

Instructions for Alaska 2015 Operator Quarterly Report

General Instructions

WHO MUST FILE

All operators shall file a report for each calendar quarter in which an activity was conducted.

DUE DATE OF REPORT

File the report with the Department by the last business day of the month following each calendar quarter in which an activity was conducted.

WHO MUST SIGN

The report must be signed, under penalty of unsworn falsification, by the operator or the operator's agent. If someone is paid 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 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 during the quarter, the type(s) of activity conducted, the amount of gross receipts, the amount of authorized expenses, the cost of prizes awarded, the amount of net proceeds paid, and other information the Department requires; a completed Internal Revenue Service Form 941; and a copy of the operator's employer contributions and wage reports submitted to the Department of Labor for the quarter.

Bingo and Pull-Tab Reporting

Note that regulation requires accrual accounting to report bingo and pull-tab activity, but this requirement applies only to the annual report. You need not convert from the cash basis or modified cash basis for the quarterly reports. You may wish to consult an accounting professional to prepare your books before starting the annual report. See 15 AAC 160.830.

INFORMATION TO PROVIDE TO AUTHORIZING PERMITTEES

The operator must provide a quarterly report to each authorizing permittee. The report must contain a summary of all activity conducted on the permittee's behalf during the preceding calendar quarter. See the steps below for detailed instructions.

GENERAL ORDER FOR COMPLETION OF SCHEDULES FOR OPERATOR QUARTERLY REPORT

Do not fill in the forms for the Quarterly Report until you have read all the instructions.

Caution: Game-related expenses and bingo prizes are limited on an annual basis. Refer to Alaska law for specific limitations. Detailed instructions for the limitation are included with the instructions for the Operator Annual Report. Observance of the limitations during each quarter may prevent the need for payment of additional net proceeds in later quarters or at year-end.

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 Quarterly Report and supporting schedules.

Step No. 1. Complete Schedule A, Activity Report For Permittee, lines 1 through 4 (Gross Receipts, Taxes, 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.

Step No. 5. Complete Schedule E, Payments to Permittees. Additional payments to permittees may be required.

Step No. 6. Complete Schedule A for each permittee, lines 5 through 7, (Total Expenses, Net Proceeds, and Total Net Proceeds Paid to Permittees).

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 Quarterly Report.

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Specific Instructions Page 1

OPERATOR INFORMATION AND REPORT PERIOD

Enter your operator 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 quarter, in the spaces provided.

Columns A through F. Enter the gross receipts, taxes, prizes, adjusted gross income, game-related expenses and net proceeds for all activities conducted for each permittee from Schedule A, lines 1 through 6, Column I, on the appropriate line 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.

SCHEDULE A: ACTIVITY REPORT BY PERMITTEE

Complete a separate Schedule A for each permittee for whom gaming activities were conducted during the report period. Then complete a Schedule A for total activity of the operator.

Reporting Method. Bingo and pull-tab gaming activities must be reported on the accrual method. Other activities can use a cash, or modified cash method, to report the gaming activity.

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

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 in Column A. 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 receipts in Column A (ideal sales price of \$1.00 - .04 = .96 gross receipts 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, Taxes. Enter the amount of excise tax paid on gross receipts 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. The pull-tab tax paid 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, Gross Receipts.

Line 3, Cost of Prizes Awarded. Enter the cost of prizes awarded for each gaming activity on the applicable column of line 3. (See caution below regarding bingo prizes). The amount you enter here should not include any donated prizes, but only prizes awarded from gaming receipts. However, donated prizes count towards the annual prize limits. Enter the sum of prizes awarded from gaming receipts for all activities on line 3, Column I.

Caution: In addition to the annual dollar limit, the annual prize payout for bingo may not exceed 85% of the gross receipts from bingo activity. If the total annual payout is over this limitation, the excess will not be allowed as a deduction from gross receipts and additional net proceeds plus interest will be due to the permittee when the Annual Report is filed.

Line 4, Adjusted Gross Income. Subtract Taxes (line 2) and Cost of Prizes Awarded (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 in 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; 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 for all activities on line 6, Column I.

Enter the total net proceeds paid to the permittee for the current quarter on line 7. The amount reported should include all payments of net proceeds for the current quarter, even those made after the end of the quarter. Do not include net proceeds paid for the prior quarter.

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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 report period. Then complete a Schedule C for total activity of the operator.

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.

Expenses that relate to more than one permittee (such as facility rental) must first be allocated among the affected permittees.

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.

Expenses that Relate To More Than One Activity of a Single Permittee. If you conducted more than one type of gaming activity for the permittee and cannot determine the cost related to each activity, allocate the expense among the gaming activities.

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 statute and regulation. They may be cause for suspension, revocation or denial of your license.

Alaska gaming law identifies other unauthorized expenses.

Gaming Activity Columns. All expenses must be broken down by the type of activity. Enter expense information in the applicable column. The following instructions relate to entries for a single permittee.

Line 8, Rental of Facility. Include direct costs 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 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 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 Pull-Tab Games and Bingo Cards. Pull-tab games and bingo cards are purchased by operators for permittees. Assign games and cards to specific permittees when purchased. The amounts to enter on line 15 are computed on Schedule C-1.

Line 16, Advertising. The total authorized expense that may be deducted for advertising is limited. Please refer to the regulations for additional information. Any excess is non-deductible and reimbursable to the permittee.

Line 17, Equipment Purchases. Equipment bought with gaming funds may be treated as a current expense. 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 Fees. Enter the fees paid during the quarter.

Line 20, Other Expenses. Enter a description of the expense in the space provided. The total cost of non-alcoholic refreshments given free of charge during authorized games of chance and skill is an example of other deductible expenses. If you need additional space, attach a separate schedule to the Quarterly Report.

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 net proceeds due to the permittee. Although the limitation is not applied each quarter, the general limitations should be considered to avoid late payment of net proceeds and imposition of interest on the unpaid balance.

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 may not exceed 70 percent of the annual adjusted gross receipts from pull-tabs. Any excess is an unauthorized expense and cannot reduce the net proceeds due to the permittee.

Other Gaming Activities: Authorized expenses that may be deducted for a gaming activity other than pull-tabs may not exceed 90 percent of the annual adjusted gross income from that activity. Any excess is an unauthorized expense and cannot reduce the net proceeds due to the permittee.

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

Pull-tab games and bingo cards are purchased by operators for permittees. Games and cards must be assigned to specific permittees when purchased. Use this schedule to compute the cost of pull-tab games and bingo cards 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 with 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 kept with all other accounting records. Beginning and ending inventories must list unopened games by the State ID Stamp Number and cost of the game. Other information may be retained for your own use.

Line 1, Cost of Inventory of Unopened Games at Beginning of Quarter. In the first period in which you work as an operator for a permittee, the beginning inventory is zero. In subsequent periods, the cost of beginning inventory is the ending inventory from the prior period.

Line 2, Purchase of Pull-tab Games. Report the cost of all pull-tab games purchased during the current period for this permittee. All pull-tab games purchased by the operator must be assigned to a specific permittee at the time of purchase.

Line 4, Cost of Inventory of Unopened Games at the End of the Quarter. Enter the cost of games that remain unopened (games not yet placed in play) at the end of the period on line 4. If your current inventory procedures compute inventory of unused games with a more precise method (such as percentage of completion of individual games), you may use that method for reporting purposes.

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 kept with all other accounting records. Beginning and ending inventories 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 according to price.

Line 1, Cost of Inventory of Bingo Cards at Beginning of Quarter. In the first period in which you work as an operator for a permittee, the beginning inventory is zero. In subsequent periods, the cost of beginning inventory is the ending inventory from the prior period.

Line 2, Purchase of Bingo Cards. Report the cost of all bingo cards purchased during the current period for this permittee. All bingo cards purchased by the operator must be assigned to a specific permittee.

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

Complete a separate Schedule D for each permittee for whom pull-tabs were sold during the report period. Report only pull-tab games that were closed during the quarter.

General Information. Enter your name and license number and the permittee name and permit number in the spaces provided. Use a separate form for each permittee for whom pull-tab games are conducted during the current period to report completed pull-tab games only.

Report Period. Check the box for the period currently being reported.

Distributor License Number. Enter the license number of the distributor selling the game in this column.

State ID Stamp Label. Attach the pull-tab state ID stamp labels in this column. If the label is not available, write in the ID number and attach an explanation to the return.

Game Serial Number and Form Number. Enter the serial number and form number for each game in the space provided.

Gross Receipts, Prize Payout and Ideal Net. Enter the ideal gross receipts, ideal prize payout and ideal net in the applicable columns.

3% Tax. Enter the 3% tax paid when the game was purchased.

Date In/Date Out. Enter the dates the game was placed in play (date in) and completed (date out) in this column.

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SCHEDULE E: PAYMENTS TO PERMITTEES

Use Schedule E to report monthly payments of net proceeds to permittees. Enter the name of the permittee, date and check number, and amount of each check issued for gaming activities reported in the current quarter. This means that a report filed for the first quarter (January through March) will list the checks issued in February, March and April since net proceeds are paid to the permittee in the following month. Do not include net proceeds paid for the prior quarter.