WELCOME TO THE TAVERN GAMING INFORMATIONAL SESSION

pennsylvania LIQUOR CONTROL BOARD

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pennsylvania DEPARTMENT OF REVENUE

LIQUOR CONTROL ENFORCEMENT

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LIQUOR CONTROL BOARD

Your packet includes

- Draft applications
- Frequently Asked Questions
- Brochure with contact information
- Copy of this PowerPoint presentation

Act 90 of 2013

- Allows certain alcoholic beverage licensees to apply for a license to conduct ‘tavern games’
- Was signed into law on Nov. 27, 2013
- Most provisions do not go into effect until Jan. 27, 2014
- Application process based on this law

What is a ‘tavern game?’

- Pull-tab games
- Daily drawings
- Tavern raffles – games must be, in part, for a charitable or public purpose

Who CAN apply?

Applicants for a Tavern Gaming License must hold an active and current:

- Restaurant liquor license (this includes specialized licenses, such as PAF, PGR, AR, etc.)
- Hotel liquor license
- Privately-owned public golf course liquor license
- Brewery pub license

Who CANNOT apply?

- Eating Place Retail Dispenser Licenses (“E” license type)
- Club and Catering Club Licenses (“C”, “CC” and “O” license types)
- Limited Winery (“LK”) and Limited Distillery (“AL”) Licenses
- Grocery Stores (Most hold an “R” license type)
- Casinos (Most hold an “R” license type)
- Venues that hold professional sporting events
- Any licensee that operates in a municipality that has not approved Small Games of Chance
- Locations that have been declared to be “nuisances” under Section 611 of the Liquor Code
- Licensees whose liquor license is in “safekeeping”
- Licensees whose liquor license locations have been objected to by the PLCB Bureau of Licensing
- Individuals who have been convicted of a felony offense or a misdemeanor gambling offense in any jurisdiction within the last 15 years
- Locations that sell liquid fuels

The cost of a Tavern Gaming License

- Nonrefundable application fee: $2,000
  - $1,000 to PLCB
  - $1,000 to Gaming Control Board

Single cashier's check, check or money order made payable to the Commonwealth of Pennsylvania

Cash is not accepted

- Upon approval, the licensee must pay an additional $500 fee before the license is issued

- Annual renewal fee: $1,000

About the Tavern Gaming License

- Non-transferrable
- No security interest may be placed on a license
- Must be renewed annually

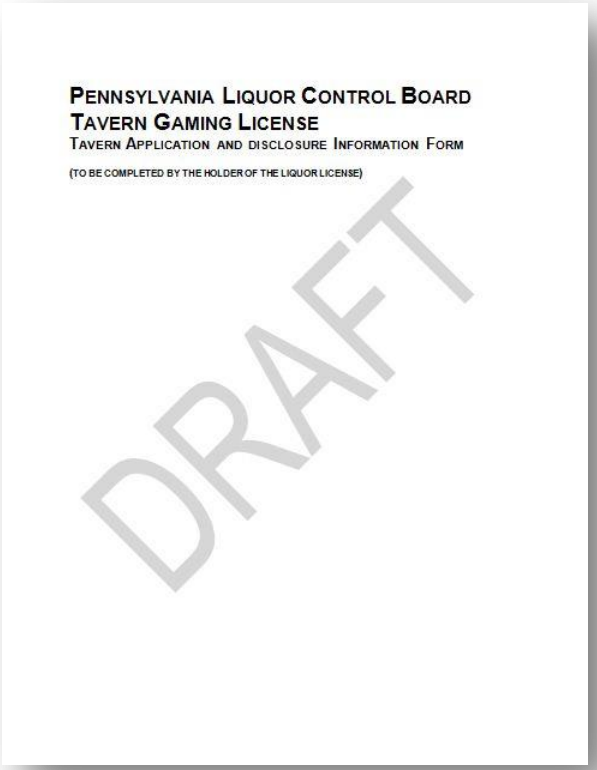
The application process

Applicants must submit:

- Tavern Application – Completed by the liquor license holder
- IRS Form 4506-T – For the liquor license holder
- Federal Tax Return – For the liquor license holder
- $2,000 to the Commonwealth of Pennsylvania
- Individual Application(s) – Completed by all involved in the liquor license as well as any affiliated entities of the liquor license (if applicable)
- Entity Application – Completed by those affiliated with the liquor license – limited liability companies, corporations, limited partners, management companies (if applicable)

Tavern Application & Disclosure Form

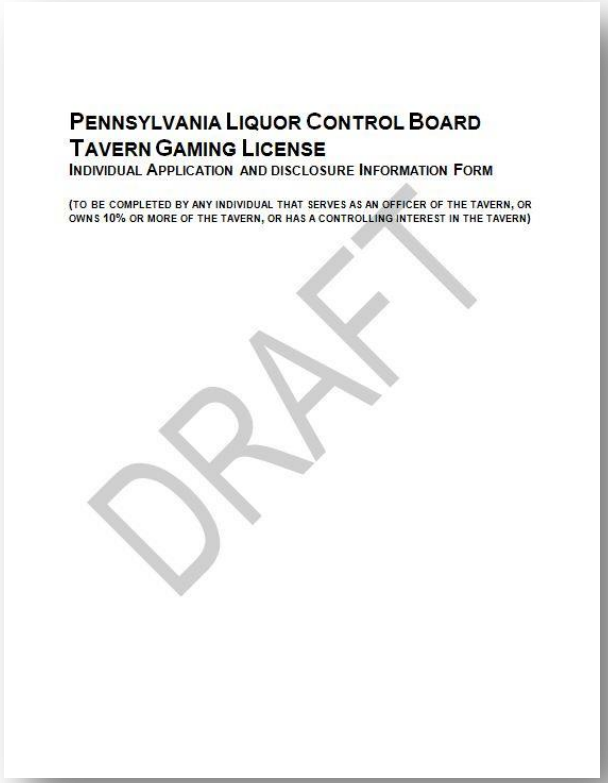
- Must be in the same name as whoever or whatever holds the liquor license
- Must include a current ownership and management table of organization, including ownership percentages (they must total 100 percent)


PENNSYLVANIA LIQUOR CONTROL BOARD
TAVERN GAMING LICENSE
TAVERN APPLICATION AND DISCLOSURE INFORMATION FORM
(TO BE COMPLETED BY THE HOLDER OF THE LIQUOR LICENSE)
DRAFT

Individual Application & Disclosure Information Form

For every individual that:

- Serves as an officer of the tavern, including president, treasurer, secretary, chief executive officer, chief financial officer, chief operating officer and manager
- Owns 10 percent or more of the tavern
- Has a controlling interest in the tavern
- Serves as management for the tavern
- Holds the liquor license for the tavern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TAVERN GAMING LICENSE
INDIVIDUAL APPLICATION AND DISCLOSURE INFORMATION FORM

(TO BE COMPLETED BY ANY INDIVIDUAL THAT SERVES AS AN OFFICER OF THE TAVERN, OR OWNS 10% OR MORE OF THE TAVERN, OR HAS A CONTROLLING INTEREST IN THE TAVERN)

DRAFT

Individual Application & Disclosure Information Form (Cont'd)

Each Individual Application must include:

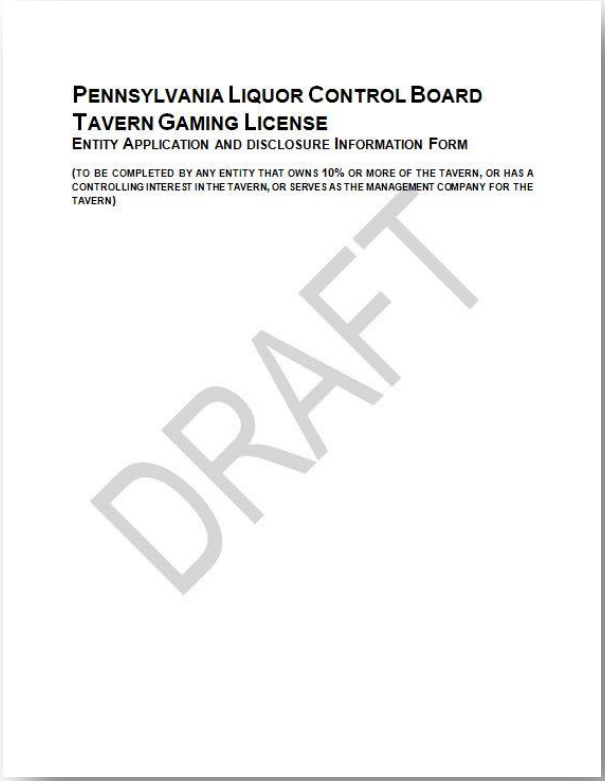
- Copy of his/her Social Security card
- Copy of his/her driver's license, or copy of another government-issued photo ID as set forth in Section 495 of the Pennsylvania Liquor Code
- Photograph
  - 1.5 inches square, matte finish, unmounted
  - Must bear the name of the individual, applicants liquor license and LID numbers, and the address of the liquor licensed premises
  - Must be taken within 60 days of the application being submitted
- Original Criminal History Summary from the FBI

Entity Application & Disclosure Information Form

Must be completed for any entity that:

- Owns 10 percent or more of the tavern
- Has a controlling interest in the tavern – the power or authority to manage, direct, govern, administer or oversee the operation of a licensed business
- Serves as the management company for the tavern

Entity Application must include a current ownership and management table of organization, including ownership percentages (must total 100 percent)


PENNSYLVANIA LIQUOR CONTROL BOARD
TAVERN GAMING LICENSE
ENTITY APPLICATION AND DISCLOSURE INFORMATION FORM

(TO BE COMPLETED BY ANY ENTITY THAT OWNS 10% OR MORE OF THE TAVERN, OR HAS A CONTROLLING INTEREST IN THE TAVERN, OR SERVES AS THE MANAGEMENT COMPANY FOR THE TAVERN)

DRAFT

Federal Tax Return

The most recent federal tax return filed by the holder of the liquor license for the tavern

IRS Form 4506-T

- Authorizes the release of transcripts of previous federal tax returns
- Must be completed for the most recent federal tax return
- Completed by the holder of the liquor license
- Free of charge

Filling out the application forms

- Read each question carefully before answering
- Entries must be typed or printed in block letters
- Answer every question. Do not leave blank spaces. If a question does not apply, write or type ‘Does not apply’
- Some parts will seem redundant. Again, make sure to answer every question
- All pages of the forms – including the application instructions, which also must be returned – must be initialed by the person supplying the information
- Additional pages may be used and attached. Indicate the number of the question being answered on each page
- Some forms must be notarized

Filling out the application forms (cont'd)

- All required documentation must be submitted at the time the forms are filed
- Applicant must promptly notify the PLCB and/or the Gaming Control Board if the information provided changes
- Refusal to provide information required under the law during the background investigation will result in the immediate denial of a Tavern Gaming License
- Failure to answer any question completely and truthfully will be cause for the denial of your application and may subject you to criminal penalties

Filling out the application forms (cont'd)

Completing the application requires applicants to sign an affidavit certifying the information is true and correct, and that no misrepresentation, falsification or omission exists

Once submitted, an application packet cannot be withdrawn without the permission of the PLCB

How long the process takes depends on…

- The completeness of the application
- The legibility of the application
- The truthfulness of the application
- The complexity of the background investigation
- The payment of applicable fees, including investigation fees

A quick review

- Only for certain types of alcoholic beverage licensees
- Will cost at least $2,500 to obtain
  - Including at least $2,000 to apply – non-refundable
- Municipalities must allow small games of chance

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GAMING CONTROL BOARD

The Bureau Of Investigations And Enforcement

WE ARE:

A branch of the PA Gaming Control Board which has been conducting background investigations for casino gaming licenses since 2005.

Aware of the need for timeliness to enable a decision to be made on your license in as swift of a time as possible…*however, we are also…*

Thorough. The BIE won't sacrifice quality for time. The more complete and forthright you are in your application, the more swift we can finish our work.

The Bureau Of Investigations And Enforcement

WE ARE NOT:

A law enforcement agency. Our role is to verify your submitted information and provide any additional information so the PLCB can determine suitability for licensure.

The licensing entity of tavern games. That is the role of the PLCB, so all questions during the licensing process should be addressed to that agency.

Your enemy. We also want the process to be as seamless as possible. Thus, the importance of providing *complete*, *accurate* and *legible* information in your application.

What Is Required Of Applicant?

There is an upfront cost for the background check:

- **Non-refundable $1,000 – must be paid before background can begin.**
- The scope of the investigation is determined by BIE.
- There could be a request for additional cost reimbursement if more time, including a need for an in-person meeting with the applicant is required.
- ***There will be no surprises***. You will be notified ahead of time of any anticipated additional costs.

The Tavern Gaming Act calls for BIE to look at:

Criminal History

Regulatory History

Financial Suitability

Criminal History Key Points

You must submit to **fingerprinting**.

You must obtain an **FBI Criminal History Summary**.

All criminal offenses will be investigated.

There is an automatic **suitability ban for convictions**.

15 year ban from date of conviction for felony and misdemeanor gambling offense convictions

A lack of **full disclosure** will elongate the process and may hinder or adversely affect suitability.

Regulatory History Key Points

We will review the last five years of your regulatory history including your liquor license.

We will look at records regarding unemployment compensation and workers compensation from the PA Department of Labor and Industry.

Financial Suitability Key Points

Your suitability report will include information on **your taxes** from:

PA Department of Revenue Internal Revenue Service

We will obtain and review a **credit report** to gain information on possible liens, judgments & bankruptcies.

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DEPARTMENT OF REVENUE

Small Games of Chance

STATE AND HOST MUNICIPALITY TAX OBLIGATIONS RELATING TO TAVERNS

W-2 Forms

- Under federal law, taverns must report a payment of SGOC winnings via W-2G when the amount paid is:
  - $600 or more, and
  - at least 300 times the amount of the wager.
- A copy of each W-2G must be provided to the Department of Revenue and the IRS.
- Additional information and W-2G forms are available at http://www.irs.gov/uac/Form-W-2G,-Certain-Gambling-Winnings.
- While SGOC prizes are subject to PA personal income tax, taverns have no obligation to withhold the tax from the prize.

Tavern Games Tax Rates

- **State Tax:** 60 percent of net revenue from tavern games, which include pull-tabs, tavern daily drawings and tavern raffles.
- **Host Municipality Tax:** 5 percent of net revenue from tavern games
- Both taxes are remitted to the Department of Revenue; distributors and taverns have tax roles.
- Taverns offering SGOC will be required to electronically file quarterly returns with the department.

Tavern Games Tax Obligations Vary By Game

Pull-Tabs:

- For games purchased from a licensed distributor (pull-tabs), a tavern will pay tavern tax to the distributor, and the distributor will remit the tax.
- Pull-tabs are subject to the 65 percent state/ municipality tavern tax, as well as sales tax, which is 6 percent of the cost of the pull-tabs (additional 1 percent local sales tax in Allegheny County and 2 percent local sales tax in Philadelphia).

Tavern Games Tax Obligations Vary By Game

Pull-Tabs:

- A tavern should keep records regarding tavern tax paid to distributors to facilitate quarterly and annual reporting.
- Taverns that sell only pull-tabs will file quarterly tavern tax returns indicating tax paid to distributors on pull tabs and zero tax obligation for tavern daily drawings and raffles.
- A list of licensed distributors can be found on the department's website: www.revenue.state.pa.us/SGOC

Tavern Games Tax Obligations Vary By Game

Tavern Daily Drawings and Tavern Raffles:

- State and municipality tavern tax on daily drawings is 65 percent of net revenue, or 65 percent of what's left after paying prizes and the cost of the game.
- Tavern tax on tavern raffles, which may be conducted up to once monthly for charity, is 65 percent of what's left after paying prizes, game costs and donating half of proceeds to a designated charity.
- ***Taverns are responsible for collecting the state/host municipality tavern tax on these games and paying and reporting those taxes quarterly.***

Tavern Tax Examples

Tavern Daily Drawing Examples:

1. Tavern sells $1 tickets for a prize equaling 100 percent of ticket sales. In such case, there is no net revenue and therefore no tavern tax due. ***Note prize cap is always $2,000.***
2. Tavern sells $1 tickets for a prize of 50 percent of ticket sales, prize not to exceed $2,000. Tavern sells 5,000 tickets for gross revenue of $5,000
   - Winner gets $2,000; cost of game is $50; net revenue is $2,950.
   - Tavern tax is imposed on $2,950: state tax of $1,770 (60 percent of $2,950) and municipality tax of $147.50 (5 percent of $2,950).

Tavern Tax Examples

Tavern Raffle Example:

Tavern sells $1 raffle tickets to benefit the local food bank. One winner will receive $400. 1,000 tickets are sold over a course of the month for total gross revenue of $1,000.

- Winner gets $400; raffle ticket printing costs total $10; net revenue is $590.
- At least $295, or 50 percent of the remaining $590, must be given to the food bank.
- Tavern tax is imposed on what remains: state tax of $177 (60 percent of $295) and host municipality tax of $14.75 (5 percent of $295).

Eligible Tavern Game Costs

Deductible game costs are:

- Cost to purchase the game
- Cost to purchase materials to make the game

Other costs are NOT deductible, for example:

- Labor or wages of employees selling tickets
- Regular tavern operating expenses
- Taxes paid relating to tavern operation
- Advertising for game events

Tavern Registration With Dept. Of Revenue

- The Department of Revenue does not license taverns for tavern gaming; questions regarding applying to become licensed to sell tavern games should be directed to the PLCB.
- Once the department receives notice from the LCB that a tavern is licensed to sell tavern games, the department will send the tavern notification of filing and reporting requirements for tavern taxes.
- Taverns will be required to file and pay tavern games tax using the LID number issued by the PLCB.

Taverns' SGOC Tax Filing Requirements

- Quarterly returns must be filed to report/pay tax on tavern daily drawings and tavern raffles, as well as to report tavern tax paid to distributors for pull-tabs purchased in that quarter.
- Electronic filing system in development; will be available at www.revenue.state.pa.us/SGOC by March 20.
- Returns due on the 20th of the month following the close of each calendar quarter: April 20, July 20, October 20 and January 20.
- ***A tavern must file quarterly returns with the department so long as it maintains a tavern gaming license, regardless of SGOC activity.***

Taverns' SGOC Tax Filing Requirements

- Tavern will need the following to file tavern tax returns: LID #, FEIN/SSN, Sales Tax Account ID, County and Municipality of location, net revenue for tavern daily drawings, net revenue for tavern raffles and amount of tax paid to distributors for pull-tabs.
- A spreadsheet to assist with record-keeping will be made available within the electronic filing system for download.
- Along with the fourth quarter return due Jan. 20, a tavern must complete an annual report.

Taverns' Annual Reporting Requirements

Taverns will have to complete an annual report in paper form that will require information itemized by week and game type regarding:

- **Pull-tabs:** number of W-2Gs, gross winnings reported from W2-Gs, total gross revenue, total payable prizes, total net revenue, state/municipality tavern tax

- **Tavern daily drawings & tavern raffles:** Type of game, number of W-2Gs, gross winnings reported from W2-Gs, total gross revenue, total prizes paid, total net revenue, total amount donated (raffles) and state/municipality tavern tax

SGOC Tax Information For Taverns

www.revenue.state.pa.us/SGOC

- Listing of licensed pull-tab distributors
- Tax filing system, when completed
- Annual reporting form, when completed
- Informational resources
- Contact information

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STATE POLICE

BUREAU OF LIQUOR CONTROL ENFORCEMENT

Tavern Gaming

The information being provided in this presentation is based upon the Bureau's interpretation of the statute. Like many new laws, they are subject to interpretation and further clarification by the courts going forward as well as regulations promulgated by the Department of Revenue.

Overview

- Operations of Games
- Prize Limits
- Discussion of Individual Games
- Records

Tavern Gaming

OPERATION OF GAMES

Operation Of Games

PERMITTED TAVERN GAMES

- The Act is very specific as to the games of chance that licensed "Taverns" are permitted to operate.

- They are:
  - Pull-Tabs
  - Tavern Raffles
  - Daily Drawings

Operation Of Games (cont'd)

PROHIBITED PERSONS:

- It is unlawful for an individual under 21 years of age to play or attempt to play or otherwise participate in a tavern game. [§914(5)]

- It is unlawful for a licensee to permit an employee
  under 18 to operate Tavern Games. [§914(6)]

- No one visibly intoxicated may purchase or sell a chance. [R&R § 901.731(a)]

Operation Of Games (cont'd)

PROHIBITED PERSONS (CON'T):

- It shall be unlawful for an owner or officer of a licensee or for an employee of the licensee who operates the tavern game to participate in the game [§914(8)]
  - This does not apply to a raffle.

  - Interpretation of subsection 914(8):

    The apparent intent of this subsection of the Act is to prohibit persons with inside knowledge, influence or control of a game from participating in that game in an effort to prevent any fraudulent or criminal activities.

Operation Of Games (cont'd)

PROHIBITED PERSONS (CON'T):

- Interpretation of subsection 914(8) (CONTINUED):
  - As the subsection includes the phrase, "the game of chance "and not "games of chance", for purposes of this subsection, the phrase "operates the game of chance" is interpreted to include the following activities related to a particular game of chance:
    - the selling of chances.
    - collection of money
    - paying winners
    - note-taking or recording of information (winners, payouts, etc of the individual game)
    - involvement in the process of selecting a winner.

Operation Of Games (cont'd)

PROHIBITED PERSONS (CON'T):

- It is unlawful for an owner, officer or employee of a licensee to sell, operate or otherwise participate in the conduct of tavern games if the employee has been convicted in any jurisdiction within the past 15 years of:
  - Any felony.
  - A misdemeanor gambling offense.
    - Pool selling / Bookmaking
    - Video Poker / Slots

Tavern Gaming

PRIZE LIMITS

Prize Limits

- General Prize limits – Prizes awarded in tavern games may not exceed:
  - $2,000 for single chance.
  - $35,000 in a seven-day period.

Prize Limits (cont'd)

All prizes awarded are included in 7 day prize totals. E.g.:

- Pull-tabs prizes regardless of amount.
  - The value of winning Pull-tab plays redeemed for additional plays are included.
- Tavern Raffle prizes.
- Daily Drawing prizes.

Prize Limits (cont'd)

All prizes awarded are included when calculating 7 day totals. There are **NO** exceptions for "Tavern Games" as there are for games operated by eligible organizations.

Tavern Daily Drawings

TAVERN DAILY DRAWING DEFINED

A game in which:

- an individual at a tavern selects or is assigned a number for a chance at a prize with the winner determined by random drawing to take place at the tavern during the same operating day;
- a winner may be determined with the aid of a passive selection device or utilizing a state lottery drawing;
- chances are not sold for an amount in excess of $1;and
- no more than one chance per individual is sold per drawing.

Tavern Daily Drawings (cont'd)

KEY PROVISIONS:

- May only be sold on the licensed premises.
- No more than $1 per chance.
- No more than one chance per individual in each drawing.
- Drawing MUST be conducted during same operating day in which chances were sold.
  - May NOT begin selling for next drawing until the next operating day.
- No requirement that person be present to win.

Tavern Daily Drawings (cont'd)

OPERATION:

- Within the definition contained in the Act, there are numerous ways a "Tavern Daily Drawing" may be conducted.

- Licensees must determine the manner in which they will operate their drawing and develop rules for the game that comply with the Act. [R&R §901.783]

- The rules of the game must be prominently displayed.

Tavern Daily Drawings (cont'd)

Tavern Daily Drawing prize limits:

- May not exceed $2,000 per chance.

- Prizes are added when calculating $35,000 / 7-day prize limit.

Tavern Daily Drawings MUST be structured as to not exceed prize limits.

Tavern Daily Drawings (cont'd)

TAVERN DAILY DRAWING PRIZE LIMITS :

When utilizing the daily number to arrive at a winner, it is important that the rules of the game have a provision for an alternative method of selecting a winner to ensure the individual prize limit is not exceeded.

Tavern Daily Drawings (cont'd)

TAVERN DAILY DRAWING RULES SHOULD INCLUDE AT A MINIMUM:

- Method of arriving at a winner.
- Payout percentage.
- Time of drawing.
- Posting of winning number / individual.
  - Method and time frames.
- Awarding of prizes.
  - Unclaimed prizes.

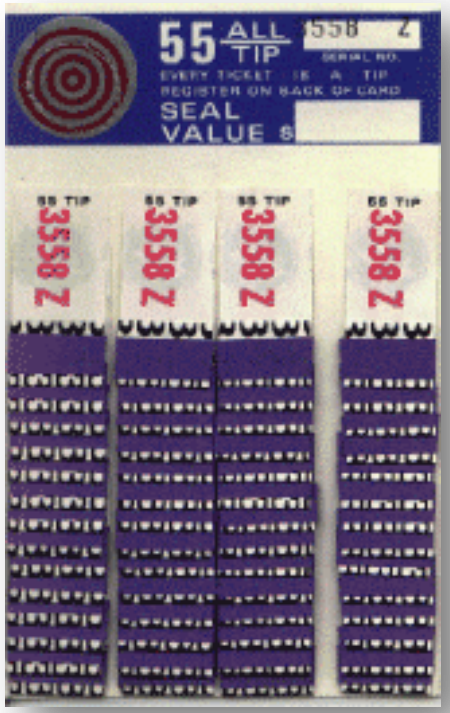
Pull-Tabs

- A pull-tab deal must comply with the following:
  - Must be purchased from licensed distributor.
  - Minimum 65% payout.
  - Prize for individual pull-tab may not exceed $2,000.
  - Flare provided by manufacturer must be unaltered and on display.
  - No more than 4,000 pull-tabs per deal.
  - Only one flare displayed per deal.
  - Winners and prizes must be predetermined by the manufacturer.

Pull-Tabs (cont'd)

- Winning pull-tabs are to be perforated, punched or marked when redeemed.

- Tip Boards are a form of pull-tab
  - Must meet all requirements for pull-tabs.
  - Prizes must be predetermined by manufacturer.



Tavern Raffle

DEFINITION:

A raffle held in part for a charitable or public purpose that must comply with the following:

- No more than one tavern raffle may be held in a calendar month.
- A tavern raffle must be held for a designated charitable purpose and each individual participating must be informed of the charitable purpose involved.
- At least 50% of the proceeds * from the tavern raffle shall be provided to the designated charity within seven days of the completion of the tavern raffle.
- Funds not given to the designated charity are subject to rules for the distribution of net revenue.

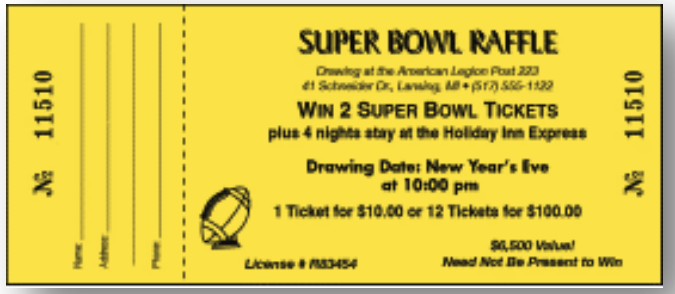
Tavern Raffle (cont'd)

Tavern Raffle tickets must comply with the following printing requirements:

- Tickets must be sequentially numbered and have a detachable stub with the same number.
- The stub must contain the purchaser's name address and phone number.
- The portion the purchaser retains must contain:
  - The date time and location of drawing
  - The name of the licensee
  - SGOC license number
  - Must list the cost of the ticket and the available prizes.

Tavern Raffle (cont'd)

- There must be a winner for every prize in a raffle.
- Drawing must be conducted in plain view of players present.
  - Use of state lottery number is permissible:
    - Only when tickets sales equal the total possible numbers.
    - E.g. 1000 tickets must be sold to utilize the daily number.
- Winners need not be present.
- Tickets do not have to be purchased from licensed distributors.



Tavern Raffle (cont'd)

A tavern raffle prize remaining unclaimed by a winner 60 days after the tavern raffle was held shall be donated by the licensee within 30 days to the designated charitable organization for which the tavern raffle was conducted.

Tavern Gaming

RECORDS

Records

GENERAL RECORDS SHOULD INCLUDE:

- Prizes awarded which require the completion and submission of IRS Form W-2G
- Net revenue received from each tavern game conducted, itemized by week.
- Amount of prizes paid from all tavern games, itemized by week.
- Amount of tax remitted to the department.
- Amount given to designated charities from tavern raffles.
- Other information as required by the department.

Records

- RECORD RETENTION:
  - Tavern Games records are considered business records and as such must be retained for at least two years as per the Liquor Code.
  - Generally Tavern Game records must be maintained as long as required to satisfy State and Federal tax obligations.

Records (cont'd)

TAVERN RAFFLES

- Records for each tavern raffle should include:
  - Gross proceeds received.
  - Expenses.
  - List of merchandise, prizes and their receipts.
  - Names and address for all winners over $600.
  - Cash value of all prizes.

Records (cont'd)

PULL-TABS

- Pull-Tab records should include:
  - Name and serial number of games.
  - Date placed into and removed from play.
  - Total number of plays in each game.
  - Cost per play, cost of prizes paid and cash value of all prizes in games.
  - If a prize is awarded in excess of $600:
    - The form and serial number of the game.
    - The name of the game.
    - Date of win.
    - The amount of cash or the cash value and description of merchandise.
    - The full name and address of the winner.

Records (cont'd)

PULL-TABS (CONTINUED)

- All unplayed chances must be retained for two years
- All winning chances for prizes in excess of $600 must also be retained for two years.

Records (cont'd)

TAVERN DAILY DRAWING RECORDS

- Licensees records should include:
  - Operating day in which chances are sold and the date/time of drawing.
  - List of entrants.
  - Each entrant's assigned number.
  - Gross proceeds and payout percentage.
  - Winner's name. (and address if > $600)
  - Winners signed acknowledgment of receipt of prize.

Fingerprinting

REMINDER:

- Tavern gaming applicants are NOT to report to PSP facilities to be fingerprinted.

THANK YOU FOR ATTENDING
DO YOU HAVE ANY QUESTIONS?

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LIQUOR CONTROL ENFORCEMENT