

## Small Games of Chance (SGOC) Webinar Highlights

Pennsylvania courts have determined that gambling consists of three basic elements:

(PLCB V. PPC CIRCUS BAR, INC.) ---- **CONSIDERATION + CHANCE + REWARD = GAMBLING**

All three elements **MUST** be present to establish that an activity constitutes gambling

- Consideration:
  - Cost to begin play or event; bet or wager
  - Includes just paying to enter/attend an event where a free ticket is given away to win something
- Chance:
  - Event outcome based wholly or predominantly on chance; individual has little or no effect over the outcome; roll of dice, turn of card, selection of ticket from bucket, etc.
- Reward:
  - Return to player for winning event; may be cash, merchandise, service or anything of value
  - 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 – Example is a duck pond game where the cost to play is \$1 but the prizes are only worth 50 cents.

The following types of gambling activities are **UNLAWFUL** and are not authorized by the Small Games of Chance Act:

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

Types of Small Games of Chance 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 (\$125)
- Monthly License – Permits eligible organizations with or without a premise to conduct games of chance for a 30-consecutive-day period (\$25)
  - No restriction on number of monthly licenses
  - Monthly licensing periods may not overlap
- Club License – See website for details <http://www.revenue.pa.gov/sgoc>

Small Games of Chance Application:

- Specifies address where games of chance are to be conducted
- Includes affidavit relating to who will operate games and where they will be operated
- Specifies operating day and week
- Lists responsible persons (Must keep names on file updated; report to the issuing authority within 15 days of any changes to responsible persons on the application)
- Lists auxiliary groups
- Executive officer must certify that 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. – Should get a Pennsylvania Background Check for all who will be involved any part of small games of chance

Operation of Games

- Permitted Games
  - Punchboards
  - Pull-Tabs
  - Raffles (includes basket raffles and “Chinese Auctions”)
  - Daily Drawings
  - Weekly Drawings
  - 50/50 Drawings
  - Race Night Games
  - Pools, excluding sports

- Only licensed eligible organization's managers, officers, directors, bar personnel or bona fide members of the licensed eligible organization may conduct games of chance
  - Operating a specific game of chance includes:
    - Selling of chances
    - Paying winners
    - Note-taking or recording of information (winners, payouts, etc. of individual game)
    - Involvement in the process of selecting a winner
      - You can't pick someone from the "audience" to select the winning ticket, unless that person is a member of the organization
  - A person may not be compensated for conducting games of chance
  - No person under the age of 18 may have anything to do with operations of SGOC
    - You can't have a child select winners
    - You can't have teenagers sell tickets
  - Exception – Raffle tickets may be sold by anyone as long as they do not have a criminal record
- No person who has been convicted of a Felony within the last five years or of a violation of the Small Games of Chance Act or Bingo Act within the past ten years may manage, set-up, supervise, or participate in the operation of Small Games of Chance

#### Use of Proceeds

- Proceeds = Gross revenue from game minus prizes minus cost (printing fee, purchase of tickets)
- Bank Accounts
  - An eligible organization with proceeds from games of chance that exceed \$40,000 per year shall maintain a bank account, which shall be separate from all other funds belonging to the licensed eligible organization
  - It is recommended that an organization maintain a separate account for any proceeds
- Proceeds can only be used for FOUR purposes
  - Purchase of small games of chance
  - Public interest purposes
    - Definition: The activities and operations of a nonprofit organization that provides a benevolent, charitable, religious, education, philanthropic, humane, scientific, patriotic, social welfare, social advocacy, public health, public safety, emergency response, environmental, historic, or civic objective
    - There are five other definitions, but the first definition is the major one for libraries.
  - Expenses for club licensees (40%)
  - For the payment of the license fee

#### Prize limits

- General Prize limits
  - \$2,000 for single chance
  - \$35,000 total for operating week
  - \$15,000 in raffle prizes per month
  - There are exceptions for Daily and Weekly drawings under certain circumstances and for raffles with a special permit
- Prize limits for raffles – Fair market value is used to determine value of non-cash prizes
  - \$15,000 per calendar month
  - Exception – Special Permit Raffle
    - \$150,000 per year
    - No \$2,000 limit on individual chance
    - Prizes not included when calculating weekly total

#### Information for specific types of games

- Punchboards
  - Must comply with the following:
    - 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 \$2,000 – no exceptions
    - Flare provided by manufacturer must be unaltered and on display
    - May substitute prizes if value of prizes meets all requirements
    - All winners must be predetermined by the manufacturer
  - Pull-Tabs
    - Must comply with the following:
      - Purchased from licensed distributor
      - Minimum 65% payout
      - Prize for individual punch may not exceed \$2,000 – no exceptions
      - Flare provided by manufacturer must be unaltered and on display
      - May substitute prizes if value of prizes meets all requirements
      - All winners must be predetermined by the manufacturer
      - No more than 4,000 pull-tabs per deal
      - Only one flare displayed per deal
      - Winners and prizes must be predetermined by the manufacturer
    - Tip Boards are a form of pull-tab
      - Must meet all requirements or pull-tabs
      - Prizes must be predetermined by manufacturer
      - Winning pull-tabs are to be perforated, punched, or marked when redeemed
      - Minimum information required on reverse of Tip Board – Sample

PA FORM-A 120TIPCSI	
SEALED NUMBER IS WINNER	
PRICE PER PLAY	\$1.00
TOTAL PRIZE	\$100.00
GROSS PROFIT	\$20.00

- Raffles – Includes “Basket” raffles and “Chinese Auctions”

- Definition:
  - A game of chance in which a participant buys a ticket for a chance to win a prize as follows:
    - Tickets are placed in a location assigned to a particular prize
      - “Roll” tickets may not be used as they do not meet the minimum information requirements for raffle tickets
    - Winner of each prize is determined by a random drawing of a ticket that corresponds to the ticket held by the participant



- Types of Raffles:
  - Regular Raffle – may be conducted by any licensed eligible organization
    - Subject to \$2,000 per chance prize limit
    - Prizes counted towards \$35,000 weekly limit
    - Limited to \$15,000 per calendar month in total prizes
    - Monthly licensees must sell all chances and award prizes during their licensing period
  - Special Permit Raffle – permit is obtained through the issuing authority; valid for only one raffle
    - General prize limits do not apply
    - May award a total of \$150,000 in prizes per calendar year in special permit raffles
    - Licensed organizations may apply for 10 per license year

- Ticket printing requirements – All “basket” raffles and “Chinese Auction” raffles must follow these ticket requirements

- Must be sequentially numbered and have a detachable stub with the same number
- Stub must contain the purchaser’s name address and phone number
- Must be accounted for by the use of a logbook showing to whom they were given to be sold
- Minimum information required on ticket:
  - Date, time, and location of the drawing
  - Name of licensee
  - SGOC License number
  - Special raffle permit number, if applicable
  - Cost of the ticket
  - Description of the available prizes

- Drawing must be conducted in plain view of players present
  - Must draw from stubs of SOLD tickets unless using lotter number
  - Use of state lottery number is permissible only when ticket sales equal the total possible numbers – Example: 1,000 tickets must be sold to utilize the pick 3
  - **Winners NEED NOT be present to win**
- There MUST be a winner in a raffle
  - The eligible organization may NOT be a ticket holder and is not eligible to win
  - Every prize MUST be awarded to an individual who purchased a ticket
- Tickets do not have to be purchased from licensed distributor
  - Must provide the printer with a copy of your Small Games of Chance license and Special Raffle Permit, if applicable
- Winner have 90 days to claim prizes
- Prize baskets **MAY NOT** contain alcoholic beverages – no exceptions

Sample Raffle Tickets  
**Special Permit Raffle:**



**Basket Raffle – Pre-sell tickets**

Front:

<b>SAMPLE YOUTH CENTER BASKET RAFFLE</b>	Name _____ Address _____ Phone# _____	<b>SAMPLE YOUTH CENTER BASKET RAFFLE</b>  DATE: July 26 <sup>th</sup> , 2013 TIME: 8:00 PM LOCATION: <u>Sample Youth Center, Any Town, Pa.</u>  Winner determined by random drawing. You do not need to be present to win. - PRIZES LISTED ON REVERSE -  <b>\$1.00</b> (five chances to win!)  SGOC LIC. #: 1234	0001 ----- 0001 ----- 0001 ----- 0001 ----- 0001

Reverse:

<u>PRIZE DESCRIPTION</u>	<u>APPROX. VALUE</u>	
1. Steeler's Basket	\$50.00	
2. Eagle's Basket	\$75.00	
3. Fisherman's Basket	\$40.00	
4. Gourmet Food Basket	\$35.00	
5. Pirate's Basket	\$40.00	
6. Philly's Basket	\$50.00	
7. Spa Basket	\$25.00	
8. Cheese Basket	\$35.00	
9. Digital Camera Basket	\$500.00	
10. Tablet Computer Basket	\$750.00	

**Basket Raffle – Prizes on Display**

<b>001</b>	<b>BASKET AUCTION</b>	<b>001</b>	<b>001</b>	<b>001</b>	<b>001</b>	<b>001</b>
Name _____	(Sponsored By)					
Address _____	(Benefit Of)					
	(Date of event)					
	(Location)					
	(Cost of Ticket)					
Phone _____	Drawing will be held on (date) at (time)					
	Prizes to be Awarded Are On Display					
	SGCL # _____ 001					

- 50/50 Drawings
  - 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
  - Prize paid to the winner is comprised of one-half of the money collected from ticket from the drawing and the remaining money retained by the eligible organization for distribution in accordance with the Small Games of Chance act
  - Guidelines - Proposed, but not official
    - Tickets
      - Two part individually numbered
      - Ticket and stub have same number
    - Operation:
      - Tickets sold individually
        - Not “arm’s length”, etc.
        - Simplifies recordkeeping
        - Reduces opportunities for theft and fraud
    - Drawing:
      - Conducted in plain view of players
    - Prizes:
      - Half of money collected must be paid to winner
      - All prize limits apply
        - \$2,000 per chance prize limit (\$4,000 max can be collected)
        - Prizes are added when calculating weekly prize total



- Race Night Games
  - Definition: A game of chance in which multiple participant’s entry fees or wagers on a prerecorded horse race displayed on a single screen to multiple participants simultaneously during a gaming session
  - May not exceed eight consecutive hours
  - May not be conducted more frequently than once a month
  - Term does not include an instant racing machine, historical racing machine, or other similar pari-mutuel device
  - Must be purchased from a licensed distributor
  - Must be operated by bona fide members of the eligible organization
- Pools
  - An activity in which a person pays an entry fee for each chance to win cash or merchandise based on the outcome of an event or series of events wherein the participants in the event or series of events are natural persons or animals, and to which all of the following apply:
    - Maximum number of individuals that may participate in a pool is 100 people
    - Maximum entry fee for each individual entry in a pool is \$20
    - Other than the entry fee, no other money or thing of value is paid or given for participation in a pool
  - There is at least one guaranteed winner from the participants
  - All entry fees collected for entry into the pool are paid as prizes to one or more participants in the pool
  - No entry fees or portions thereof are retained by the person or eligible organization operating the pool
  - Pools involving professional or amateur athletes are not authorized due to the Professional and Amateur Sports Protection Act

## Advertising

- It is unlawful to advertise prizes or their dollar value
- Exception:
  - Prizes and their value may be displayed on a raffle ticket
  - Prizes and their value may be advertised in a publication limited in circulation to members
    - Facebook is okay, but newspaper ads are not

## Licensed Premises and Location of Games

- An eligible organization that holds a license and that is not a Club Licensee may conduct SGOC in the county where the license is issued at a premises which is:
  - The operating site of the eligible organization or
  - A premises or other location not prohibited by local ordinance, and for which the treasurer has been notified
    - If the following apply at a different location:
      - No more than three (3) licensees, including the licensee that owns or leases the premises, may conduct games of chance simultaneously at a premises or location
      - Shall ensure that the conduct of the games of chance by different organizations are separate and clearly identified within a premises or location
      - A licensee that is not a Club Licensee may conduct games of chance simultaneously with the conduct of games of chance by a Club Licensee on not more than three (3) occasions covering a total of seven (7) days
  - Exceptions – Raffle Tickets
    - Raffle tickets may be sold in any municipality that has approved a small games of chance referendum
      - If a 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

## Gambling on Pennsylvania Liquor Control Board (P.L.C.B) Licensed Premises

- See information on the P.L.C.B website: [www.lcb.pa.gov](http://www.lcb.pa.gov)

## Required Recordkeeping of ALL organizations receiving a SGOC license

- Small Games of Chance records must be maintained for a period of two (2) years
- Club licensees must retain records for five (5) years
- Records must include separate totals for each operating week
- General Records Include
  - Number of W-2G forms issued and the gross winnings reported – if applicable
  - Gross revenue collected
  - Total expenses paid
  - Total prizes paid
  - Total proceeds
    - MUST be maintained in a separate bank account if proceeds exceed \$40,000 in current or previous year
  - Amount of proceeds used for public interest purposes
- Additionally, separate annual records must be kept for:
  - The number and amount of all prizes awarded in excess of \$600
  - The total amount of all prizes awarded in each 7-day period
  - The amount of raffle prizes awarded each month
- Club Licenses Records vary – see SGOC information on website: <http://www.revenue.pa.gov/sgoc>
- Reportable winnings
  - 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

- Raffle Specific Records
  - Gross proceeds received
  - Expenses
  - List of merchandise, prizes, and their receipts
  - Names and address for all winners over \$600
  - Cash value of all prizes
- 50/50 Drawings
  - 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 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 \$600; the full name and address of the winner
- Other specific types of games have their own record requirements – see SGOC information on website: <http://www.revenue.pa.gov/sgoc>

#### Penalties

- An eligible organization violating the act is guilty of a summary offense, and shall pay a fine of up to \$1,000 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> offense 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.
- 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
- Rigging games or accepting contingency fees on the operation of games is a misdemeanor of the first degree
- Civil Penalties – for non-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
- The licensing authority, or, in the case of the club licensee, the Bureau of Liquor Control Enforcement, may impose the following penalties:
  - A civil penalty
  - Suspension or revocation of the license
- 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 of the provisions of a special permit
  - Providing false or erroneous information to the Department 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

## General Information

- For general information regarding Small Games of Chance provided by the Department of Revenue go to:
  - <http://www.revenue.pa.gov/sgoc>
- Schedules developed by the Bureau of Liquor Control Enforcement to aid eligible organizations in meeting their record-keeping requirements and instruction for their use can be found at:
  - <http://www.psp.pa.gov/LCE>

## Specific Questions

- Armstrong and Butler Counties: Board of Liquor Control Enforcement Office; Punxsutawney – 814-938-0565
- Mercer and Lawrence Counties: Board of Liquor Control Enforcement Office; Erie – 814-217-0001