

Gambling overview

Charitable gambling is tightly regulated by the State's Gambling Control Board (GCB). They scrutinize a collection of reports we submit every month.

If interested, you can see actions the State has taken against some organizations that failed to comply with the rules: mn.gov/gcb > Publications > Gambling News.

Due to our gross sales, we must also hire an accounting firm to do an annual audit to include random games. Those annual audit reports are mailed to the GCB and MN revenue.

Rent paid

We *rent* space at various bars for our games. The rent is based on *net sales** (after prizes) at the rate of 20% for paper tabs and 15% for electronic tabs. With a booth, rent would be capped at \$1,750 a month, but since all of our sites are *bar-ops*, we have issued rent checks to a few bars for over \$6,000.

Rent paid to the bar is *all inclusive* meaning there can be no additional payment for things like trash removal, janitorial and so on.

* Cash shortages (game variances) are deducted from rent. This is the total of *net receipts* less *cash in hand* from the B2 reports.

Game variance vs. Negative games

Games have an *ideal* deposit which is simply the game's *gross* less *unsold* less *prizes paid*. If the *actual* deposit does not equal the *ideal* deposit, we have a **variance**. It is rare for a game *not* to have a variance. Variances occur mainly due to (bartender) counting errors, missing unsold tickets and/or prizes.

Negative (*below bank*) games are those games that the prizes paid exceed the sales. In 2020 (a short year), we had 729 positive games, 74 negative games and 118 even games. So about 9% of games end up negative.

Monthly reports

As mentioned, there are a variety of reports each month. The LG1004 is a detailed report containing bank statements, vendor invoices, B2 report and various other "LG" reports. Due to the number of pages, we print only one of those but it is available for the membership to review.

Distributed during the meetings is our summary spreadsheet and the LG100 which is a summary of the month. A few potentially confusing *lines* on the LG100 are explained next.

LG100

Cash short (line 22) Very confusing as this number is pulled from the LG100A which is derived from 5 other reports. The instructions for this line read: "In the rare event that the organization was actually cash long for the month, enter the amount as a negative number..."

Reimbursement for excess cash shortages (line 23) Any reduction in rent for cash shortages in the month the rent check is written. Cash shortages for bar operations must be either deducted from the rent payment or reimbursed by the lessor by the 20th day of the following month.

Allowable (AE) vs. Lawful (LPE) expenses:

Allowable (line 24) is the cost of doing business. Purchase of games, payroll, site rental, etc.

Lawful (line 33) are taxes, fees and charitable payments falling under the A-code list*.

Common payment codes we use are; A1 payment to a 501c3 organization, A5 scholarships, A7 for youth activities, A8 taxes, A10 to the city and A11 to churches.

* The entire A-code list is found at mn.gov/gcb > Publications

Taxes

The tax rates (below) are based on the net (after prizes). The rates are *accumulative* beginning in July. Keep in mind, the tax amount shown on the LG100 is from the previous month's activities. (This is a "gambling" tax, not income tax. Income tax, when applied*, would come separately at the end of the year).

Up to \$87,500 9%

Up to \$122,500 18%

Up to \$157,500 27%

over \$157,500 36%

With our current sales, we typically hit that 36% rate in September (reported on October's LG100).

* Income tax occurs only if we increase our checkbook at year-end by \$1,000 or more at the rate of 21% federal and 9.8% state.

Fee

The State's fee for gambling is .125% (.00125) on our monthly **gross** sales.

ACH payments

Are made to: IRS, MN Revenue, MN Gambling Control Board, Wright Hennepin Security, Triple Crown Gaming, Pilot Games, PullTabs Plus, 3-Diamonds and Lakecentral Bank.

Gambling Control Board website

There are a few online courses available to everyone. mn.gov/gcb > Education > Continuing Education.

Gambling vs. Administrative Checking Accounts

The Annandale Lions Club has two different checking accounts. Funds can never be intermixed.

General/Administrative

This account has two categories:

Community funds

Any funds raised at Lions events (e.g., 4th burger sales) must be used for community purposes or charitable. Because the cook trailer is *wrapped* Lions Club, all earnings (less expenses to run the event) must be used only for those two purposes. No part of those funds can be used for membership.

Membership funds

These are moneys that we the members contribute via dues, bottle raffles, fines, etc. This money is used for things like: International and District dues, meeting meals and bottles, pins and vests, supplies such as stickers and the highways signs used at projects and at each end of town, socials, parties, etc.