

What Your Club Needs To Know About Charitable Gaming

Each state may have its own regulations regarding Charitable Gaming, but below are a few general guidelines your Ruritan Club should know.

In virtually all states, charitable gaming is usually a privilege which may be granted or denied by state gaming officials. If your Club violates state requirements, this privilege may be revoked.

State or local permits may be required as specified in your locality, so be sure to contact both local and state governments before opening a charitable gaming operation sponsored by your Ruritan Club.

Your Club may also be required to file for a tax exemption within local or state governments. Your Club's IRS Group Exemption Number (GEN) is the same as Ruritan National's -- this number is 1615. Ruritan National, and its affiliated Ruritan Clubs were granted 501 C(4) non-profit status in 1954 (contact the Ruritan Home Office if you require a copy of the IRS non-profit designation letter for your exemption filing). Each Club should also have its Employer Identification Number (EIN) on hand.

Your Club is not exempt just by its association with another exempt organization. For example, your Club may also need to apply for a permit if it is operating a "joint" charitable game with a local volunteer fire department or rescue squad.

General Notes on Gaming Operations

-- All permits or exemption authorizations must be posted at all times on the premises where the game is held.

-- Age requirements must be observed at all times. Minors may or may not be eligible to participate when accompanied by parents.

-- Strictly adhere to any age requirements for individuals that may manage or participate in the conduct of charitable games. This has particular im-

portance to Ruritan Clubs that have members less than 18 years of age.

-- State regulations may also limit the size of the jackpot for charitable games, including raffles, seal cards or pull tabs.

-- Check state regulations regarding the following items:

- Pull Tabs,
- Seal Cards, and
- Electronic Bingo devices.

Accounting and Record Keeping

Ruritan Clubs should open and maintain a separate bank account for charitable gaming receipts, with all expenses and invoices paid by check from this account. Clubs should maintain a monthly reconciliation and balance of the account, with receipts and appropriate records kept in a safe place for as long as state law requires.

Clubs should also maintain a record system that documents information such as:

- Charitable gaming supplies purchased;
- Charitable gaming supplies used to date;
- Daily and weekly reconciliations for bingo on instant bingo games, respectively;
- Quantity, name, and serial number of all electronic bingo devices used in the charitable gaming operation;
- Gaming supplies that were destroyed, with the names of two officers that witnessed the destruction of the supplies;
- Copies of all invoices and expenses relating to operating expenses, including rental fees; and
- Names of winners for all seal cards, pull-tabs, and instant bingo games.

Violation of state gaming laws can lead to fines and, in some cases, imprisonment. Be certain of all state regulations regarding your Club's charitable gaming operation and conduct any games strictly within state guidelines.

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Use of Proceeds

In Virginia and many other states, a minimum set percentage of proceeds from charitable gaming operations must go to “lawful religious, community or educational purposes for which the organization is specifically chartered.” **This use of proceeds is often an essential part to receiving and keeping your Club’s charitable gaming permit.**

Your particular state may use other language, but the intention is clear -- **make certain that your Club donates the lawful percentage of your gaming proceeds to a charitable cause.**

Ruritan Clubs may also be required to file annual statements of earnings and prize disbursements with state gaming officials. Be prepared with any records that your particular state may require.

Penalties for Violation

Although penalties for violating state charitable gaming laws vary from state to state and from incidence to incidence, one thing is clear: charitable gaming is becoming more and more regulated by states.

If your Ruritan Club operates a charitable game or uses seal cards or pull-tabs as fund-raisers, then your Club is open to review by state officials.

Also be aware that any member of the community may lodge a complaint against your club if it appears that your gaming operation is not conducting its games appropriately.

Violation of state gaming laws can lead to fines and, in some cases, imprisonment. **Be certain of all state regulations regarding your Club’s charitable gaming operation and conduct any games strictly within state guidelines.**

A finding of violation within your Club’s gaming operation will destroy the trust of your community and damage the good name of Ruritan.

IRS Requirements Regarding Pull-Tab Games and Taxes

If your Ruritan Club sells Pull-Tab games, it may be required to pay certain taxes on the proceeds. There are two tests to see if your Club is responsible for paying **wagering excise taxes** on Pull-Tab games it sells:

First: Are the Pull-Tab sales sold to the general public?

If no, then your Club does not have to pay wagering excise tax and there is no private inurement for the Club or members.

If yes, then the wagering excise tax may be due.

Second: If Pull-Tab sales are sold to the general public, are the profits used to subsidize the cost of operating the Ruritan Club and, as an indirect benefit, members pay less in dues or fees?

If no, then your Club does not have to pay the wagering excise tax and there is no private inurement for the Club or members.

If yes, then the members receive private inurement and, as a result, both the wagering excise tax and the wagering occupational tax are due.

If you have concerns about the tax issues related to your Club’s Pull-Tab sales, contact the IRS, state gaming commission or your local Certified Public Accountant.