

## **Act 2 and Act 184 Small Games of Chance Amendments**

Act 2 and Act 184 of 2012 amend the Local Option Small Games of Chance Act. The amendments create new definitions, increase prize limits, add new games, provide additional licensing rules and regulations for organizations, create reporting requirements and amend enforcement provisions, as follows:

- The individual prize limit increases from \$500 to \$1,000, and the maximum amount of prizes that may be awarded during an operating week increases from \$5,000 to \$25,000.
- Club licensees are permitted to use up to 30 percent of proceeds (the difference between gross revenue collected from games of chance and prizes paid) from small games of chance for operating expenses. No less than 70 percent of proceeds must be used for public interest purposes in the calendar year in which the proceeds were obtained.
- An organization that has proceeds in excess of \$2,500 in a year must include with its license application the results of a criminal history record information check, obtained from the Pennsylvania State Police, on the executive officer and secretary of the eligible organization making the application.
- “50/50 drawing” is a new game of chance in which a participant buys a ticket for a random drawing for a chance to win a prize. The prize paid to the winner is one-half of the money collected from tickets sold for the drawing, and the remaining money is retained by the eligible organization for distribution in accordance with Act 184.
- “Major League Sports Drawing” is a type of 50/50 drawing permitted to be conducted by an affiliated nonprofit organization at a home game of a major league sports team. Fifty percent of the money collected from ticket sales for a drawing is offered as the prize, and the remaining 50 percent is retained by the affiliated nonprofit organization sponsoring the drawing for distribution to charitable organizations.
- “Affiliated Nonprofit Organization” is a new type of eligible organization established by or affiliated with a major league baseball team, national hockey league, national basketball association or major league soccer team for the purpose of raising funds for charity. The affiliated nonprofit organization must be qualified for an exemption under section 501 (c) (3) of the Internal Revenue Code of 1986 (public law 99-514, 26 U.S.C. § 101 © (3)).
- Eligible organizations (non-club licensees) with proceeds over \$2,500 in a calendar year are required to file an annual report with the department.
- Eligible organizations may use small games of chance proceeds for payment of the small games of chance license and criminal history record information check fees.
- A licensed eligible organization whose licensed premises is damaged by a natural disaster, fire or other similar circumstance that makes the licensed premises unusable, may conduct games of chance at another location upon receiving approval from the District Attorney.

- The following types of organizations are not required to own, lease or establish a licensed premises to conduct games of chance: (1) a nonprofit sports team and (2) a primary or secondary school-sponsored club, sports team or organization.

### Reporting Requirements:

Beginning Feb. 1, 2014, **eligible organizations** (non-club licensees) with proceeds in excess of \$2,500 in a year must electronically file an **annual report** with the department for the preceding calendar year. Eligible organizations will be required to report the following with respect to small games of chance:

- Number of W-2G forms issued
- Total gross winnings reported on W-2G forms
- Gross revenue collected from small games of chance
- Total expenses associated with small games of chance
- Total prizes paid
- Proceeds
- Amount of proceeds used for public interest purposes.

Beginning Feb. 1, 2014, **club licensees** – organizations with liquor licenses that hold licenses to conduct small games of chance – are required to electronically file **semi-annual reports** with the department. These reports are due Feb. 1 for the preceding six-month period beginning July 1 and ending Dec. 31, and August 1 for the preceding six-month period beginning Jan. 1 and ending June 30. Club licensees will be required to report the following with respect to small games of chance:

- Number of W-2G forms issued
- Total gross winnings reported on W-2G forms
- Gross revenue collected for all games of chance, itemized by week and type of game
- Total small games of chance expenses, itemized by week and type of game
- Total prizes paid, itemized by week and type of game
- Proceeds, itemized by week and type of game, detailing the following:
  - Amount of proceeds used for public interest purposes, including details regarding the date(s) distributed, name of recipient(s) and the amount(s) distributed; and
  - Amount of proceeds used for operational expenses, including details regarding amount used for real property taxes, utility and fuel costs; heating and air conditioning equipment or repair costs; water and sewer costs; property or liability insurance costs; mortgage payments; interior and exterior repair costs, including repair to parking lots; new facility construction costs; entertainment equipment, including television, video and electronic games; small games of chance license and criminal history record information check fees and the description, completion date and amount retained for a substantial purchase or project.

Additional reporting information will be posted online as it becomes available, and the department anticipates its electronic reporting system will be accessible online sufficiently in

advance of the Feb. 1, 2014, filing deadline. For additional information, please visit [www.revenue.state.pa.us/SGOC](http://www.revenue.state.pa.us/SGOC).

**Questions?**

- Questions regarding licensing to conduct small games of chance should be directed to the county treasurer in the county where the organization is located.
- Questions regarding conducting games of chance should be directed to Liquor Control Enforcement at 717-540-7410.
- Questions regarding reporting requirements that can't be answered by visiting [www.revenue.state.pa.us/SGOC](http://www.revenue.state.pa.us/SGOC) should be directed to the Department of Revenue at 717-787-8275.