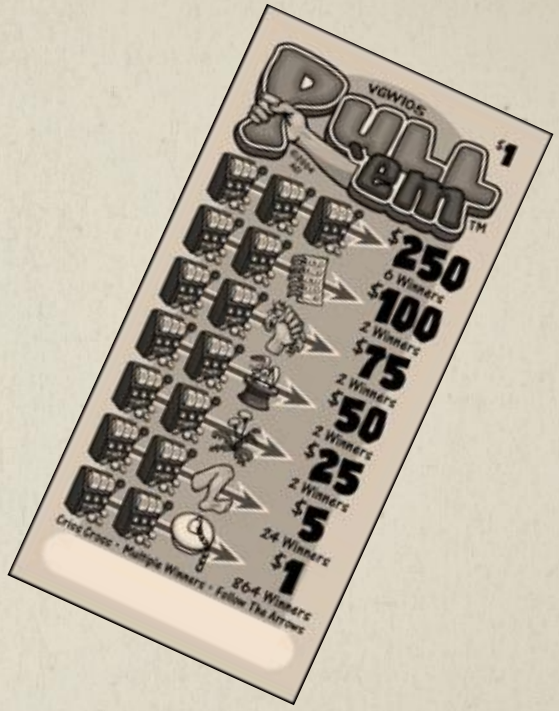
THE LOCAL OPTION SMALL GAMES OF CHANCE ACT



UNDERSTANDING CHARITABLE GAMING IN PENNSYLVANIA

DISCLAIMER

In Pennsylvania, gaming activities are highly regulated. As such, individuals are encouraged to consult with a private attorney who specializes in the state's gambling regulations for guidance. It is important to understand that the content of this presentation, along with any information disseminated, is not intended to replace the expertise of a specialized legal advisor.

The views and opinions expressed herein belong solely to the presenter and are not intended to reflect the official position or policies of any entity. These should not be interpreted as expert advice or formal recommendations. For counsel on particular issues, engaging with a certified professional or obtaining expert advice is recommended.

OVERVIEW

- **Gambling**
  - Definition
- **Small Games of Chance Act**
  - Permitted Games
  - Use of Proceeds
  - Prize Limits
  - Discussion of Individual Games
  - Licensed Premises and Location of Games
  - Record Keeping/Reporting Requirements
- **Legislative Update**



WHAT'S GAMBLING?

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

(Commonwealth v. Two Electronic Poker Machines)

- **Consideration**
- **Chance**
- **Reward**



CONSIDERATION

COST TO BEGIN PLAY OR EVENT

- bet
- wager

- EXAMPLES
  - block purchase in pool
  - “buy-in” in poker tournament
  - Incentive for a charitable donation
- MAY BE DIRECT OR INDIRECT
  - Indirect, e.g. “free ticket” after paying a cover charge.

PAY ANYTHING FOR ANYTHING

NO CREDIT OR DEBIT CARDS



EVENT OUTCOME BASED WHOLLY OR PREDOMINANTLY ON CHANCE

- The “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.
    - Unless the player is a participant.

CHANCE



RETURN TO PLAYER FOR WINNING EVENT

- May be cash, merchandise, service. Anything of value.
  - Value of prize is the fair market 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
  - E.G. Duck Pond Game

REWARD



YOU MUST HAVE A LICENSE
NO EXCEPTIONS!

- REGARDLESS OF WHETHER OR NOT THE ENTITY CONDUCTING THE GAME MAKES A PROFIT
- EVEN IF TICKETS ARE SOLD ONLY TO MEMBERS OF THE ORGANIZATION AND NOT THE GENERAL PUBLIC
- DESPITE WORDING ON A TICKET INDICATING ITS A "DONATION"
- REGARDLESS OF THE NATURE OF THE PRIZE, AS LONG AS IT HAS VALUE.

COMMON ILLEGAL ACTIVITIES

- Texas Hold'em Tournaments
- Paddle Auctions
- Casino Nights
- Vertical wheel or "Chuck-a-Luck Wheel"
- Video Gambling Devices - video poker or slots

Is there a way to operate these games legally?



YES.

ALL THREE ELEMENTS OF GAMBLING MUST BE PRESENT.

- Consideration
- Chance
- Reward

IF ONE, OR MORE ELEMENTS IS NOT PRESENT, THE ACTIVITY IS NOT GAMBLING.

- No fee to participate *(no consideration)*
- Prize of nominal value *(less than consideration = no reward)*

THE SMALL GAMES OF CHANCE ACT

THE SGOC ACT
HISTORY

The Local Option Small Games of Chance Act was Passed it 1988.

- It was the first statewide attempt to regulate charitable gaming.
- Originally 100% of proceeds was to be used for charitable purposes.
- It was intended to help reverse the declining membership in clubs.

The Act was amended in 2012 & 2014.

- Additional games were authorized, prize limits increased and the use of proceeds rules were amended to permit clubs to retain a portion for expenses.

SGOC LICENSING

- **"Annual" License** – issued to eligible organizations which own their own premises 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 premises 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.

License are issues by county treasurers except in Philadelphia where they are issued by the Department of Licenses and Inspections (L&I).

WHAT'S AN ELIGIBLE ORGANIZATION

A charitable, religious, fraternal or veterans' organization, club, club licensee or civic and service association. In order to qualify as an eligible organization for purposes of this act, an organization shall have been in existence and fulfilling its purposes for **one year** prior to the date of application for a license.

WHAT ARE CLUB LICENSEES?



THE SGOC ACT DEFINES A CLUB AS:

An SGOC licensed organization that:

(1) is licensed to sell liquor under section 404 of the liquor code (Hotels, Restaurants & Clubs) ; and

(2) Holds an exemption under section 501(c) or 527 of the IRS code

Licensed eligible organizations that obtain and utilize PLCB Special Occasion Permits (SOP) are NOT "club" licensees.

Auxiliary groups are generally not eligible to obtain their own SGOC license - This restriction does not apply to branches, lodges, or chapters of a statewide organization.

Auxiliary groups may conduct SGOC activities using the license issued to their parent eligible organization, provided the auxiliary group is listed on both the license and the application.

- The SGOC license may be used at **only one location at a time**.
- **All proceeds generated by auxiliary organizations must be turned over to the licensed parent organization** for lawful disbursement.
- Generally, funds **may not be returned to the auxiliary group** to cover its expenses.

Auxiliary groups that operate autonomously (e.g., have their own EIN, IRS determination letter, etc.) **may be eligible to obtain their own SGOC license.**

AUXILIARY GROUPS



PERMITTED GAMES

- THE SGOC ACT IS VERY SPECIFIC AS TO THE GAMES OF CHANCE THAT ARE PERMITTED. THEY ARE:
  - Punchboards
  - Pull-Tabs
  - Raffles
  - Daily Drawings
  - Weekly Drawings
  - 50/50 Drawings
  - Race Night Games
  - Pools



WHO MAY OPERATE?

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.

- Except the sale of raffle tickets.

Generally, a person may **not be compensated** for conducting games of chance.

OPERATION OF GAMES



OPERATION OF GAMES - *CONTINUED*



- No person **under the age of 18** may operate or participate in SGOC.

NO EXCEPTIONS!

OPERATION OF GAMES - *CONTINUED*

PROHIBITED PERSONS

- No person who has been convicted of a **felony** within the last **five years** or of a violation of the SGOC Act or Bingo Act within the past ten years may:
  - Manage SGOC
  - Set up SGOC
  - Supervise SGOC
  - Participate in the operation of SGOC



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.
- If an organization is not required to maintain a separate account at the beginning of a year, once the organization accumulates $40,000, a separate bank account shall be established.

(It is strongly recommended that organizations maintain a separate account for all SGOC proceeds)

AUTHORIZED USE OF PROCEEDS

AUTHORIZED USE OF PROCEEDS- *CONTINUED*

- THE PROCEEDS FROM THE OPERATION OF SMALL GAMES OF CHANCE BY AN ELIGIBLE ORGANIZATION MAY BE USED FOR ONLY THREE PURPOSES:

  - public interest purposes.
  - expenses for **club licensees** (40%).
  - for the payment of the license fee.



PUBLIC INTEREST PURPOSES ARE DEFINED IN THE ACT AS:

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

PUBLIC INTEREST PURPOSES

PUBLIC INTEREST PURPOSES ARE DEFINED IN THE ACT AS:

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).

5. Nonprofit youth sports activities.

6. Activities related to the provision of volunteer fire, ambulance or rescue services.

PUBLIC INTEREST PURPOSES

PUBLIC INTEREST PURPOSES ARE DEFINED IN THE ACT AS:

7. Activities conducted by a veterans organization, whether or not the veterans organization holds a CLUB license.

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.

Generally, SGOC proceeds may NOT be used to support political activity.

PUBLIC INTEREST PURPOSES

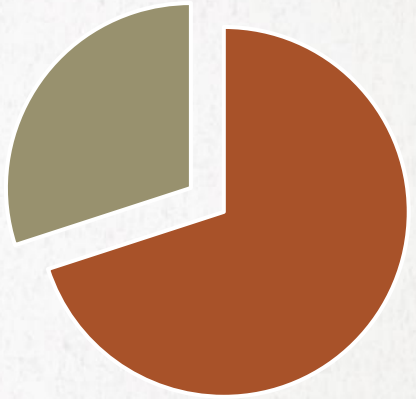
WHAT ABOUT 501(C)(3) ORGANIZATIONS?

- ORGANIZATIONS TAX-EXEMPT UNDER IRS CODE **§ 501(C)(3)** HAVE BEEN DETERMINED TO BE CHARITABLE IN NATURE.
  - Accordingly, expenses **related to the operation** of these organizations fall within the definition of "public interest purpose."
  - These organizations are governed by **IRS regulations** that prescribe the authorized use of revenue for entities exempt under § 501(c)(3).



HOW MUST CLUBS USE THEIR PROCEEDS?

- THE PROCEEDS FROM GAMES OF CHANCE RECEIVED BY A **CLUB** LICENSEE SHALL BE DISTRIBUTED AS FOLLOWS:
  - No less than **60%** of the proceeds **shall be paid** for public interest purposes within one year of the end of the calendar year in which the proceeds were obtained.
  - No more than **40%** of the proceeds obtained in a calendar year may be **retained** by a club licensee.



EXCEPTION TO THE 60/40 RULE

- If in a calendar year, the proceeds from games of chance for a **club** licensee are **$40,000 or less**, the licensee shall be eligible to retain the **first $20,000** in proceeds in the following calendar year before the **60/40 split** applies.



USE OF PROCEEDS

- CLUBS -

HOW MUST CLUBS USE THEIR 60% PROCEEDS?

- WHAT EXPENDITURES MEET THE DEFINITION OF "PUBLIC INTEREST PURPOSE?"
  - In evaluating the permissibility of a "public interest" expense, consider using the acronym "J.A.R.," where each expense must be Justifiable, Articulable, & Reasonable.

DETERMINING WHAT 60% EXPENSES ARE PERMISSIBLE FOR CLUBS – J.A.R.

J — Justifiable

- Is the expense **justifiable** as a public interest expense?
- Is the **primary beneficiary** of the expense the public and not the organization?

A — Articulable

- Can your organization **adequately describe** how the expense is in the public interest?
- Are you able to logically tie the expense to a **public** charitable benefit?

R — Reasonable

- Is the amount of the expense **reasonable**?
- Does it **accurately reflect** the amount or portion of the expenditure that is related to the stated public interest purpose?

VSO'S ARE TREATED DIFFERENTLY THAN OTHER CLUBS

- Public Interest Purposes include **activities conducted by a veterans organization**, whether or not the veterans organization holds a club license.
- This language has generally been interpreted to permit licensed organizations affiliated with VSOs *(e.g. canteens and home associations)* to expend the **60% portion** of their revenue earmarked for Public Interest Purposes for **any lawful purpose** that supports the mission of the VSO.

VETERAN SERVICE ORGANIZATIONS *(VSO'S)*

VETERANS
SUPPORT ORGANIZATION

PRIZE LIMITS

- Single chance = **$2,000**
- Operating week = **$35,000**
- Raffles = **$15,000** per calendar month.
  - Raffles prizes are included in operating week totals

EXCEPTIONS:

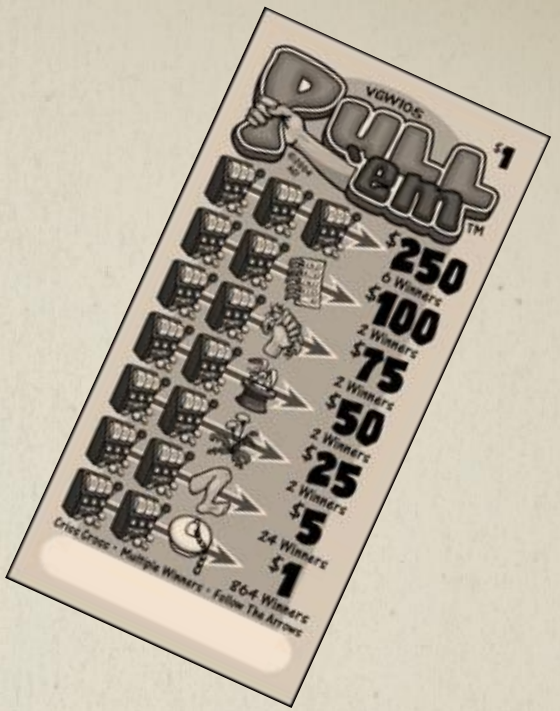
- Special Permit Raffles
- Daily and weekly drawings

GENERAL PRIZE LIMITS



OPERATION OF PERMITTED GAMES

REGULATIONS AND PROCEDURES



DAILY DRAWINGS



- 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.**
  - Generally, the **drawing** must occur during the **same operating day** in which chances were sold, however Immediately following a drawing, **chances may be sold for the next day's drawing.**
  - No requirement that person be present.
    - May **not** reduce prize if winner is not present.
  - May be operated in the same week as "Weekly Drawings"
  - **No restriction on the number of daily drawings** permitted in an operating day.

WHAT'S A 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 **bylaws** permit social members.



BONA FIDE MEMBER

DAILY DRAWINGS – PRIZE LIMIT EXCEPTIONS

- DAILY DRAWING PRIZE LIMITS
  - Generally subject to $2,000/chance limit and prizes are added when calculating $35,000/week prize limit.

  - EXCEPTIONS
    - Prize may exceed the $2,000 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.

DAILY DRAWINGS – PRIZE LIMIT EXCEPTIONS

- Prizes in daily drawings may cause an organization's prize total to exceed the $35,000 weekly limit if the drawing is **set up** to pay out **100%** of the gross revenues.
  - In this case, the prizes are **not added to the weekly total**.
  - Such prizes may not, however, exceed the $2,000 per chance limit unless it is paid pursuant to a "carryover" drawing.

The rules of the game **must** be prominently displayed.

REQUIREMENTS:

- 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):

- **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.
- May be operated in same operating week as "Daily Drawings".

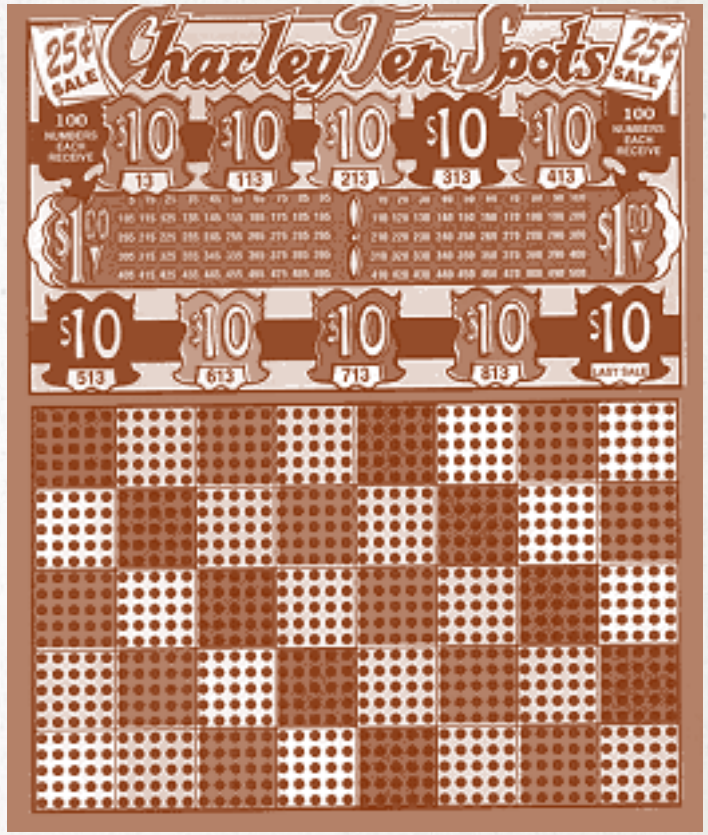
WEEKLY DRAWINGS

CLAIMING OF WEEKLY/DAILY PRIZES

- The name of a daily/weekly drawing prize winner or the fact that a winner was not selected must be prominently displayed on the licensed premises for at least **7 days** after the drawing date.
- If a winner does not claim a prize within 7 days of the drawing, the eligible organization shall **notify the winner** of the prize and the requirements for claiming the prize.
- A daily/weekly drawing winner shall claim the prize in person and **sign for receipt** of the prize.
- A prize shall be claimed within **30 days** from the date of the drawing.
  - A prize unclaimed for over 30 days shall be **added to proceeds**.

PUNCHBOARDS

- 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 $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.



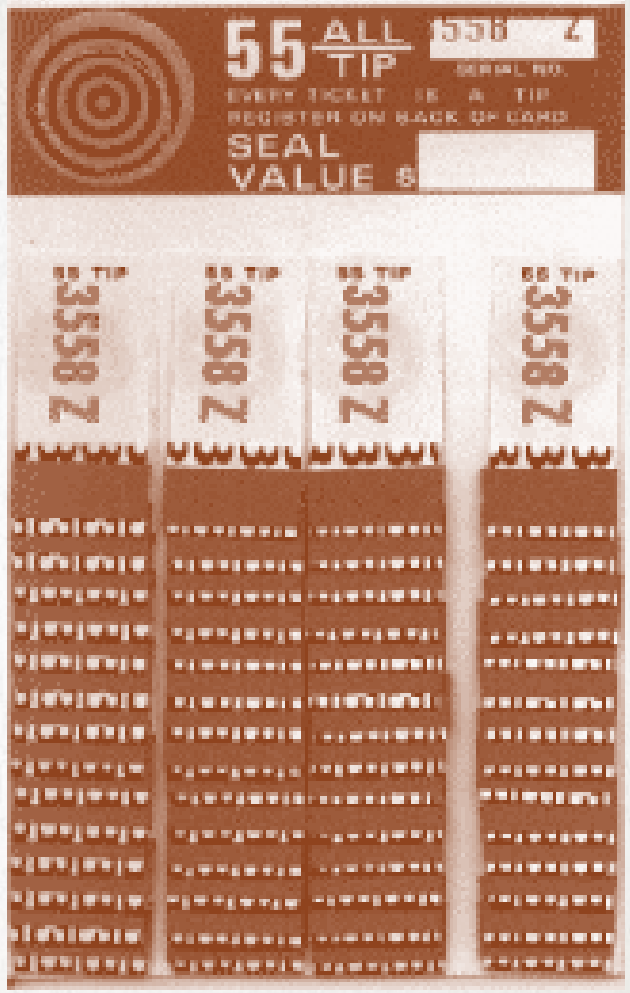
PULL-TABS

- Must be purchased from **licensed distributor**.
- Minimum **65%** payout.
- Prize for individual pull-tab 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.
- No more than 4,000 pull-tabs per deal.
- Only **one flare** displayed per deal.
- Winners and prizes **must be predetermined** by the manufacturer.



PULL-TABS – TIP BOARDS

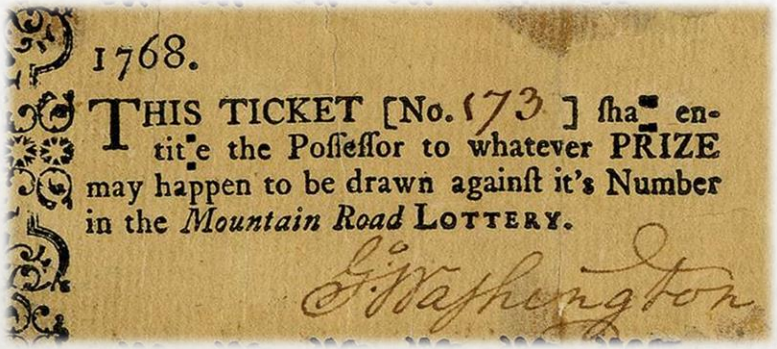
- TIP BOARDS ARE A FORM OF PULL-TAB
  - Must meet all requirements for pull-tabs.
  - Prizes must be predetermined by manufacturer.
  - Winning pull-tabs are to be perforated, punched or marked when redeemed.



RAFFLES

TWO TYPES:

- "Regular" Raffle
  - May be conducted by any licensed eligible organization.
  - No limit on how many may be operated.
- Special Permit Raffle
  - Permit is obtained through the issuing authority.
    - The county treasurer, except in Philadelphia.
  - A permit is valid for only one raffle.


1768.

THIS TICKET [No. 173] ſhall entitle the Poſſeſſor to whatever PRIZE may happen to be drawn againſt it's Number in the *Mountain Road* LOTTERY.

G. Waſhington

RAFFLES

"REGULAR" RAFFLES

- Subject to a **$3,000*** 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.

** This variation from the general $2,000 limit is likely the result of an error during the bill drafting process.*

SPECIAL PERMIT RAFFLES

- General prize limits **do not** apply.
  - No **$3,000** per chance prize limit.
  - No **$15,000** per month prize limit.
  - Prizes **not added** when calculating **weekly prize totals.**
- May award a total of **$150,000** in prizes per **calendar year** in special permit raffles.
  - **$250,000** for volunteer fire, ambulance, rescue or conservation organizations.
- Licensed organizations may apply for **10** per **license year.** (previously calendar year)
  - **12** for volunteer fire, ambulance, rescue or conservation organizations.

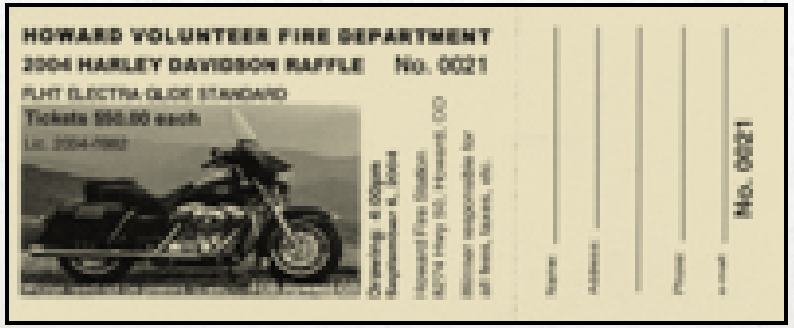
RAFFLES


Name
Address
City
Phone
No. 001
Tickets: www.jforms.com 1-888-224-4414
Big Town Little League
Fund-raising Raffle
1st. Prize: $300 Cash
2nd. Prize: 36 inch TV
3rd. Prize: Microwave
4th. Prize: 5 Free Pizzas
Drawing to be held at the final game of the season at Big Town Field 7th inning.
Donation: $2.00 • All proceeds for game epuipment
Winner need not be present to win.
No. 001

GENERAL RULES FOR RAFFLES

Both types of raffles must comply with the following **ticket printing 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.



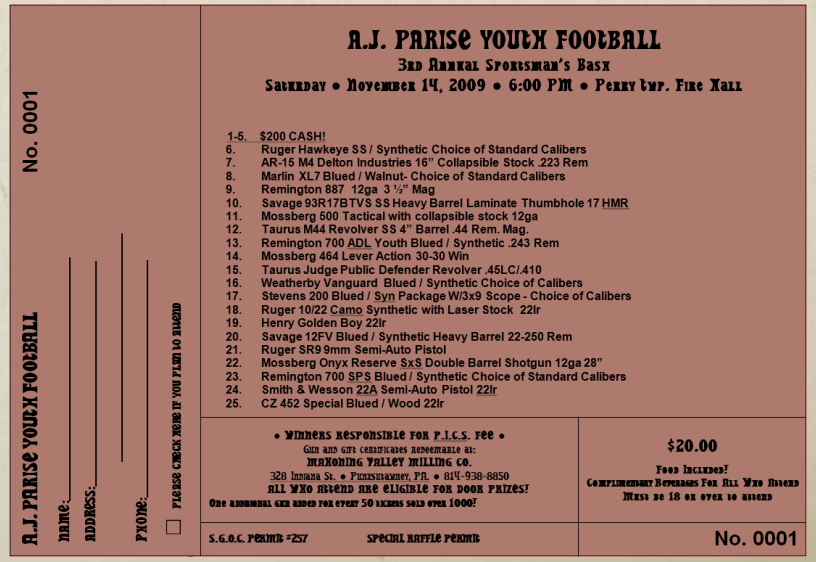
RAFFLES

GENERAL RULES FOR RAFFLES

Minimum information required on ticket **retained by purchaser**:

- The **date, time and location** of the drawing.
- The name of the **licensee**.
- SGOC **license number**.
- Special raffle **permit number**, if applicable.
- The **cost** of the ticket.
- A description of the **available prizes**.

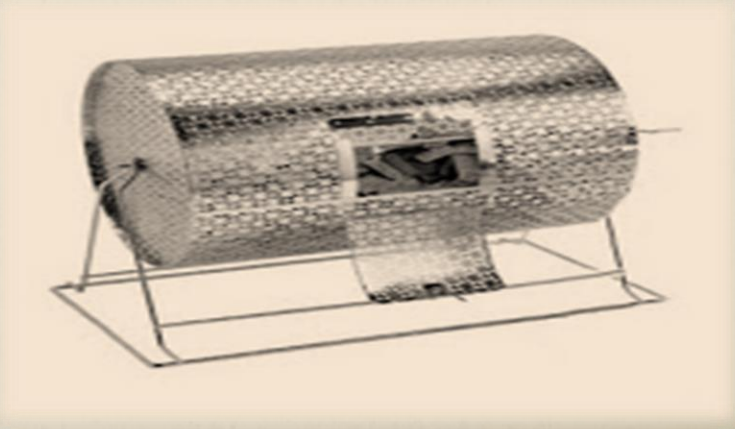
RAFFLES



GENERAL RULES FOR RAFFLES

- There **must** be a winner in a raffle.
  - The winner must be an individual who **purchased a ticket**.
  - The eligible organization may **not be a ticket holder** and is not eligible to win.
  - Wording such as, *"Unsold tickets become the property of the organization."* **does not negate this requirement.**
- Drawing must be conducted in **plain view** of players present.
- Use of **state lottery** number is permissible.
  - Only when ticket sales equal the **total possible numbers**.
  - e.g. 1000 tickets must be sold to utilize the daily pick 3 lottery number.

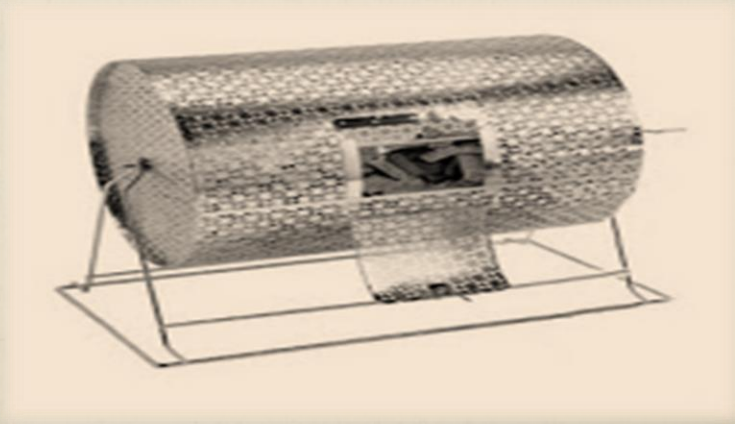
RAFFLES



GENERAL RULES FOR RAFFLES

- An organization wishing to use the Pennsylvania Lottery to determine the winner(s) of a raffle, but that is not confident it will **sell all tickets**, may:
  - Include more than one potential winning number on each raffle ticket; **or**
  - Include clear language on the ticket explaining **how prizes will be awarded** if the winning number corresponds to an unsold ticket.
    (Although not explicitly addressed in the regulations, this approach aligns with the intent and spirit of the law.)
    - ***Example:***
      "If a prize is won by an unsold ticket, the winner will be determined by the following day's lottery drawing."

RAFFLES

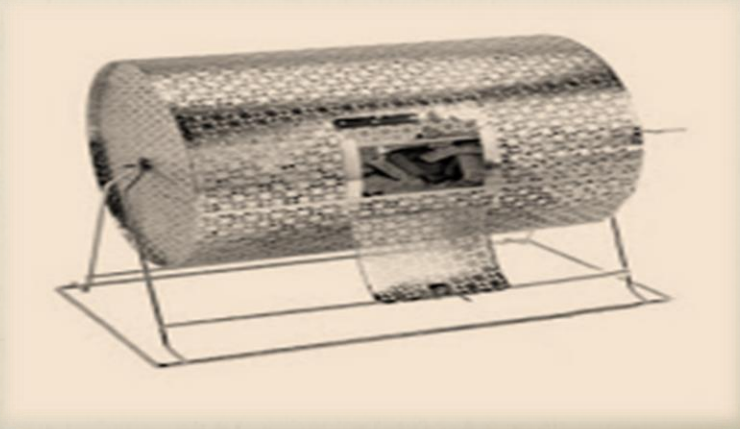


GENERAL RULES FOR RAFFLES

- The regulations do not require winners to **be present** for the drawing.
- Tickets do not have to be purchased from **licensed distributors**.
  - Must provide the printer with a copy of your **SGOC license** and **Special Raffle Permit**, if applicable.

Winners have 90 days to claim prize(s).

RAFFLES



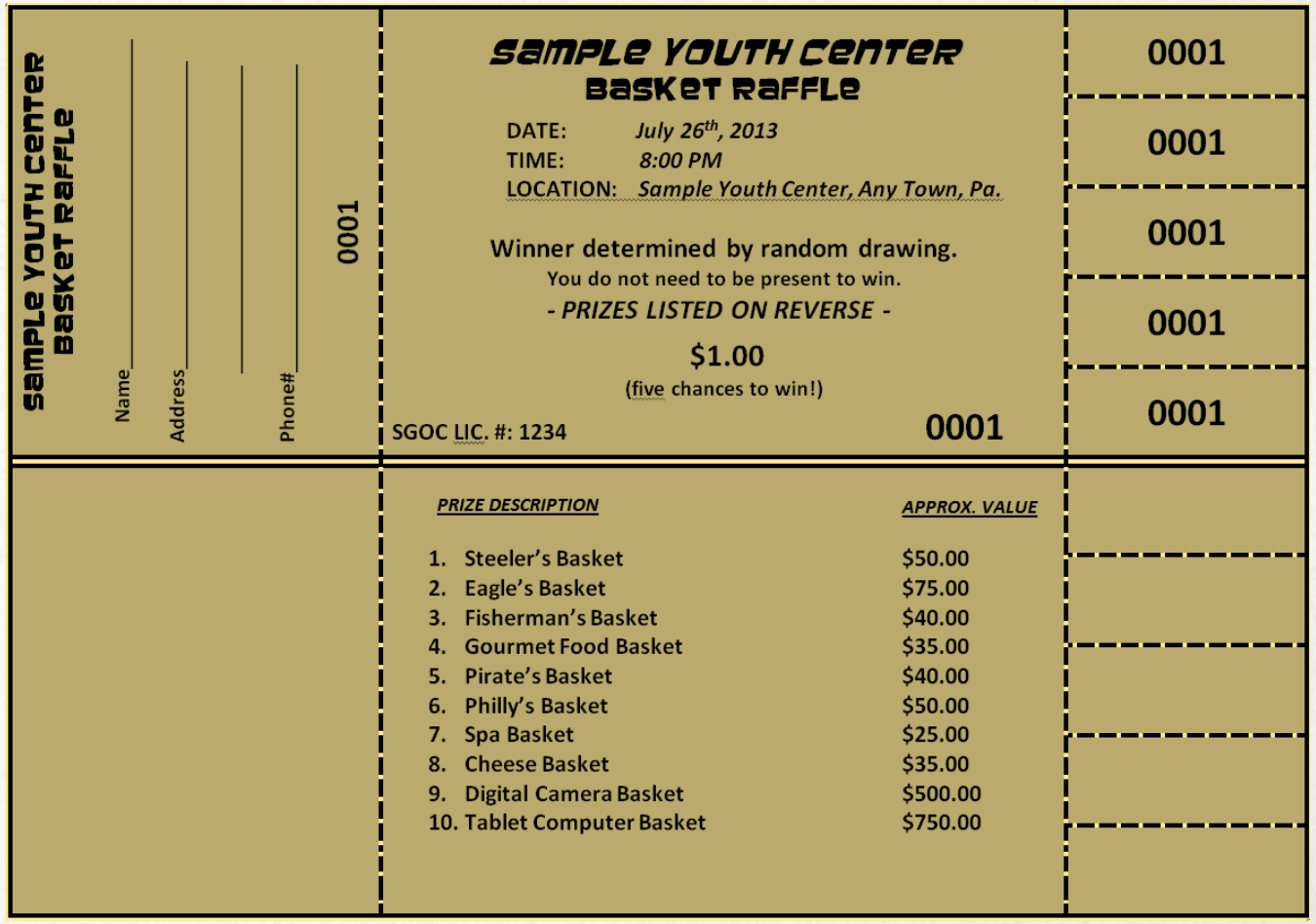
RAFFLES – RAFFLE AUCTIONS

"RAFFLES" INCLUDES "RAFFLE AUCTIONS". DEFINED AS:

- 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.
  - The winner of each prize is determined by a **random drawing** of a ticket that corresponds to the ticket held by the participant.
- Raffle Auctions" are also referred to as **Basket Raffles & Chinese Auctions**.
- Baskets may **NOT** contain **alcoholic beverages**.
- Raffle auction tickets must meet **raffle ticket printing** requirements.
  - **"Roll tickets"** do not.

RAFFLES – RAFFLE AUCTIONS

EXAMPLE OF RAFFLE AUCTION TICKET – *PRE-SELL*

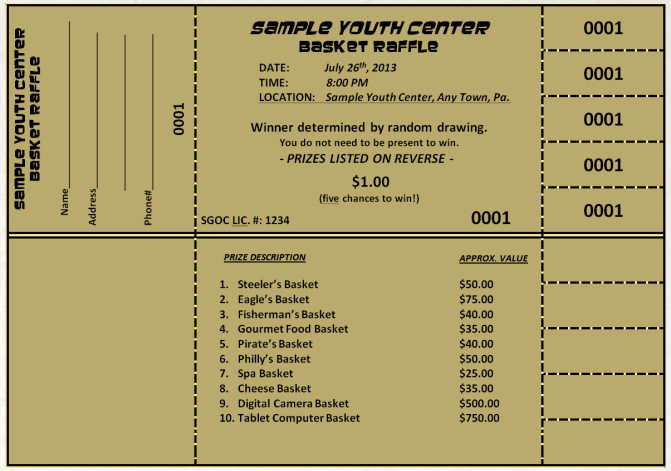


RAFFLES – RAFFLE AUCTIONS

EXAMPLE OF RAFFLE AUCTION TICKET – *SALES AT EVENT AND PRIZES ON DISPLAY*

001 Name_____ Address_____ Phone_____	BASKET AUCTION (Sponsored By) (Benefit Of) (Date of event) (Location) (Cost of Ticket) Drawing will be held on (date) at (time) Prizes to be Awarded Are On Display SGCL #_____ 001	001	001	001	001	001
		001	001	001	001	001
		001	001	001	001	001
		001	001	001	001	001

RAFFLES – RAFFLE AUCTIONS



EXAMPLE RAFFLE AUCTION TICKETS

These tickets:

- Comply with raffle ticket printing requirements.
- Increase accountability.
- Allow organizations to identify and contact winners.
- Permit game to be played and winners to be selected in the traditional manner.

A 50/50 IS 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.



50/50 DRAWINGS

50/50 DRAWINGS

- Tickets:
  - **Two part** Individually numbered.
  - Ticket and stub have **same number**.
- Operation ***(Suggested)*** :
  - Tickets **sold individually**.
    - No “arm’s length”, etc.
    - Simplifies recordkeeping.
    - Reduces opportunities for **theft and fraud**.
- Time Period ***(Suggested)*** :
  - **Finite** and defined.



50/50 DRAWINGS

- Drawing ***(Suggested)*** :
  - 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.
    - Prizes are added when calculating weekly prize total.



RACE NIGHT GAMES



"Race Night Game." – A game of chance in which multiple participants wager 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

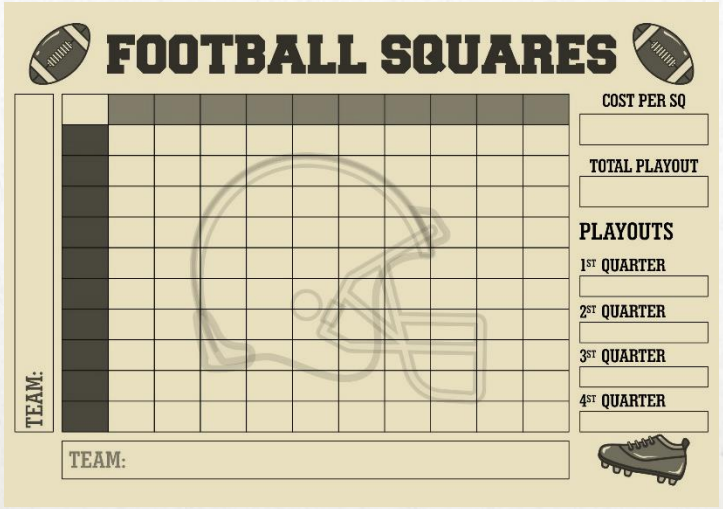
“Pool”– An activity in which a person pays an entry fee for each chance to win cash or merchandise based on the outcome of an event or series of events wherein the participants in the event or series of events are **natural persons or animals**, and to which all of the following apply:

- The maximum number of individuals that may participate in a pool is **100 people.**
- The 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.



POOLS

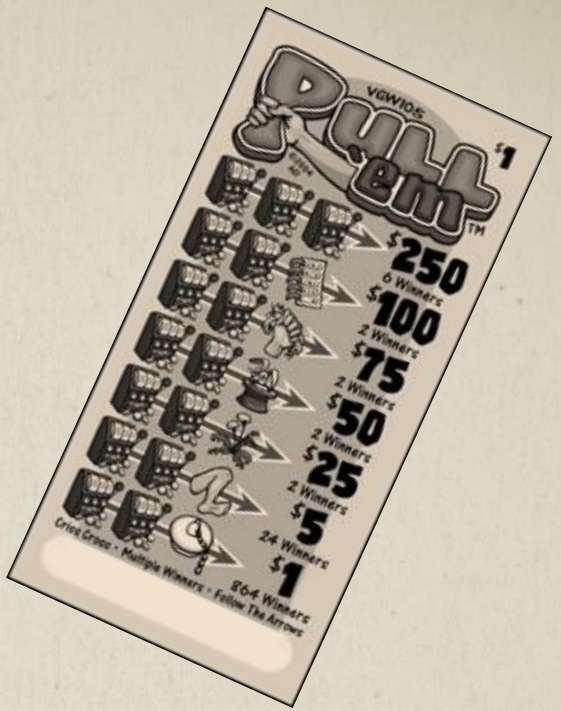
- There must be at least **one guaranteed winner** from the participants.
- **All entry fees** collected for entry into the pool must be **paid as prizes** to one or more participants in the pool.
- **No entry fees or portions thereof may be retained** by the eligible organization operating the pool.



ADVERTISING

- GENERALLY:
  - It is unlawful to advertise prizes or their dollar value.
  - Applies to all games of chance
- EXCEPTIONS:
  - 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.
- SOCIAL MEDIA?
  - Facebook - Similar to a bulletin board in your building. People have to “go there” to view it.

LICENSED PREMISES AND LOCATION OF GAMES



REGULATIONS AND PROCEDURES

LICENSED PREMISES AND LOCATION OF GAMES

GENERAL RULE:

- An eligible organization shall identify its licensed premises on its license application and games shall be conducted at that premises.

EXCEPTION:

- An eligible organization that holds a license and that is **not a Club Licensee** may conduct small games of chance 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.

LICENSED PREMISES AND LOCATION OF GAMES

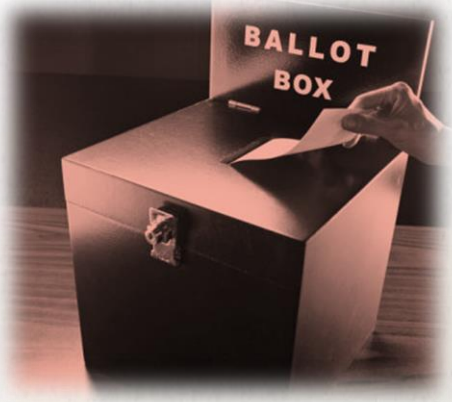
- OPERATION OUTSIDE THE COUNTY OF LICENSURE
- The language of the SGOC limits organizations to operating **within the county in which they are licensed**. Organizations wishing to operate outside their licensed county should apply for a monthly license in the county in which they intend to operate.
- **Not all county treasurers interpret or enforce this restriction uniformly**. Some take the position that an organization may operate anywhere within the Commonwealth under its existing license.
- Accordingly, organizations seeking to operate outside the county in which they are licensed should **contact the treasurers of both counties** to determine the appropriate course of action.

LICENSED PREMISES AND LOCATION OF GAMES

- SIMULTANEOUS OPERATION
  - No more than **three (3) licensees**, including the licensee that owns or leases the premises, may conduct SGOC simultaneously at a premises or location.
  - Shall ensure that the conduct of SGOC by different organizations are **separate and clearly identified** within a premises or location.
  - A licensee that is not a Club Licensee may conduct SGOC **simultaneously with the conduct of SGOC by a Club Licensee** on not more than three (3) occasions covering a total of seven (7) days during the year.

LICENSED PREMISES AND LOCATION OF GAMES

- EXCEPTION FOR RAFFLES
  - 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.



LICENSED PREMISES AND LOCATION OF GAMES

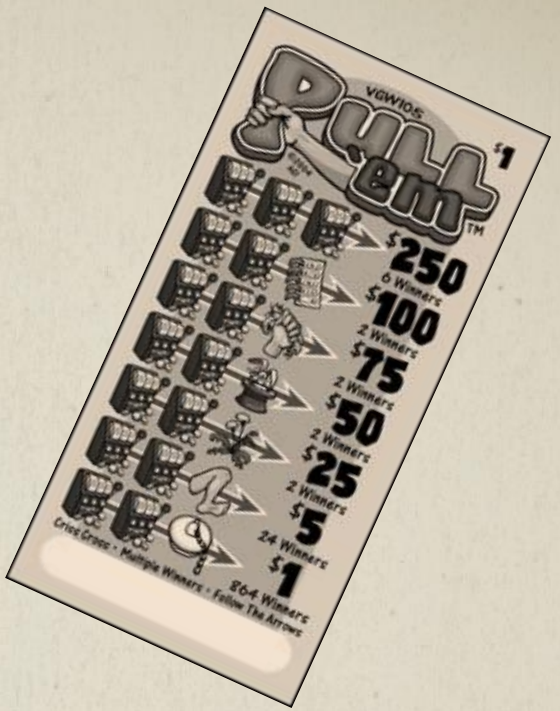
ONLINE OPERATION – *IS IT PERMITTED?*

- Online operation is **not expressly addressed** in the SGOC Act or its accompanying rules and regulations.
- The SGOC Act generally requires that games be operated on the **eligible organization's licensed premises**.
- **Limited exceptions exist**, including:
  - Raffle ticket sales; and
  - Operation at another location within the same county, provided the county treasurer is notified.
- **For SGOC purposes, "operation" consists of:**
  - The sale of chances
    - Online sales are deemed to occur at the **physical location of the purchaser**.
  - Selection of the winner
  - Awarding of the prize

LICENSED PREMISES AND LOCATION OF GAMES

ONLINE OPERATION – *LEGAL ISSUES*

- **Payment Restrictions** - Payments may not be tied directly to credit or debit cards. Online payment services (e.g., PayPal) may or may not be connected to a credit card, depending on the user's account configuration.
- **Age Verification** - For age restricted products, generally, sellers are responsible for verifying that purchasers are of legal age. (18+)
- **Location Verification** - The onus is on the organization to verify that the purchaser is physically located within the Commonwealth at the time of the transaction.
- **Interstate Concerns** - Failure to properly verify location may result in violations of other states' gambling laws.



REQUIRED RECORDS

REGULATIONS AND PROCEDURES

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**.
- Records must include **separate totals** for each operating week.

REQUIRED RECORDS

GENERAL RECORDS INCLUDE:

- Number of W-2G forms issued and the gross winnings reported.
- Gross revenue collected.
- Total expenses.
- 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

REQUIRED RECORDS

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.

REQUIRED RECORDS

GENERAL RECORDS FOR **CLUB** LICENSEES INCLUDE:

- Proceeds, **itemized by week** and type of game, detailing the following:
  - Verification and itemization of interest. **amounts distributed for public**
    - Dates, recipients and amounts.

RAFFLES

- For each raffle, records should include:
  - Gross proceeds received.
  - Expenses.
  - List of merchandise, prizes and their receipts.
  - Names and addresses for all winners over $600.
  - Cash value of all prizes.

REQUIRED RECORDS

REQUIRED RECORDS

DAILY/WEEKLY DRAWINGS:

- Eligible organization's 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 and each entrant's assigned number.
  - Gross proceeds and payout percentage.
  - Winner's name. (and address if > $600)
  - Winner's signed acknowledgment of receipt of prize.
  - Notation if the drawing is a "carryover" and the amount carried over.

PUNCHBOARDS AND PULL-TABS

- Punch-Board and Pull-Tab records must 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 $600:
    - 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

REQUIRED RECORDS

PUNCHBOARDS AND PULL-TABS

- All **unplayed chances** must be retained for **two years**.
- All winning chances for prizes in **excess of $600** must also be retained for **two years.**

ADDITIONAL REQUIREMENTS

- Separate 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.

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.
  - For **all SGOC**, organizations must report a payment of winnings, including raffle prizes, when the amount paid is:
    - **$2000 or more**, **AND** at least **300 times** the amount of the wager.
    - In determining whether the $2000 threshold is met, the winnings **may be reduced** by the amount of the wager.

REFER TO IRS PUBLICATION 3079

IRS FORM W-2G



HELPFUL FORMS

- The **Pennsylvania State Police** maintain SGOC recordkeeping forms on their website.
- These forms may be downloaded and utilized for SGOC recordkeeping, but are **not required.**
- **The forms may be accessed at:**

https://www.pa.gov/agencies/psp/contact-psp/bureau-and-office-directory/liquor-control-enforcement/small-games-of-chance

- **Or via this QR code**

REQUIRED RECORDS

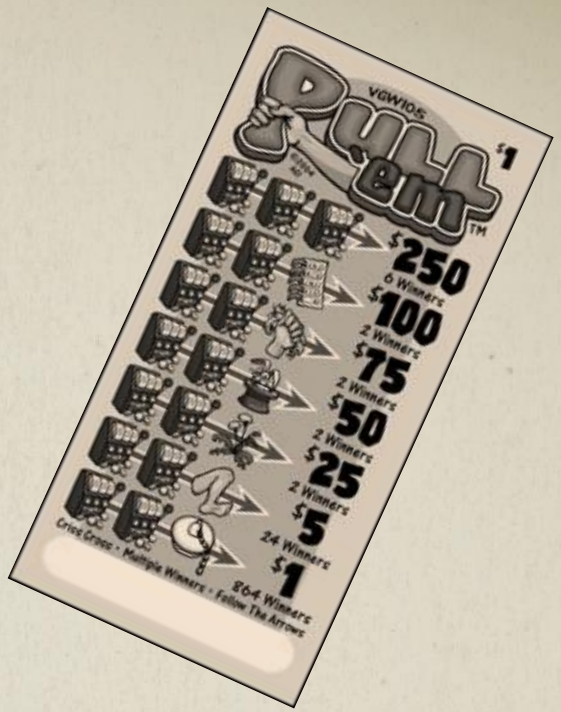
WHO MUST REPORT SGOC ACTIVITIES?

CLUB LICENSEES with proceeds from games of chance exceeding **$20,000**, are required to electronically file annual reports with the Department of Revenue.

Club licensees required to submit an annual report **shall** include a copy of their **most recent report** with their SGOC application.

All organizations must maintain records, but only clubs have a reporting requirement.

REPORTING REQUIREMENTS



LEGISLATIVE UPDATE

WHAT LIES AHEAD?

HOUSE BILL ?

- Authorizes the operation of electronic pull-tabs.
  - Up to 10 devices based on building occupancy.
- Permits paper pull-tabs operated in other states, but currently prohibited in PA.
  - Progressive, subset, pick and event games.
- Increases prize limits.
  - General individual prize limit: $2,000 to $5,000.
  - Weekly prize limit: $35,000 to $70,000.
  - Pull-tab revenue not included in weekly calculation.
- Increase percentage of proceeds retained by organizations to 75%.



QUESTIONS

AND DISCUSSION.

