

Alaska 2011 Operator Annual Report Instructions

GENERAL INSTRUCTIONS

WHO MUST FILE

All operators shall file a report for each calendar year in which activities were conducted.

DUE DATE OF REPORT

File the report with the Department by February 28 of the year following the year in which an activity was conducted.

WHO MUST SIGN

The operator or the operator's agent must sign the report, under penalty of unsworn falsification. If you pay someone to prepare the report, the paid preparer must also sign and date the report and provide the name and address of their firm.

WHERE TO SEND THE REPORT

Mail the report to:

ALASKA DEPARTMENT OF REVENUE
TAX DIVISION - GAMING GROUP
PO BOX 110420
JUNEAU AK 99811-0420

or deliver to the 11th Floor, 333 Willoughby Ave., State Office Building, in Juneau, Alaska.

INFORMATION TO INCLUDE

The report must include, for each authorizing permittee for whom an activity was conducted, the types of activities conducted, the total amount of gross receipts, the total amount of authorized expenses, the cost of prizes awarded, and the total amount of net proceeds paid to each authorized permittee. The annual report shall also include completed Internal Revenue Service Forms 940 and W-3, and a completed Form W-2 for each person employed by the operator in 2011.

REVIEW OF FINANCIAL RECORDS

Alaska Statutes require each operator's financial records to be reviewed annually by a certified public accountant. Although the review is not an integral part of the Annual Report, the results of the review must be submitted to the department by February 28 of the year following the year for which the review is conducted. Refer to Alaska Statutes and Revenue Regulations for additional information.

INFORMATION TO PROVIDE TO AUTHORIZING PERMITTEES

In addition to the monthly and quarterly reports, the operator must provide an annual report with Schedules A and C to each authorizing permittee, and a check for any additional net proceeds due to the permittee. The report must contain an annual summary of all activity conducted on the permittee's behalf during the preceding calendar year. See the steps below for detailed instructions.

GENERAL ORDER FOR COMPLETION OF SCHEDULES FOR OPERATOR ANNUAL REPORT

Do not fill in the forms for the Annual Report until you have read all the instructions. Some schedules rely on computations from other schedules and cannot be correctly completed until that schedule has been completed. The following steps outline the general order for completion of the Annual Report and supporting schedules.

Detailed instructions for preparation of each schedule are included in this pamphlet. If you have questions about the forms, please refer to the instructions for each form.

Step No. 1. Complete Schedule A, Activity Report For Permittee, lines 1 through 4 (Gross Receipts, Federal Excise Tax, Cost of Prizes, and Adjusted Gross Income) for each permittee. The remaining lines of this schedule will be completed after other schedules have been filled in.

Step No. 2. Complete Schedule C-1, Cost of Pull-Tab Games and Bingo Cards, for each permittee. This form is required for each permittee for whom bingo or pull-tab gaming activities were conducted during the report year.

Caution: Expenses and bingo prizes are limited on an annual basis. Refer to Alaska law for specific limitations.

Step No. 3. Complete Schedule C, Game-Related Expenses, lines 8 through 21, for each permittee.

Step No. 4. Complete Schedule D, Pull-Tab Report Attachment for each permittee if there are games that were not included in the quarterly reports.

Step No. 5. Complete Schedule E, Payments to Permittees. Additional payments to permittees may be required. See instructions for Schedule A, line 7. If additional payments are made when the report is filed, include those payments on Schedule E.

Step No. 6. Complete Schedule A for each permittee, lines 5 through 7, (Total Expenses, Net Proceeds, and Total Net Proceeds Paid to Permittees). If you have not paid the full amount of net proceeds to the permittees, additional payments are due when the Annual Report is filed.

Step No. 7. Complete Schedule C, Game-Related Expenses, for total expenses of all permittees.

Step No. 8. Complete Schedule A, Activity Report, for the total activity of all permittees.

Step No. 9. Complete Page 1 of Operator Annual Report.

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SPECIFIC INSTRUCTIONS PAGE 1 OPERATOR INFORMATION AND REPORT PERIOD

Enter your EIN/SSN, operator name, business name, address, license number, and other requested information in the spaces provided.

PERMITTEE INFORMATION

Enter the permit number and name of each permittee for whom you conducted gaming during the year, in the spaces provided. Use additional sheets if needed.

Columns A through F. Enter gross receipts, Federal excise tax, prizes, adjusted gross income, game-related expenses, and net proceeds for all activities conducted for each permittee from Schedule A, Column I (Total) on the appropriate line on Page 1 for each permittee.

Column G. Enter the total net proceeds paid to each permittee from Schedule A, Column I, line 7, on the appropriate line, for each permittee.

Enter totals for each column on the line provided. Total Net Proceeds Paid to all Permittees for Column G should agree to the total reported on Schedule E.

SCHEDULE A: ACTIVITY REPORT FOR PERMITTEE

Complete a separate Schedule A for each permittee for whom gaming activities were conducted during the report year. Complete a Schedule A for the total activity of all permittees.

Method of Accounting. Operators and permittees must use accrual accounting to report bingo and pull-tab activity. Gaming activities, other than bingo and pull-tabs, may be reported using either the cash or modified cash method of accounting (see 15 AAC.160.830).

For activities other than Bingo, Pull-Tabs and Raffles, specify the type of activity being reported, as printed on the permit, at the top of the column in the space provided.

The following instructions relate to entries for a single permittee.

Line 1, Total Gross Receipts. Enter the gross receipts for each gaming activity on line 1. Enter the sum of the receipts from all activities in Column I (Total), and on Page 1, Column A, on the line designated for this permittee.

Total Gross Receipts when the municipality imposes sales tax: Sales tax collected is not considered part of the sales price of the gaming device (for example, a pull-tab or bingo card). This is money owed to the municipality, not income from the gaming activity. Do not include this amount in line 1. If the sales tax is not collected as a

percent of the ideal sales price ($\$1.00 \times 4\% \text{ tax} = .04 + 1.00 = \1.04 that should be collected, but only \$1.00 was collected), the sales tax paid to the municipality will reduce the gross revenue in Column A (ideal sales price of $\$1.00 - .04 = .96$ gross revenue from the sale of the pull-tab). Do not include the tax paid to the municipality as an expense when the check is issued. The money was collected from the purchasers of the pull-tabs or bingo cards and is simply being forwarded to the municipality.

Line 2, Federal Excise Taxes. Enter the amount of tax paid for each gaming activity on the applicable line. Enter the sum of taxes paid for all activities in Column I. *Do not include the 3% pull-tab tax paid when the game was purchased.* This tax should be entered on Schedule C, line 14.

Sales Taxes: Do not include sales taxes with the taxes reported on line 2. Please refer to the discussion for line 1, Total Gross Receipts.

Line 3, Cost of Prizes. Enter the cost of prizes awarded for each gaming activity in the applicable column of line 3. The amount you enter here should not include any donated prizes; it should include only prizes awarded from, or purchased with, gaming receipts. Enter the sum of prizes awarded from gaming receipts for all activities on line 3, Column I.

(Caution: Bingo prizes are limited to 85% of gross receipts from bingo activity. See 15 AAC 160.600 regarding bingo prizes.)

Line 4, Adjusted Gross Income. Subtract Federal Excise Taxes (line 2) and Cost of Prizes (line 3) from Gross Receipts (line 1) and enter the result in line 4 for each activity. Enter the sum of Adjusted Gross Income for all activities on line 4, Column I.

Line 5, Total Expenses. Enter the total expense for each activity from Schedule C, line 21. Enter the sum of all game-related expenses on line 5, Column I.

Line 6, Net Proceeds. Subtract Total Expenses (line 5) from Adjusted Gross Income (line 4) and enter the result in line 6 for each activity. Enter the sum of Net Proceeds for all activities on line 6, Column I.

Line 7, Total Net Proceeds Paid to Permittee. Enter the total net proceeds paid to the permittee for the report year in Column I. The amount reported should include any payment to the permittee for excess expenses reported on Schedule C or bingo prizes in excess of 85% of gross receipts reported on Schedule A.

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SCHEDULE C: GAME-RELATED EXPENSES

Complete a separate Schedule C for each permittee for whom gaming activities were conducted during the year and another Schedule C for the total expenses of all permittees.

Authorized Expenses. Remember that expenses are allowed only if they directly relate to the operation of authorized games.

Unauthorized Expenses. Only reasonable, ordinary and necessary gaming expenses may be deducted. Rental fees and lease agreements that provide exorbitant returns to the owner or lessor of the property, and contractual agreements that provide exorbitant compensation for individuals, violate the statutes and regulations. They may be cause for suspension, revocation or denial of your license.

Alaska gaming laws identify other unauthorized expenses.

Assignment of Expenses. Expenses must be assigned to the appropriate permittee and to the activity to which they relate.

Expenses that relate to more than one permittee (such as facility rent) must be allocated among the affected permittees. If an expense assigned to a permittee relates to more than one activity, the expense must also be allocated among the activities. Allocated expenses are then entered on the Schedule C for that permittee, in the column for the activity to which the expense relates.

Gaming Activity Columns. For activities other than bingo, pull-tabs, and raffles, specify the type of activity, as printed on the permit, at the top of the column in the space provided.

Line 8, Rental of Facility. Enter the direct cost for rent of the facility on line 1. If the facility is used for more than one gaming activity, you are required to allocate the expense among the activities.

As with all other expenses, only reasonable and necessary expenses of the games may be deducted. Rental fees and lease agreements that provide exorbitant returns to the owner or lessor of the property violate the statutes and regulations and may be cause for suspension, revocation or denial of your license.

Lines 9 through 20. Enter the expenses incurred for each gaming activity conducted for this permittee. See specific line instructions that follow.

Line 15, Cost of Cards/Games. Bingo cards and pull-tab games are purchased by operators for permittees. Assign

cards and games to specific permittees when purchased. The amounts to enter on line 15 are computed on Schedule C-1.

Line 16, Advertising. The total amount of authorized expense that may be deducted for advertising is limited. Please refer to 15 AAC 160.780. *Any excess must be reported, but is non-deductible for calculating the minimum payments due to authorizing permittees.*

Line 17, Equipment Purchases. Equipment purchased with gaming funds may be treated as a current expense or depreciated. Equipment purchased with gaming funds becomes the property of the permittee and must be returned to, or purchased from, the permittee upon termination of the contract.

Line 18, Operator Fee. Enter the fees paid or accrued during the year. Alaska law says that the contract between an authorizing permittee and an operator must include the amount and form of operator compensation. It also says that the fee paid to an operator for his/her services cannot be related to the receipts from the activities, i.e., the fee cannot be a percentage of the gross receipts. Alaska law prohibits the operator from including other costs as part of the operator fee paid by the permittee.

Line 20, Other Expenses. Enter the expense in the space provided. Attach a detailed schedule (with a description and amount for each type of expense) to support the amount entered on this line.

Expense Limitation. Total expenses are limited on an annual basis. If the total expenses for a specific gaming activity exceed the allowed limitation, any amount over the limitation must be reported, but is nondeductible for computing the minimum payments due to authorizing permittees.

Note: Expenses are limited to amounts actually paid when actual is less than the maximum expense allowed by Alaska law.

Pull-Tab Activity: Total expenses that may be deducted for a pull-tab activity, on an annual basis, may not exceed 70 percent of the annual adjusted gross income from pull-tabs. Any excess expense must be reported, but is not deductible for computation of the minimum payments due authorizing permittees.

Other Gaming Activities: Authorized expenses that may be deducted for a gaming activity other than pull-tabs, on an annual basis, may not exceed 90 percent of the annual adjusted gross income from that activity. The limitation applies to each separate activity. Excess expenses from one activity may not be deducted from the income of

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another activity and may not reduce the net proceeds due to the permittee.

Excess expenses must be paid to permittee. Expenses that are limited because of the percentage limitations cannot reduce the net proceeds due to the permittee. A check must be sent to the permittee to increase the total net proceeds paid for any adjustment required for excess expenses. The payment should be included in the net proceeds paid on Schedule A, line 7, and on Page 1, Column G. Make the additional payments to the permittees when the Annual Report is filed, and report them on Schedule E.

SCHEDULE C-1: COST OF BINGO CARDS AND PULL-TAB GAMES

Pull-tab games and bingo cards are purchased by operators on behalf of permittees. Games and cards must be assigned to specific permittees when purchased. Use this schedule to report the cost of pull-tab games and bingo cards to be reported on Schedule C, line 15.

Cost of Pull-Tab Games:

Inventory Method. Check the box for the method used to report pull-tab inventory. These instructions compute the cost of pull-tab games using the cost of unopened games for beginning and ending inventory. If your current inventory procedures compute the cost of inventory of unused games using a more precise method (such as percentage of completion of individual games) you may use that method for reporting purposes.

Inventory Records. Beginning and ending inventory records must be retained with all other accounting records. When using the unopened games method for inventory, beginning and ending inventory must list unopened games by the State Identification Stamp Number and cost of the game. Other inventory methods must also identify the beginning and ending inventories by the State Identification Stamp Number and associated cost of the game. Other information may be retained for your own use.

Line 1, Cost of Inventory of Unopened Games At Beginning of year. For the first gaming year in which you work as an operator for a permittee, the beginning inventory will be zero. In subsequent years, the cost of beginning inventory will be the ending inventory from the prior year.

Line 2, Purchase of Pull-Tab Games. Report the cost of all pull-tab games purchased during the year for each permittee. All pull-tab games purchased by the operator must be assigned to a specific permittee.

Line 4, Cost of Inventory of Unopened Games at the End of the Year. Enter the cost of games that remain

unopened (games not yet placed in play) at the end of the year on line 4.

Line 5, Cost of Pull-Tab Games. Subtract line 4 from line 3. This is the cost of pull-tab games placed in play for this permittee. Enter the result on line 5 and record on Schedule C, line 15.

Cost of Bingo Cards:

Inventory Records. Beginning and ending inventory records must be retained with all other accounting records. Beginning and ending inventory must be computed in a consistent manner. Bingo paper should be listed by unopened boxes, or packets (identified by manufacturer and type) with associated costs. Unused sheets may be recorded at cost.

Line 1, Cost of Inventory of Bingo Cards at Beginning of Year. In the first year in which you work as an operator for a permittee, the beginning inventory will be zero. In subsequent years, the cost of beginning inventory will be the ending inventory from the prior year.

Line 2, Purchase of Bingo Cards. Report the cost of all bingo cards purchased during the current year for this permittee.

Line 4, Inventory of Bingo Cards at the End of the Year. Enter the cost of bingo cards that are unused (bingo sheets not sold) at year-end on line 4.

Line 6, Cost of Bingo Cards. Subtract line 4 from line 3. This is the cost of bingo cards for this permittee. Enter the result on line 6 and record on Schedule C, line 15.

SCHEDULE D: PULL-TAB ATTACHMENT

Schedule D should have been filed with each quarterly report. Submit this schedule only if there are games that were not included in the quarterly reports.

SCHEDULE E: PAYMENTS TO PERMITTEES

Use Schedule E to report total quarterly payments of net proceeds for the current report year to permittees.

Enter the total paid for each quarter, as reported on the Schedule E for that quarter, on the designated lines. Use the remaining lines to enter the name of the permittee, check number, date paid, and amount of each check issued that was not included on a quarterly schedule.

Additional payment may be required when the Annual Report is filed. Each permittee must be paid at least the net proceeds computed on Page 1, Column F. If there are excess expenses, the total paid may be higher than the total net proceeds reported on Page 1, Column F. The

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total paid to each permittee should agree with Page 1,
Column G.

Enter the total net proceeds paid to each permittee for the
current report year on Schedule A, Column I, line 7. The
sum of the net proceeds paid to all permittees must equal
the total payments listed on Schedule E.