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**HOUSE BILL NO. 470****AMENDMENT IN THE NATURE OF A SUBSTITUTE**(Proposed by the House Committee on General Laws  
on February 11, 1998)

(Patron Prior to Substitute—Delegate Diamonstein)

*A BILL to amend and reenact §§ 18.2-340.16 and 18.2-340.33 of the Code of Virginia, relating to charitable gaming.***Be it enacted by the General Assembly of Virginia:****1. That §§ 18.2-340.16 and 18.2-340.33 of the Code of Virginia are amended and reenacted as follows:**

§ 18.2-340.16. Definitions.

As used in this article unless the context requires a different meaning:

"Bingo" means a specific game of chance played with (i) individual cards having randomly numbered squares ranging from one to seventy-five, (ii) Commission-approved electronic devices which display facsimiles of bingo cards and are used for the purpose of marking and monitoring players' cards as numbers are called, or (iii) Commission-approved cards pursuant to subdivision 13 of § 18.2-340.18, in which prizes are awarded on the basis of designated numbers on such cards conforming to a predetermined pattern of numbers selected at random. Such cards shall have five columns headed respectively by the letters B.I.N.G.O.

"Bona fide member" means an individual who participates in activities of a qualified organization other than such organization's charitable gaming activities.

"Charitable gaming" or "charitable games" means those raffles and games of chance explicitly authorized by this article.

"Charitable gaming supplies" includes bingo cards or sheets, devices for selecting bingo numbers, instant bingo cards, pull-tab cards and seal cards, and any other equipment or product manufactured for or intended to be used in the conduct of charitable games.

"Commission" means the Charitable Gaming Commission.

"Gaming expenses" means prizes, supplies, costs of publicizing gaming activities, audit and administration or permit fees, and a portion of the rent, utilities, accounting and legal fees and such other reasonable and proper expenses as are directly incurred for the conduct of charitable gaming.

"Gross receipts" means the total amount of money received by an organization from charitable gaming before the deduction of expenses, including prizes.

"Instant bingo" means a specific game of chance played by the random selection of one or more individually prepacked cards, made completely of paper or paper products, with winners being determined by the preprinted appearance of concealed letters, numbers or symbols that must be exposed by the player to determine wins and losses and may include the use of a seal card which conceals one or more numbers or symbols that have been designated in advance as prize winners. Such cards may be dispensed by electronic or mechanical equipment.

"Jackpot" means a bingo game, exclusive of a "winner-take-all" bingo game, in which (i) all numbers on the card are covered, each number being selected at random, and with no more than one free space and (ii) the prize amount is greater than \$100.

"Landlord" means any person or his agent, firm, association, organization, partnership, or corporation, or employee thereof, which owns and leases, or leases any premise devoted in whole or in part to the conduct of bingo games, and any person residing in the same household as a landlord.

"Organization" means any one of the following:

1. A volunteer fire department or rescue squad or auxiliary unit thereof which has been recognized in accordance with § 15.1-26.01 by an ordinance or resolution of the political subdivision where the volunteer fire department or rescue squad is located as being a part of the safety program of such political subdivision;

2. An organization operated exclusively for religious, charitable, community or educational purposes;

3. An association of war veterans or auxiliary units thereof organized in the United States;

4. A fraternal association or corporation operating under the lodge system;

5. A local chamber of commerce; or

6. A nonprofit organization that raises funds by conducting raffles which generate annual gross receipts of less than \$75,000, provided such gross receipts from the raffle, less expenses and prizes, are used exclusively for charitable, educational, religious or community purposes.

"Qualified organization" means any organization to which a valid permit has been issued by the Commission to conduct charitable gaming or any organization which is exempt pursuant to § 18.2-340.23.

60 "Raffle" means a lottery in which the prize is won by (i) a random drawing of the name or  
61 prearranged number of one or more persons purchasing chances or (ii) a random contest in which the  
62 winning name or preassigned number of one or more persons purchasing chances is determined by a  
63 race involving inanimate objects floating on a body of water, commonly referred to as a "duck race."

64 For the purpose of this article, "raffle" shall include the use of individually prepackaged cards made  
65 completely of paper or paper products, with winners being determined by the appearance of preprinted  
66 concealed letters, numbers or symbols that must be exposed by the player to determine wins and losses,  
67 such cards being commonly referred to as "pull tabs" or "seal cards" which conceal one or more  
68 numbers or symbols that have been designated in advance as prize winners. Such cards may be  
69 dispensed by electronic or mechanical equipment.

70 "*Reasonable and proper business expenses*" means business expenses actually incurred by a qualified  
71 organization and not otherwise allowed under this article or under Commission regulations on real  
72 estate and personal property tax payments, travel expenses, payments of utilities and trash collection  
73 services, legal and accounting fees, costs of business furniture, fixtures and office equipment and costs  
74 of acquisition, maintenance, repair or construction of an organization's real property. For the purpose  
75 of this definition, salaries and wages of employees whose primary responsibility is to provide services  
76 for the principal benefit of an organization's members shall not qualify as a business expense.

77 "Supplier" means any person who offers to sell, sells or otherwise provides charitable gaming  
78 supplies to any qualified organization.

79 § 18.2-340.33. Prohibited practices.

80 In addition to those other practices prohibited by this article, the following acts or practices are  
81 prohibited:

82 1. No part of the gross receipts derived by a qualified organization may be used for any purpose  
83 other than (i) reasonable and proper ~~operating costs~~ gaming expenses, (ii) ~~publicizing the time and date~~  
84 of charitable gaming ~~reasonable and proper business expenses~~, (iii) prizes, (iv) those lawful religious,  
85 charitable, community or educational purposes for which the organization is specifically chartered or  
86 organized, and (v) (iv) expenses relating to the acquisition, construction, maintenance, or repair of any  
87 interest in the real property involved in the operation of the organization and used for lawful religious,  
88 charitable, community or educational purposes. For the purposes of clause (v) (iv), such expenses may  
89 include the expenses of a corporation formed for the purpose of serving as the real estate holding entity  
90 of a qualified organization, provided (a) such holding entity is qualified as a tax exempt organization  
91 under § 501 (c) (3), (7) or (10) of the Internal Revenue Code and (b) the membership of the qualified  
92 organization is identical to such holding entity.

93 2. No qualified organization shall enter into a contract with, or otherwise employ for compensation  
94 any person for the purpose of organizing, managing, or conducting any charitable games. However,  
95 organizations composed of or for deaf or blind persons may use a part of their gross receipts for costs  
96 associated with providing clerical assistance in the conduct of charitable gaming.

97 The provisions of this subdivision shall not prohibit the joint operation of bingo games held in  
98 accordance with § 18.2-340.29.

99 3. No person shall pay or receive for use of any premises devoted, in whole or in part, to the  
100 conduct of any charitable games, any consideration in excess of the current fair market rental value of  
101 such property. Fair market rental value consideration shall not be based upon or determined by reference  
102 to a percentage of the proceeds derived from the operation of any charitable games or to the number of  
103 people in attendance at such charitable games.

104 4. No building or other premises shall be utilized in whole or in part for the purpose of conducting  
105 bingo games more frequently than two calendar days in any one calendar week. However, no building  
106 or other premises owned by (i) a qualified organization which is exempt from taxation pursuant to § 501  
107 (c) of the Internal Revenue Code or (ii) any county, city or town shall be utilized in whole or in part for  
108 the purpose of conducting bingo games more frequently than four calendar days in any one calendar  
109 week.

110 The provisions of this subdivision shall not apply to the playing of bingo games pursuant to a special  
111 permit issued in accordance with § 18.2-340.27.

112 5. No person shall participate in the management, operation or conduct of any charitable game unless  
113 such person is and, for a period of at least thirty days immediately preceding such participation, has  
114 been a bona fide member of the organization.

115 The provisions of this subdivision shall not apply to (i) persons employed as clerical assistants by  
116 qualified organizations composed of or for deaf or blind persons; (ii) employees of a corporate sponsor  
117 of a qualified organization, provided such employees' participation is limited to the management,  
118 operation or conduct of no more than one raffle per year; or (iii) the spouse or family member of any  
119 such bona fide member of a qualified organization provided at least one bona fide member is present.

120 6. No person shall receive any remuneration for participating in the management, operation or  
121 conduct of any charitable game, except that:

a. Persons employed by organizations composed of or for deaf or blind persons may receive remuneration not to exceed thirty dollars per event for providing clerical assistance in the conduct of charitable games only for such organizations;

b. Persons under the age of nineteen who sell raffle tickets for a qualified organization to raise funds for youth activities in which they participate may receive nonmonetary incentive awards or prizes from the organization;

c. Remuneration may be paid to off-duty law-enforcement officers from the jurisdiction in which such bingo games are played for providing uniformed security for such bingo games even if such officer is a member of the sponsoring organization, provided the remuneration paid to such member is in accordance with off-duty law-enforcement personnel work policies approved by the local law-enforcement official and further provided that such member is not otherwise engaged in the management, operation or conduct of the bingo games of that organization; and

d. A member of a qualified organization lawfully participating in the management, operation or conduct of a bingo game may be provided food and nonalcoholic beverages by such organization for on-premises consumption during the bingo game provided the food and beverages are provided in accordance with Commission regulations.

7. No landlord shall, at bingo games conducted on the landlord's premises, (i) participate in the conduct, management, or operation of any bingo games; (ii) sell, lease or otherwise provide for consideration any bingo supplies, including, but not limited to, bingo cards, instant bingo cards, markers, or other game pieces; or (iii) require as a condition of the lease or by contract that a particular manufacturer, distributor or supplier of bingo supplies or equipment be used by the organization. If equipment or services are included by a landlord in any lease or contract, the lease or contract shall itemize the amount attributable to the rent of the premises, equipment, and each service to be provided by the landlord.

The provisions of this subdivision shall not apply to any qualified organization conducting bingo games on its own behalf at premises owned by it.

8. No qualified organization shall enter into any contract with or otherwise employ or compensate any member of the organization on account of the sale of bingo supplies or equipment.

9. No organization shall award any bingo prize money or any merchandise valued in excess of the following amounts:

a. No bingo door prize shall exceed \$25;

b. No regular bingo or special bingo game prize shall exceed \$100;

c. No instant bingo prize for a single card shall exceed \$500; and

d. No bingo jackpot of any nature whatsoever shall exceed \$1,000, nor shall the total amount of bingo jackpot prizes awarded in any one calendar day exceed \$1,000.

The provisions of this subdivision shall not apply to any bingo game in which all the gross receipts from players for that game, up to \$1,000, are paid as prize money back to the players, provided there is no more than one such game per calendar day of play and the prize money from any such game does not exceed \$1,000, such games being commonly referred to as "winner-take-all" games.

10. No organization shall award any raffle prize valued at more than \$100,000.

The provisions of this subdivision shall not apply to (i) a raffle conducted no more than once per calendar year by a qualified organization qualified as a tax-exempt organization pursuant to § 501 (c) (3) of the Internal Revenue Code for a prize consisting of a lot improved by a residential dwelling where 100 percent of the moneys received from such a raffle, less deductions for the fair market value for the cost of acquisition of the land and materials, are donated to lawful religious, charitable, community, or educational organizations specifically chartered or organized under the laws of the Commonwealth and qualified as a § 501 (c) (3) tax-exempt organization or (ii) pull tabs or seal cards when played as permitted in § 18.2-340.26, which prize award for a single card shall not exceed \$500.

11. No qualified organization composed of or for deaf or blind persons which employs a person not a member to provide clerical assistance in the conduct of any charitable games shall conduct such games unless it has in force fidelity insurance, as defined in § 38.2-120, written by an insurer licensed to do business in the Commonwealth.

12. No person shall participate in the management, operation or conduct of any charitable game if, within the preceding five years, he has been convicted of a felony or crime of moral turpitude. In addition, no person shall participate in the management, operation or conduct of any charitable game if that person, within the preceding five years, has participated in the management, operation, or conduct of any charitable game which was found by the Commission or a court of competent jurisdiction to have been operated in violation of state law, local ordinance or Commission regulation.

13. Qualified organizations jointly conducting bingo games pursuant to § 18.2-340.29 shall not circumvent any restrictions and prohibitions which would otherwise apply if a single organization were conducting such games. These restrictions and prohibitions shall include, but not be limited to, the

183 frequency with which bingo games may be held, the value of merchandise or money awarded as prizes,  
184 or any other practice prohibited under this section.

185 14. A qualified organization shall not purchase any charitable gaming supplies for use in this  
186 Commonwealth from any person who is not currently registered with the Commission as a supplier  
187 pursuant to § 18.2-340.34.

188 *15. Unless otherwise permitted in this article, no part of an organization's charitable gaming gross*  
189 *receipts shall be used for an organization's social or recreational activities.*

190 **2. That the provisions of this act shall become effective on October 1, 1998.**

191 **3. That none of the provisions of this act shall be construed to reduce the potential lawful uses of**  
192 **gross receipts from charitable gaming derived by qualified organizations from what they were**  
193 **interpreted to be by the Charitable Gaming Commission as of January 14, 1998.**