480
Total Allowed Expenses	<u>6,669,382</u>
Total Deductible Expenses	\$7,447,862

Net Proceeds Earned \$4,074,297

Eligible Use Contributions \$4,759,362



# Top Twenty Organizations

---

Quarter Ended September 30, 2008

Name	Active Sites	Gross Proceeds	Prizes	Adjusted Gross Proceeds
ND Association for the Disabled, Grand Forks	9	\$5,747,705	\$4,511,603	\$1,236,102
Prairie Public Broadcasting, Inc., Fargo	13	3,566,475	2,822,819	743,656
Plains Art Museum, Fargo	4	3,681,105	2,984,233	696,872
Minot Junior Golf Association, Inc., Minot	8	2,018,244	1,618,611	399,633
Grand Forks Blue Line Club, Inc., Grand Forks	3	1,870,153	1,487,733	382,420
Minot Hockey Boosters, Inc., Minot	17	1,645,952	1,335,722	310,230
Bismarck-Mandan CVB, Bismarck	6	1,596,513	1,297,645	298,868
Development Homes, Inc., Grand Forks	9	1,671,200	1,387,146	284,054
Fort Abraham Lincoln Foundation, Mandan	16	1,373,549	1,105,371	268,178
Dickinson Youth Activities, Dickinson	5	1,229,474	969,882	259,592
American Foundation for Wildlife, Bismarck	25	1,309,277	1,051,440	257,837
Knights of Columbus Council, Jamestown	14	1,189,168	938,848	250,320
West Fargo Hockey Assn., Inc., West Fargo	7	1,459,846	1,217,763	242,083
Listen Inc., Grand Forks	9	1,269,566	1,047,778	221,788
Williston State College Foundation, Williston	10	1,202,413	991,131	211,282
Northern Prairie Performing Arts, Fargo	7	1,049,251	841,655	207,596
Progress Enterprises, Inc., Jamestown	4	879,043	687,574	191,469
Red River Human Services FND, Fargo	5	1,157,400	977,480	179,920
Williston Convention and Visitors Bureau, Williston	6	897,411	724,328	173,083
Cystic Fibrosis Assn. of ND, Bismarck	8	826,616	656,925	169,691
	<b>185</b>	<b>35,640,361</b>	<b>28,655,687</b>	<b>6,984,674</b>

Note: The organizations are listed in descending order by Adjusted Gross Proceeds prior to adjustments for Cash Long (+), Interest (+), Gaming Excise Tax (-), and Bingo Sales Tax (-).



Office of Attorney General  
**Gaming Division**  
600 East Boulevard Avenue  
Dept 125  
Bismarck, ND 58505-0040

[www.ag.nd.gov](http://www.ag.nd.gov)

**Official Mail**  
**State of North Dakota**  
**Return Service Requested**

# Poker Tournament Clarification Received from the IRS

---

Recently the Office of Attorney General received a clarification from the IRS on the issue of filing a Form W-2G on individuals related to poker tournament winnings. According to the IRS, a Form W-2G is required for each person to whom you pay more than \$5,000 in winnings, reduced by the amount of the wager or buy-in, from each poker tournament sponsored by a charitable gaming organization. Winnings and losses of the participant from another poker tournament sponsored by your charity during the year are not taken into account in arriving at the \$5,000 amount.

In addition, if you file Form W-2G for the person to whom you pay more than \$5,000 in net winnings from a poker tournament, and provide a copy of Form W-2G to such person, regular gambling withholding does not apply to such winnings. However, if the person who wins more than \$5,000 does not provide a TIN (taxpayer identification number), you must apply 28% backup withholding to the full amount of the winnings from the tournament. Net winnings of \$5,000 or less are not subject to reporting, withholding, or backup withholding to the IRS by a charitable gaming organization.