

Instructions for 2014 Alaska Multiple-Beneficiary Permittee Annual Report

GENERAL INSTRUCTIONS

WHO MUST FILE

All MBPs shall file a report for each calendar year in which an activity was 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 report must be signed, under penalty of unsworn falsification, by the member in charge. If the MBP pays someone to prepare the report, the paid preparer must also sign and date the report and provide the name and address of his or her firm.

WHERE TO SEND THE REPORT

Mail the report to:

Tax Division-Gaming Group
Alaska Department of Revenue
PO Box 110420
Juneau, Alaska 99811-0420

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

INFORMATION TO INCLUDE

The report must include, for each activity conducted during the preceding calendar year, the types of activities conducted, the total amount of gross receipts, the total amount of authorized expenses, the total value of prizes awarded, and the total amount of net proceeds paid to each permittee member and other requested information. The annual report shall also include a completed Internal Revenue Service Forms 940 and W-3, and a W-2 for each person employed by the MBP during 2013.

REVIEW OF FINANCIAL RECORDS

Alaska gaming regulations require each MBP to have its financial records 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 THE PERMITTEE MEMBERS

The MBP must provide each permittee member with a separate Schedule A with the permittee member's allocable amounts, and a check for any additional net proceeds due to the permittee member.

GENERAL ORDER FOR COMPLETION OF SCHEDULES FOR MULTIPLE-BENEFICIARY PERMITTEE (MBP) ANNUAL REPORT

Do not complete the forms for the Annual Report until you have read all the instructions.

Some schedules rely on computations from other schedules and cannot be 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 there are questions about the forms, please refer to the instructions for each form.

Step No. 1. Complete Schedule AV, Vendor Activity Report, if the MBP contracted with a registered vendor during any part of the year. The vendor column of Schedule C-1 is to be used to compute the overall vendor pull-tab expense; report the pull-tab game expense for each vendor on the lines provided.

Step No. 2. Complete Schedule A, Activity Report by Permittee, Columns A through I, lines 1,2,3 and 4 (Gross Receipts, Federal Excise Tax, Prizes, and Adjusted Gross Income) for the total gaming activity of the MBP and then for each permittee member. The remaining lines of this schedule will be completed after other schedules are completed.

Step No. 3. Complete Schedule C-1, Cost of Pull-Tab Games and Bingo Cards, and Schedule A-1 for Bingo Prize Deduction, for the total gaming activity of the MBP.

Step No. 4. Complete Schedule C, Game-Related Expenses, lines 1 through 21, for the total gaming activity of the MBP and then for each permittee member.

Caution: Expenses and bingo prizes are limited on an annual basis. Refer to Alaska law for specific limitations. See 15 AAC 160.830(g) for a possible remedy for excess expenses.

Step No. 5. Complete Schedule A, lines 5 and 6, Columns A through I, for the total gaming activity of the MBP and then for each permittee member.

Step No. 6. Complete Schedule D, Pull-Tab Attachment.

Step No. 7. Complete Schedule E, Payments to Permittees. If additional payments are made when the report is filed, include those payments on Schedule E.

Step No. 8. Complete Schedule A, line 7, for the total gaming activity of the MBP and then for each permittee member.

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

SPECIFIC INSTRUCTIONS PAGE 1

MBP INFORMATION. Enter the MBP name, permit number and other requested information in the spaces provided.

Columns A through F. Enter the total gross receipts, Federal excise tax, prizes, adjusted gross income, game-related expenses, and net proceeds for *all* gaming activities conducted for each permittee member from Schedule A (as prepared for each permittee member), Column I, lines 1 through 6, on the appropriate line of Page 1 for each permittee member.

Column I. Enter the total net proceeds paid to each permittee member from Schedule A, Column I, line 7.

SCHEDULE A
ACTIVITY REPORT BY PERMITTEE

Reminder: *Accrual accounting must be used to report bingo and pull-tab activity.*

Prepare separate Schedules A for the total activity of the MBP and for each permittee member. Prepare one Schedule A to report the total gaming activity of the MBP. Then prepare separate Schedules A for each permittee member showing the member's allocable share of each item.

SCHEDULE A
ACTIVITY REPORT BY PERMITTEE FOR THE TOTAL ACTIVITY OF MBP

Check the box on the Schedule A to indicate that this form reports the *total activity of the MBP*. Do not enter a permittee member name or permit number on this form.

Line 1, Total Gross Receipts. Enter the total receipts of the MBP for each gaming activity conducted. Enter the sum of the receipts from all gaming activities on line 1, Column I.

Note: Gross receipts for pull-tab games delivered to the MBP's registered vendor(s) is the sum of the ideal gross for the games delivered to the vendor(s), not the amount of payment received from the vendor.

Total Gross Receipts when sales tax is imposed by the municipality: 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 on line 1. If the sales tax is not collected as a percent of the ideal sales price (\$1.00 x 4% 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 Tax. Enter the Federal excise tax on gross receipts from pull-tab sales, or any other activity, that was paid by the MBP on line 2. Enter the total paid for all gaming activities on line 2, Column I.

3% Pull-Tab Tax. Do not include the 3% pull-tab tax paid when the games were purchased. Enter the pull-tab tax paid on Schedule C, Line 14

Line 3, Cost of Prizes. Enter the total cost of prizes for each gaming activity on line 3. Use bingo prizes as computed on Schedule A-1. Do not include any donated prizes on line 3. Enter the sum of prizes awarded from gaming receipts for all activities on line 3, Column I.

Caution: The annual prize payout for bingo may not exceed 85% of the gross receipts from the bingo activity. If the total annual payout is over the limitation, the excess will not be allowed as a deduction from gross receipts when computing minimum amounts due to member permittees, however the total prizes paid must be reported on Schedule A.

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

Line 5, Game-Related Expense. 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.

Caution: Game-Related Expenses may be limited on an annual basis; please refer to the instructions for Schedule C.

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

Line 7, Net Proceeds Paid. Enter the total net proceeds paid to all permittee members for the current year on line 7, Column I. The amount reported should include all payments of net proceeds for the current year, even those made after the end of the year. Do not include net proceeds paid for the prior year.

SCHEDULE A
ACTIVITY REPORT BY PERMITTEE FOR EACH PERMITTEE MEMBER

Enter permittee member name and permit number in the spaces provided on additional Schedules A for each permittee member. Enter the MBP information on each of the forms. **A separate Schedule A must be prepared for each permittee member.**

Allocation Procedures: Compute each permittee member's share of gross receipts, taxes, prizes, and expenses based on the member's percentage interest in the gaming activity. The same percentage must be used for all components of net proceeds. If there was a change in the permittee member's interest during the year, compute that member's share for each short period.

Retain computations of the allocable shares with the MBP's permanent records.

Line 1, Gross Receipts. Enter the allocable gross receipts for each permittee member on line 1 of Schedule A. Enter each permittee's total gross receipts on Schedule A, line 1, Column I and on Page 1, Column A, on the line designated for this permittee member.

Line 2, Taxes. Enter the allocable Federal excise tax for each permittee member on line 2 of Schedule A. Enter each permittee's total taxes on Schedule A, line 2, Column I and on Page 1, Column B, on the line designated for this permittee member.

Line 3, Cost of Prizes. Enter the allocable cost of prizes for each permittee member on line 3 of Schedule A. Enter each permittee's total prizes on Schedule A, line 3, Column I and on Page 1, Column C, on the line designated for this permittee member.

Line 4, Adjusted Gross Income. Subtract Federal excise tax (Line 2) and Cost of Prizes (Line 3) from Total Gross Receipts (Line 1) and enter the result on line 4 for each activity. Enter the sum of Adjusted Gross Income (Line 4) for all activities on line 4, Column I and on Page 1, Column D, on the line designated for this permittee member.

Line 5, Game-Related Expense. Enter the allocable expense for each activity of each permittee member on the applicable Schedule A and on Page 1, Column E. Enter the sum of all game-related expenses on line 5, Column I, and on Page 1, Column E, on the line designated for this permittee member.

Line 6, Net Proceeds. Subtract Game-Related Expenses (Line 5) from Adjusted Gross Income (Line 4) and enter the result on line 6 for each activity. Enter the sum of Net Proceeds (line 6) for all activities on line 6, Column I, and on Page 1, Column F, on the line designated for this permittee member.

Line 7, Net Proceeds Paid. Enter the total net proceeds paid to the permittee member for the current year on line 7, Column I. The amount reported should include all payments of net proceeds for the current year, even those made after the end of the year. Do not include net proceeds paid for the prior year.

SCHEDULE AV **VENDOR ACTIVITY REPORT**

Use this form to report all sales of pull-tabs by vendor(s) registered [AS 05.15.188] to sell pull-tabs on behalf of the MBP.

Vendor Information. Enter the ABC license number and name of each vendor registered under AS 05.15.188 on the lines provided.

Column A, Gross Receipts. Enter the *ideal gross receipts* for all games delivered to each vendor on the appropriate line. Enter total ideal gross receipts, not the amount of payment received from the vendor. If the MBP had more than five vendors during the year, attach as many additional pages of Schedule AV as necessary. Enter the total gross receipts for all vendors on the Grand Total line. If the MBP had five or fewer vendors during the year, the amount entered on the Subtotal line should agree to the amount entered on the Grand Total line. Also enter the amount on the Grand Total line on Schedule A, Column C, line 1, of the MBP Total Activity Report.

Gross receipts when sales tax is imposed by the municipality: If the municipality in which the MBP conducts gaming activity imposes a sales tax on the sale of pull-tabs and requires the tax to be paid on the ideal sales price, the ideal gross must be reduced by the amount of sales tax paid. If the vendor pays the sales tax from his funds, the MBP will report the ideal gross receipts.

Column B, Taxes. Enter taxes paid (such as the federal excise tax on the sale of pull-tabs) on games delivered to each vendor on the appropriate line. If the MBP had more than five vendors during the year, attach as many additional pages of Schedule AV as necessary. Enter the total taxes paid for all vendors on the Grand Total line. If the MBP had five or fewer vendors during the year, the amount entered on the Subtotal line should agree to the amount entered on the Grand Total line. Also enter the amount on the Grand Total line on Schedule A, Column C, line 2, of the MBP Total Activity Report.

Column C, Cost of Prizes Awarded. Enter the total ideal prize amount for all games delivered to each vendor on the appropriate line. Enter the ideal prizes, not the actual prizes paid out by the MBP's vendor(s). Enter the ideal prizes for the first five vendors on the Subtotal line. If the MBP had more than five vendors during the year, attach as many additional pages of Schedule AV as necessary. Enter the total ideal prize amount for all games delivered to vendors on the Grand Total line. If the MBP had five or fewer vendors during the year, the amount entered on the Subtotal

line should agree to the amount entered on the Grand Total line. Also enter the amount on the Grand Total line on Schedule A, Column C, line 3, of the MBP Total Activity Report.

Column D, Adjusted Gross Income. Subtract Columns B and C from Column A and enter the difference in Column D for each vendor. If the MBP had more than five vendors during the year, attach as many additional pages of Schedule AV as necessary. Enter the total adjusted gross income for all vendors on the Grand Total line. If the MBP had five or fewer vendors during the year, the amount entered on the Subtotal line should agree to the amount entered on the Grand Total line. Also enter the amount on the Grand Total line on Schedule A, Column C, line 4, of the MBP Total Activity Report.

Column E, Vendor Compensation. Enter the total paid to each vendor on the appropriate line. The 30% of ideal net retained by the vendor when the game is delivered is considered vendor compensation. If the MBP had more than five vendors during the year, attach as many additional pages of Schedule AV as necessary. Enter the total vendor compensation for all vendors on the Grand Total line. If the MBP had five or fewer vendors during the year, the amount entered on the Subtotal line should agree to the amount entered on the Grand Total line. Also enter the Grand Total on Schedule C, line 18, Column C, of the MBP Total Activity Report.

Column F, Cost of Pull-Tab Games. Enter the cost of pull-tab games delivered to each Vendor. Enter the cost of pull-tab games delivered to the first five vendors on the Subtotal line. If the MBP had more than five vendors during the year, attach as many additional pages of Schedule AV as necessary. Enter the total cost of pull-tab games delivered to all vendors on the Grand Total line. If the MBP had five or fewer vendors during the year, the amount entered on the Sub-total line should agree to the amount entered on the Grand Total line. Do not transfer the amount on the Grand Total line to any other Form. The amount entered on the Grand Total line should agree to the amount entered on Schedule C-1, Line 5, under the Vendor Column and to Schedule C, Column C, line 15, of the MBP Total Activity Report.

Column G, Pull-Tab Tax Paid. Enter the 3% tax paid on the pull-tab games delivered to each Vendor. Enter the total taxes paid on pull-tab games delivered to the first five vendors on the Subtotal line. If the MBP had more than five vendors during the year, attach as many additional pages of Schedule AV as necessary. Enter the total 3% tax paid for pull-tab games delivered to all vendors on the Grand Total line. If the MBP had five or fewer vendors during the year, the amount entered on the Subtotal line should agree to the amount entered on the Grand Total line. Also enter the amount on the Grand Total line on Schedule C, Column C, line 14 of the MBP Total Activity Report.

Column H, Other Vendor Expenses. Vendor endorsement fees and other expenses incurred in connection with each vendor should be entered here. Enter total other vendor expenses incurred as the result of contracting with the first five vendors on the Subtotal line. If the MBP had more than five vendors during the year, attach as many additional pages of Schedule AV as necessary. Enter total other vendor expenses on the Grand Total line. If the MBP had five or fewer vendors during the year, the amount entered on the Subtotal line should agree to the amount entered on the Grand Total line. Also enter the amount on the Grand Total line on Schedule C, Column C, line 20 of the MBP Total Activity Report.

Column I, Total Expense. Add Columns E,F,G and H for each vendor. Enter the result for each Vendor on the appropriate line under Column I. Enter the total for the first five vendors on the Subtotal line. If the MBP had more than five vendors during the year, attach as many additional pages of Schedule AV as necessary. If the MBP had five or fewer vendors during the year, the amount entered on the Subtotal line should agree to the amount entered on the Grand Total line. Do not transfer the amount on the Grand Total line to any other Form. The amount on the Grand Total line should agree to Schedule C, Column C, line 21 of the MBP Total Activity Report.

Column J, Net Proceeds. Subtract Column I from Column D for each vendor. Enter the result for each vendor on the appropriate line under Column J. Enter the total for the first five vendors on the Subtotal line. If the MBP had more than five vendors during the year, attach as many additional pages of Schedule AV as necessary. If the MBP had five or fewer vendors during the year, the amount entered on the Subtotal line should agree to the amount entered on the Grand Total line. Do not transfer the amount on the Grand Total line under Column J to any other Form. The amount on the Grand Total line under Column J should agree to the amount on Schedule A, Column C, line 6 of the MBP Total Activity Report.

Allocation of Vendor Sales to Permittee Members: Enter each permittee member's allocable share of pull-tab sales by vendor(s) on Schedule A, Activity Report by Permittee. Enter the allocable share of total gross receipts (Column A, line 6), taxes (Column B, line 6), cost of prizes awarded (Column C, line 6), adjusted gross income (Column D, line 6), total expenses (Column I, line 6), and net proceeds (Column J, line 6), on line 3 in the appropriate column of Schedule A for each permittee.

SCHEDULE C: **GAME-RELATED EXPENSES**

Caution: Game-related expenses and bingo prizes are limited on an annual basis. Refer to Alaska law for specific limitations. See 15 AAC.160 for a possible remedy for excess expenses.

Prepare a separate Schedule C for the total activity of the MBP. Then prepare a separate Schedule C for each member permittee showing the member's allocable share of each expense.

Authorized Expenses. Remember that expenses are allowed only if they are ordinary, necessary and reasonable, and directly relate to the operation of the authorized games.

Unauthorized Expenses. Only ordinary, necessary, and reasonable 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 the MBP permit.

Alaska gaming laws identify other unauthorized expenses.

Expenses That Relate To More Than One Activity. If the MBP conducted more than one type of gaming activity and cannot determine the cost related to each activity, allocate the expense among the gaming activities.

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 column in the space provided.

Line 8, Rent of Facility. Include direct costs for rent of the facility on line 1. If the facility is used for more than one gaming activity, then the expense must be allocated among the activities.

As with all other expenses, only ordinary, necessary and reasonable 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. They may be cause for suspension, revocation or denial of the MBP permit.

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

Line 15, Cost of Pull-Tab Games and Bingo Cards. Pull-tab games and bingo cards are purchased by the MBP. 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 to five percent of the permittee's adjusted gross income from gaming activities. *Any excess must be reported, but is non-deductible on an annual basis when calculating the payments due to member permittees.*

Line 17, Equipment Purchases. Equipment purchased with gaming funds may be treated as a current expense. Equipment purchased with gaming funds becomes the property of the permittee members and must be returned to, or purchased from, the permittee members upon termination of the MBP or upon withdrawal of a member from the MBP. An MBP may also depreciate personal property, computer software and MBP-owned improvements to leased property used in a gaming activity. See **15 AAC 160.790.**

Line 20, Other Expenses. Attach a detailed schedule (with a description and amount for each type of expense) to support the amount entered on this line. The cost of non-alcoholic refreshments given free of charge during authorized games of chance and skill are included here.

Expense Limitation. Total expenses must be reported on Schedule C, but are limited on an annual basis. If the total expenses for a specific gaming activity exceed the allowed limitation, any amount over the limitation is nondeductible for computing the net proceeds that must be paid to each member permittee and the net proceeds on which the additional 1% fee must be paid. See 15 AAC 160.830(g) for a possible remedy for excess expenses.

Note: Expenses are limited to amounts actually paid when the actual expense 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. Excess expenses must be reported but are not deductible for the annual computation of net proceeds due member permittees.

Calcutta Pool Activities: The total amount of expenses that may be incurred and prizes that may be awarded in connection with a Calcutta pool may not exceed 50 percent of the pool of

wagers. This limitation applies to each Calcutta pool conducted during a permit year. Excess expenses must be reported but are not deductible for the annual computation of net proceeds due member permittees.

Other Gaming Activities: Authorized expenses that may be deducted for a gaming activity other than pull-tabs and Calcutta pools on an annual basis may not exceed 90 percent of the annual adjusted gross income from that activity. Any excess must be reported but is nondeductible for computing net proceeds due member permittees.

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

Note: It is not necessary to prepare a separate Schedule C-1 for each permittee member. Total expenses are allocated to permittee members on Schedule A according to each permittee member's share of net proceeds.

Cost of Pull-Tab Games:

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

Inventory Records. Beginning and ending inventory records must be retained with all other accounting records. Beginning and ending inventory must *list unopened games by the State ID Stamp Number and related cost of the game*. Other information may be retained for the MBP's own use.

Line 1, Cost of Inventory of Unopened Games at Beginning of Year. In the first year in which the MBP conducts gaming activities, the beginning inventory is zero. In subsequent years, the cost of beginning inventory is 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 current year.

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. If the MBP's current inventory procedures compute inventory of unused games using a more precise method (such as percentage of completion of individual games) the MBP may use that method for reporting purposes. Check the box for the method used to report pull-tab inventory.

Line 5, Cost of Pull-Tab Games. Subtract line 4 from line 3. This is the cost of pull-tab games placed in play. Enter the result on line 6 and record on Schedule C, Column B, 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 the MBP conducts gaming activities, 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.

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

Line 6, Cost of Bingo Cards. Subtract line 4 from line 3. This is the cost of bingo cards. Enter on Schedule C, Column A, line 15.

SCHEDULE D:
PULL-TAB ATTACHMENT

Use Schedule D to report any closed games that were inadvertently omitted from the MBP's quarterly reports.

SCHEDULE E:
PAYMENTS TO PERMITTEE MEMBERS

Use Schedule E to report total quarterly payments of net proceeds to member permittees, and any additional payments that are made when the annual report is filed.

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

Additional payments may be required when the Annual Report is filed. List the checks issued to satisfy any shortage on this schedule. The total paid should agree with the total net proceeds reported on Page 1, Column G. If not, include a reconciliation on Schedule E or on an attachment to the report.