

Charitable Gaming Program

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Charitable Gaming Overview

- Most gambling is currently illegal (AS 11.66) in the State of Alaska.
- The Charitable Gaming Act (AS 05.15) legalized certain types of organizations to conduct certain types of gambling activities. Permissible gambling activities are called ‘gaming activities’.
- The definition of gambling contains three elements: consideration, chance, and prize. For example, a player pays one dollar to purchase a raffle ticket for a chance to win an airline ticket. The dollar is consideration, that is used to purchase a chance to win a prize of value.

Gaming Participants

- A permittee is either an organization that operates without profits to its members, or a municipality, that has been issued a charitable gaming permit.
- A multiple-beneficiary permittee (MBP) is a joint venture of 2-6 permittees.
- An operator is a for-profit sole proprietor that has been issued a license to conduct gaming on behalf of one or more permittees.
- A vendor is a bar¹ or liquor store that has been registered by a permittee to sell pull-tabs on behalf of the permittee.
- A pull-tab manufacturer is licensed to sell pull-tabs to pull-tab distributors.
- A pull-tab distributor is licensed to sell pull-tabs to permittees, multiple-beneficiary permittees, and operators.

¹ Typically a bar or restaurant
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Gaming Terminology

- Gross Receipts is the total dollar amount collected from the sale of pull-tabs, bingo cards, raffle tickets, and other games types.
- Cost of Prizes is the total cost of prizes paid out to winners.
- Adjusted Gross Income is gross receipts less the cost of prizes.
- Game Related Expenses are expenses reasonable and necessary to conduct a gaming activity such as the permit/license fee, rent, utilities, payroll, and cost of games. It may also include the fee charged by an operator.
- Net Proceeds is adjusted gross income less game-related expenses and is the profit made from gaming activities. Net proceeds must be donated within one year and may be used for educational, civic, public, charitable, patriotic, religious, or political purposes.

Gaming Permit

- To obtain a permit, an organization must be in existence for the last three consecutive years and have at least 25 members who are residents of the State of Alaska.
- Gaming permits are good for one calendar year and allow a permittee to conduct one or more game types including: pull-tabs, bingo, raffles, classics, fish derbies, moose derbies, and Calcutta pools.
- Classic games include animal classic, cabbage classic, canned salmon classic, crane classic, deep freeze classic, goose classic, ice classic, king salmon classic, mercury classic, race classic, salmon classic, and snow and snow machine classics. The statute limits the privilege to conduct certain types of classics to certain organizations. For example, the conduct of the cabbage classic is limited to the Palmer Rotary Club, and the conduct of the king salmon classic is limited to the Juneau Chamber of Commerce.
- Generally speaking, aggregate annual prizes paid out for pull-tabs, raffles, classics, and derbies is limited to \$2,000,000, and aggregate annual prizes paid out for bingo is limited to \$840,000.

Operator License

- To obtain a license, a natural person must provide the gaming location(s), proof of liability insurance, and security in the form of a surety bond, cash, or real estate. The amount of security ranges from \$25,000 to \$100,000 depending on how many permit holders the operator contracts with.
- An operator may conduct pull-tabs, bingo, raffles, and other game types on behalf of a permittee by entering into a contract. Operators that contract with several permittees typically game for each permittee during a finite period of time. For example, if an operator contracts with 24 permittees, they may decide to game for 2 permittees each month. An operator is required to remit all net proceeds to the permittee within 15 days after the month in which gaming was conducted.
- Operators are for-profit businesses that charge a fee to conduct gaming activities. Game related expenses incurred by an operator are limited to 70 percent of adjusted gross income including the fee

charged by an operator. Annually an operator must remit 100 percent of net proceeds to the permittee, which must represent a minimum of 30 percent of adjusted gross income.

Vendor Registration

- A permittee may register a business that holds either a beverage dispensary license (bar) or package dispensary license (liquor store) as a vendor. Once registered, the bar or liquor store may sell pull-tabs on behalf of a permittee. The permittee is required to deliver the pull-tab game directly to the vendor and must receive a check in the amount of 70 percent of the ideal net proceeds of the game. See the next section Pull-Tab Game which discusses the term ideal net proceeds.

Pull-Tab Game

- A pull-tab game is designed with a set number of tickets, a set price per ticket, ideal gross receipts, ideal prize payouts, and ideal net proceeds.
- For example, a game that has 4,000 tickets priced at \$1.00 each, has \$4,000 of ideal gross receipts. The game is designed with an ideal prize payout of \$3,000 in prizes that range from \$1.00 to \$250.00. Finally, the game is designed to generate \$1,000 in ideal net proceeds, also known as profit.
- In an 'ideal' world, all tickets will sell for \$1.00, \$4,000 in gross receipts will be collected, \$3,000 will be paid out as ideal prize payouts, and \$1,000 will be retained as ideal net proceeds.
- However, in the real world, the numbers don't always work out. For example, a game may not be popular, and sales could be slow. In order to close the game, the seller would likely discount the price per ticket, perhaps from \$1.00 to \$0.75, thus reducing the amount of gross receipts to \$3,000. Prize payouts of \$3,000 must still be honored (unless a player accidentally throws away a winning ticket), resulting in zero profit because all gross receipts were used to pay for prizes.

Frequently Asked Questions (FAQs)

- For a list of FAQs, please visit: [Charitable Gaming FAQs Page](#)
- If you have additional questions, please email the Gaming Team @ dor.tax.gaming@alaska.gov.
- Your question may be one that we want to add to our FAQs!