

Commission Meeting
Agenda
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Location of Meeting:

Inn at Gig Harbor
3211 56th Street NW
Gig Harbor, WA 98335
(253) 851-5402

Date and Time of Meeting:

Thursday, October 12, 2006
1:30 p.m.

Informal Study Group Sessions:

9:30 a.m. – 11:00 a.m. Charitable Nonprofit Study Session
11:00 a.m. – Noon Commercial Operators Study Session

Public Meeting:

Please note agenda items after 1:30 p.m. may be taken out of sequence at the discretion of the Chair.

1. Agenda Review / Director's Report:

Presentations:

- | | |
|--|--|
| a) Follow-Up Report – NIGC Hearing Testimony | Sharon Reese, Deputy Director |
| b) Washington State Personnel Reform | Phyllis Halliday, Administrator |
| c) House-Banked Card Room Criminal Incident Analysis | John Farrow, Special Agent |

Administrative Issues:

- d) Correspondence:
- Agency Request Legislation Follow-Up
- e) Monthly Update Reports:
- Administrative Case Update
- Seizure Update
- Congressional Update
- f) News Articles
- Comments from the Public**

Please turn telephones and pagers off during meeting sessions

2. **New Licenses and Tribal Certifications:** **David Trujillo, Assistant Director**

3. **Defaults:** **Amy Hunter, Administrator**

- a) Debra K. Brown, Card Room Employee, Revocation
- b) Jose L. Rodriguez, Class III Employee, Revocation
- c) Donald Stevenson, Class III Employee, Revocation
- d) Linh T. Ton, Class III Employee, Revocation
- e) Khmer Theravadin Buddhist/Tacoma, Tacoma, Denial

4. **Request for Summary Suspension:**

5. **Petitions:**

- a) **Petition for Review:** **Bruce Marvin, Ast. Atty. General**
Dave Swyter, CRE, Revocation **3:00 p.m.**

6. **Other Business/General Discussion/Comments from the Public**

**Executive Session to Discuss Pending Investigations, Tribal Negotiations & Litigation;
and Adjournment**

NOTE: FRIDAY'S MEETING WILL START AT 9:00 A.M. – ONE-HALF HOUR EARLY

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Location of Meeting:

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3211 56th Street NW
Gig Harbor, WA 98335
(253) 851-5402

Date and Time of Meeting:

Friday, October 13, 2006
9:00 a.m.
(Note, early start time)

7. **Approval of Minutes:** Regular Meeting, September 14 & 15, 2006

Rules Up for Final Action

8. **Gambling Service Suppliers** **David Trujillo, Asst. Director**
Filed on 12-20-05 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-01-083. Filed 08/14/06 as a Proposed Rule Making (CR-102) under WSR # 06-17-084 with a published date of 09/06/06.
- a) **New Section WAC 230-02-203**
Defining lending agent, loan servicer, or placement agent.
 - b) **New Section WAC 230-02-204**
Defining regulated lending institution.
 - c) **Amendatory Section WAC 230-02-205**
Gambling service supplier defined.
 - d) **Companion Rules Simplification Project Rule**
New Section WAC 230-03-211
Defining "Lending Agent," "Loan Servicer," or "Placement Agent"
This new companion rule won't become effective until 1/1/08.
 - e) **Companion Rules Simplification Project Rule**
New Section WAC 230-03-212
Defining "Regulated Lending Institution"
This new companion rule won't become effective until 1/1/08.

Please turn telephones and pagers off during meeting sessions

- f) **Companion Rules Simplification Project Rule
Amendatory Section WAC 230-03-210**
Applying for a gambling service supplier license.
This companion rule was previously adopted, but won't become effective until 1/1/08.
9. **Allowing Poker at Fund-Raising Events** **Jeannette Sugai, Acting Asst. Director**
Filed on 08-24-05 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #05-17-202. Filed 08/14/06 as a Proposed Rule Making (CR-102) under WSR # 06-17-083 with a published date of 09/06/06.
- a) **Amendatory Section WAC 230-25-040**
Fund-raising event—House rules to be developed and posted—Limitations on wagers.
- b) **New Section WAC 230-25-045**
Poker tournaments at fund-raising events and limited fund-raising events.
- c) **Amendatory Section WAC 230-25-050**
Wagering among participants not permitted.
- d) **Amendatory Section WAC 230-25-325**
Limited fund-raising event – Procedures and restrictions.
10. **Rules Simplification Project** **Beth Heston, Project Manager**
Filed 03/17/06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-07-109. Filed 08/22/06 as a Proposed Rule Making (CR-102) under WSR # 06-17-133 with a published date of 09/06/06.
- a) **Chapter 230-09 Fund Raising Events.**
Chapter 230-09 won't become effective until 01-01-08.
- i) **Amendatory Section WAC 230-09-020**
Post house rules.
- ii) **Amendatory Section WAC 230-09-131**
Poker tournaments authorized.
- iii) **Amendatory Section WAC 230-09-150**
Operating a limited fund raising event.
- iv) **Amendatory Section WAC 230-09-165**
Restrictions on gambling activities at limited fund raising events.
11. **Rules Simplification Project** **Beth Heston, Project Manager**
Filed 05/18/06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-11-110. Filed 08/22/06 as a Proposed Rule Making (CR-102) under WSR # 06-17-134 with a published date of 09/06/06.
- a) **Chapter 230-18 – Promotional Contests of Chance.**
Chapter 230-18 won't become effective until 01-01-08.

12. **Petition for Rule Change – Washington Charitable and Civic Gaming Association** **Amy Hunter, Administrator**
Filed 08-25-06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-18-025.
- a) **Amendatory Section WAC 230-20-059**
Temporary moratorium for complying with minimum cash flow requirements for bingo games--Contributions to stated purpose--Sanctions.
13. **Petition for Rule Change – Seattle Jaycee Bingo** **David Trujillo, Asst. Director**
Filed 08-25-06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-18-024.
- a) **Amendatory Section WAC 230-20-055**
Use of proceeds from authorized activities by charitable or nonprofit organizations.
14. **License Fee Increase** **David Trujillo, Asst. Director**
Filed 01-11-06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-03-056.
- a) **Amendatory Section WAC 230-04-202**
Fees-Bona fide charitable/nonprofit organizations.
- b) **Amendatory Section WAC 230-04-203**
Fees - Commercial stimulant and other business organizations.
- c) **Amendatory Section WAC 230-04-204**
Fees – Individuals.
- d) **Companion Rules Simplification Project Rule**
Amendatory Section WAC 230-05-020
Charitable or nonprofit organization fees.
This companion rule was previously adopted, but won't become effective until 01-01-08.
- e) **Companion Rules Simplification Project Rule**
Amendatory Section WAC 230-05-025
Commercial stimulant fees.
This companion rule was previously adopted, but won't become effective until 01-01-08.
- f) **Companion Rules Simplification Project Rule**
Amendatory Section WAC 230-05-030
Fees for other businesses.
This companion rule was previously adopted, but won't become effective until 01-01-08.

g) Companion Rules Simplification Project Rule

Amendatory Section WAC 230-05-035

Individual license fees.

This companion rule was previously adopted, but won't become effective until 01-01-08.

15. Scheduling Reconsideration Hearings

Amy Hunter, Administrator

Filed 08-25-06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-18-028.

a) Amendatory Section WAC 230-50-562

Final orders -- When and how to file a petition for reconsideration of a final order.

16. Card Room Tip Procedures

Jeannette Sugai, Acting Asst. Director

Filed 01-11-06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-03-056.

a) Amendatory Section WAC 230-40-855

Acceptance of tips from patrons for house-banked activities.

17. Rules Simplification Project

Beth Heston, Project Manager

Filed 03/17/06 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #06-07-111.

a) Chapter 230-15 – Card Room Rules.

Chapter 230-15 won't become effective until 01-01-08.

18. Other Business/General Discussion/Comments from the Public/Adjournment

Upon advance request, the Commission will pursue reasonable accommodations to enable persons with disabilities to attend Commission meetings. Questions or comments pertaining to the agenda and requests for special accommodations should be directed to Shirley Corbett, Executive Assistant at (360) 486-3447 or TDD (360) 486-3637. Questions or comments pertaining to rule changes should be directed to Susan Arland, Rules Coordinator and Public Information Officer at (360) 486-3466.

Rules Up For Final Action



New Sections

WAC 230-02-203 Defining lending agent, loan servicer, or placement agent.

WAC 230-02-204 Defining regulated lending institution.

Amendatory Section: WAC 230-02-205 Gambling service supplier defined.

Companion Rules Simplification Project Rules

These companion rules won't become effective until 1/1/08.

New Sections

WAC 230-03-211 Defining "Lending Agent," "Loan Servicer," or "Placement Agent"

WAC 230-03-212 Defining "Regulated Lending Institution"

Amendatory Section: WAC 230-03-210 Applying for a gambling service supplier license.

ITEM 8 (a)-(f) on the October 13, 2006, Commission Meeting agenda.	Statutory Authority 9.46.070
Who proposed the rule change?	
Staff.	
Proposed Change	
<p><u>The rule is being changed to clarify the following:</u></p> <ol style="list-style-type: none"> 1) Currently, the rule can be interpreted broadly because it refers to providing financing for "infrastructure that supports gambling operations." Infrastructure is a broad word; Commission staff is seeking to restrict licensure to those that provide the financing for facilities, equipment or operational needs. In this case, the financing referred to is not that offered by a traditional lending institution. 2) To expand the list of financiers not required to be licensed as well as setting forth formal suitability obligations. 3) Businesses performing analysis of gambling equipment. For example, Tribal-State compacts authorize Tribes to have their Tribal Lottery Systems analyzed by vendors from a list approved by the Commission. In order to qualify to be placed on the list of approved vendors, our practice has been to require vendors to be licensed. 4) Businesses providing gambling related software, which enter into an ongoing financial relationship with a licensed manufacturer. Gambling related software is that software which can affect the results or outcome of the Tribal Lottery System games, or the digital card table games, and/or directly interfaces with or controls the operation of the gambling equipment. Commission staff have met with and considered information provided by the industry and Tribal advocates. <p><u>The rule is being changed to specifically require licensure of:</u></p> <ol style="list-style-type: none"> 1) A lending agent, loan servicer or placement agent. In the past several years, we have seen growth in the area of non-traditional lenders of money; therefore, Commission staff felt the rule should clearly set forth this requirement so these lenders know in advance they are required to be licensed. The difference between this type of lender and a traditional lender such as a bank, mutual savings bank or credit union is a traditional lender falls within well established federal regulatory jurisdictions. <p><u>Changes made after the July 2006, Commission meeting.</u> Amended #1: Housekeeping edits to WAC 230-02-205 (1)(i), (2)(d)(e) & WAC 230-03-210 (1)(i), (2)(d).</p> <p><u>Changes made after the September 2006, Commission meeting:</u> Letter from IGT dated September 14, 2006 (Blue paper): Staff and IGT have discussed the proposed change outlined in the letter and agreed to alternative language clarifying that persons providing "patent use" do not need to be licensed. See Amended #2 WAC 230-02-205 and WAC 230-03-210 (Tan paper). At the September meeting, Monty Harmon, a licensed service supplier, requested language be added to WAC 230-02-205 (1)(c) and WAC 230-03-210 (1)(c). The language he provided staff would have made the rule ambiguous, so it was not included.</p>	

History of Rule
<p>WAC 230-02-205 was originally filed in 1997. Prior to that time, the Commission had a license classification called Class III Management Company/Financier. In 1997, the Commission removed the Class III Management Company/Financier license class, and included those services in the newly created Gambling Service Supplier classification. Those providing gambling services that did not fit the traditional manufacturer, distributor or operator license class were also included in the newly created Service Supplier classification.</p> <p>The rule was amended in 1998, 2000, and in January 2004 to keep pace with the changing industry. The changes to WAC 230-02-205 are matched with new definition sections explaining which persons or entities are considered lending agents, loan servicers, or placement agents (02-203), and what a regulated lending institution is (02-204). Lenders would not need a license if they are regulated as defined in the new section.</p>
Impact of the Proposed Change
<p>The circumstances surrounding the need for this change are:</p> <ol style="list-style-type: none"> 1) This will enable staff and the public to know whether or not they need a service supplier license if the applicant is not a traditional manufacturer, distributor or operator. Staff will spend less time answering questions and analyzing particular situations for possible licensure. 2) Changing technology and business practices have created new opportunities for those providing gambling services. 3) There is no particular financing situation that prompted this rule change. However, staff is continually faced with analyzing new creative financing scenarios offered by lending institutions that do not have the regulatory oversight that traditional banks or mutual savings institutions have. 4) Since the definition for gambling equipment changed to include software, staff has had difficulty applying a consistent standard for businesses that might exert actual or potential influence in the area of software. This change will assist staff and the public in determining whether or not software, and its related attributes, require licensure.
Regulatory Concerns
<p>These changes will assist staff in applying current rules to current situations. This change will assist our licensing program by formally codifying current practice. There is no impact to current field enforcement procedures.</p>
Resource Impacts
<p>Licensing staff will more efficiently be able to assist applicants and licensees when answering questions.</p>
Policy Consideration
<p>This will require some businesses to be licensed that were not required to be licensed in the past.</p>
Statements Against the Proposed Rule Change
<p>None.</p>
Statements Supporting the Proposed Rule Change
<p style="text-align: center;">Attachment added after the September 2006, Commission meeting. Letter from Williams, Kastner & Gibbs, PLLC, dated September 12, 2006 (Blue paper).</p>
Licensees Directly Impacted
<p style="text-align: center;">Gambling service suppliers and those requiring their services.</p>
Staff Recommendation
<p style="text-align: center;">Adoption.</p>
Proposed Effective Date for Rule Change
<p>WAC 230-02-203, 230-02-204, 230-02-205: January 1, 2007. Companion Rules Simplification Project Rules: WAC 230-03-210, 230-03-211, 230-03-212: January 1, 2008.</p>

New Section:

WAC 230-02-203 Lending agent, loan servicer, and placement agent defined.

A person or entity, other than a regulated lending institution, that finds, places, administers, facilitates, or services loans to licensees and whose services include, but are not limited to, one or more of the following:

- (1) Charging an on-going fee for their services;
- (2) Maintaining rights as the lender;
- (3) Determining when the loan is in default; or
- (4) Maintaining access to collateral.

New Section:

WAC 230-02-204 Regulated lending institution defined.

A regulated lending institution is any state or federally regulated organization primarily in the business of lending money. An organization must demonstrate that it is a regulated lending institution by meeting all of the following criteria:

- (1) Is registered and actively regulated by the Securities and Exchange Commission or any other United States federal or state governmental banking or financial regulatory agency. Lending institutions must demonstrate to the commission that they are actively regulated by at least:
 - (a) Annually reporting information on their lending activities to the regulatory agency; and
 - (b) Receiving regular audits or inspections by the regulatory agency; and
 - (c) Owners and officers undergo criminal history background checks.

- (2) Is acting as a passive investor in the licensed establishment to which they are lending money. For the purposes of this rule, passive investors are those who do not have actual or potential influence over the operations of the licensed entity. A lending institution will not be considered a passive investor if they:
 - (a) Appoint or have the right to appoint officers, directors, consultants, or other positions with the licensed establishment; or
 - (b) Require the licensed establishment to seek their approval or authorization in making business decisions for the organization; or
 - (c) Have full access to records of the establishment; or
 - (d) Have the ability to convert the debt into shares which would result in the lender becoming a substantial interest holder per WAC 230-02-300 (4).

- (3) A majority of its outstanding loans receivable are from businesses not engaged in gambling activities.

Amended #2
October 2006, Commission Meeting Version

Amendatory Section:

WAC 230-02-205 Gambling service supplier defined.

A "gambling service supplier" is any person who provides gambling related services for compensation, whether directly or indirectly.

(1) Gambling related services include at least the following:

- (a) Providing consulting or advisory services regarding gambling activities;
- (b) Providing gambling related management services;
- (c) Providing financing for purchases or leases of gambling equipment or for providing financing for infrastructure or facilities, or equipment that supports gambling operations for more than one licensee. For purposes of this section, financing by any bank, mutual savings bank, or credit union regulated by the department of financial institutions or any federally regulated commercial lending institution shall not be deemed as providing gambling related services;
- (d) Acting as a lending agent, or loan servicer, or placement agent as defined in WAC 230-02-203;
- (e) Providing any other service or activity where influence may be exerted over any gambling activity licensed by the commission;
- (f) Providing assembly of components for gambling equipment under a contract with a licensed manufacturer or entering into an ongoing financial arrangement for gambling related software with a licensed manufacturer;
- (g) Providing installation, integration, maintenance, or any other service of digital surveillance systems that allows direct access to the operating system; ~~((or))~~
- (h) Training individuals to conduct authorized gambling activities; or
- (i) Performing the testing and certification of Tribal Lottery Systems ~~((as))~~ in meeting requirements specified in the Tribal-State Compact;

(2) The term "gambling services supplier" does not include the following:

- (a) Universities and colleges that are regulated by the Washington state board of community and technical colleges and the higher education coordinating board which train individuals to conduct authorized gambling activities;
- (b) Licensed manufacturers or distributors who service and repair pull-tab dispensing devices, bingo equipment or any other authorized gambling equipment;
- (c) Attorneys, accountants, and governmental affairs consultants whose primary business is providing professional services that are unrelated to the management or operation of gambling activities; ~~((and))~~
- (d) Persons that only provide nonmanagement related recordkeeping services for punch board and pull-tab operators, when the combined total gross billings from such ~~((service does))~~ **services do** not exceed twenty-five thousand dollars during any calendar year.
- (e) ~~((Person who))~~ Persons that provide names, images, artwork or associated copyrights, or trademarks, or patent use, or other features that do not affect the results or outcome of the game, for use in gambling equipment; and
- (f) Regulated Lending Institutions as defined in WAC 230-02-204.

Italic = Changes made after the July 2006, Commission meeting.

Bold = Changes made after the September 2006, Commission meeting.

Companion Rules Simplification Project Rule

This rule will not be effective until 1/1/08

Amended #2 October 2006, Commission Meeting Version

Amendatory Section:

WAC 230-03-210 Applying for a gambling service supplier license.

- (1) You must apply for a gambling service supplier license if you perform any of the following gambling-related services for compensation:
- (a) Consulting or advisory services regarding gambling activities;
 - (b) Gambling management services; or
 - (c) Financing for purchases or leases of gambling equipment or financing for providing infrastructure or facilities, or equipment that supports gambling operations for more than one licensee; or
 - (d) Acting as a lending agent, or loan servicer, or placement agent; or
 - (e) Providing the assembly of components for gambling equipment under a contract with a licensed manufacturer or entering into an ongoing financial arrangement for gambling related software with a licensed manufacturer; or
 - (f) Installing, integrating, maintaining, or servicing digital surveillance systems that allow direct access to the operating system; or
 - (g) Training individuals to conduct authorized gambling activities; or
 - (h) Providing any other service or activity where influence may be exerted over any gambling activity licensed by the commission; or
 - (i) Performing the testing and certification of Tribal Lottery Systems ((as)) in meeting requirements specified in the Tribal-State Compact.
- (2) You do not need a gambling service supplier license if you are:
- (a) A bank, mutual savings bank, or credit union regulated by the department of financial institutions or any federally regulated commercial lending institution; or
 - (b) A university or college regulated by the Washington state board of community and technical colleges and the higher education coordinating board that trains individuals to conduct authorized gambling activities; or
 - (c) An attorney, accountant, or governmental affairs consultant whose primary business is providing professional services that are unrelated to the management or operation of gambling activities; or
 - (d) A person (~~that~~) who only provides nonmanagement-related recordkeeping services for punch board and pull-tab operators, when the combined total gross billings from such ~~((service does))~~ services do not exceed twenty thousand dollars during any calendar year; or
 - (e) A person who provides names, images, artwork or associated copyrights, or trademarks, or patent use, or other features that do not affect the results or outcome of the game, for use in gambling equipment; or
 - (f) Regulated Lending Institutions.

[Statutory Authority: RCW 9.46.070 (4), (14), and (20).]

Italic = Changes made after the July 2006, Commission meeting.

Bold = Changes made after the September 2006, Commission meeting.

Companion Rules Simplification Project Rule

This rule will not be effective until 1/1/08

New Section:

WAC 230-03-211 Defining “Lending Agent,” “Loan Servicer,” or “Placement Agent”

(1) "Lending agent," "loan servicer," or "placement agent" mean any person or entity, other than a regulated lending institution, that finds, administers, facilitates, and services loans for a licensee.

(2) The services of lending agents, loan servicers, or placement agents include, but are not limited to,

- (a) Charging an on-going fee for their services;
- (b) Maintaining rights as the lender;
- (c) Determining when the loan is in default; and/or
- (d) Maintaining access to collateral.

Companion Rules Simplification Project Rule

This rule will not be effective until 1/1/08

WAC 230-03-212 Defining "regulated lending institution"

- (1) "Regulated lending institution" means any state or federally regulated organization primarily in the business of lending money for investment purposes.
- (2) "Regulated lending institutions" must
 - (a) Register with the Securities and Exchange Commission or any other United States federal or state governmental banking or financial regulatory agency.
 - (b) Be actively regulated by the Securities and Exchange Commission or any other United States federal or state governmental banking or financial regulatory agency. "Active regulation" means
 - (i.) Reporting annually on lending activities to the regulatory agency;
 - (ii.) Receiving regular audits or inspections by the regulatory agency; and
 - (iii.) Undergoing criminal history background checks of owners and officers.
 - (c) Act as passive investors in the licensee. "Passive investors" mean investors who have no actual or potential influence over the operations of the licensee. A "passive investor" does not
 - (i.) Appoint or have the right to appoint officers, directors, consultants, or other positions with the licensee;
 - (ii.) Require the licensee to seek approval or authorization in making business decisions;
 - (iii.) Have full access to the records of the licensee;
 - (iv.) Have the ability to convert debt into shares which would result in the lender becoming a substantial interest holder; or
 - (v.) Have any other influence or control over the licensee.
 - (d) Have non-gambling-related businesses as a majority of their outstanding loans receivable.

Rules Up For Final Action



Proposed Amendments to

WAC 230-25-040 Fund-raising event—House rules to be developed and posted—Limitations on wagers.

WAC 230-25-050 Wagering among participants not permitted.

WAC 230-25-325 Limited fund-raising event – Procedures and restrictions.

New Section

WAC 230-25-045 Poker tournaments at fund-raising events and limited fund-raising events FRE's.

ITEM 9 (a)-(d) on the October 13, 2006, Commission Meeting Agenda. Statutory Authority 9.46.070 & 9.46.0233

Who proposed the rule change?

Staff on behalf of charitable and nonprofit organizations.

Proposed Change

These proposed rule changes and new rule would allow poker tournaments at fund-raising events (FRE) and limited FREs.

WAC 230-25-040: This rule requires house rules to be posted for fund-raising events, including wagering limits. A new subsection states there are no limits on the number of poker tournaments chips that can be wagered at FREs.

WAC 230-25-045: This new rule lists additional requirements licensees must follow when offering poker at FREs.

WAC 230-25-050: This rule prohibits players from wagering against each other (such as poker games) at FREs. Language was added to provide an exception to this restriction and authorize poker tournaments at FREs.

WAC 230-25-325: Subsection (7) was added to authorize poker tournaments at limited fund-raising events.

History of Rule

WAC rules do not currently allow charitable/nonprofit organizations to conduct poker tournaments that are open to the general public. Card games such as poker may be played at charitable/nonprofit organizations but only by members. RCW 9.46.0233 authorizes charitable or nonprofit organizations to operate bingo, amusement games, contests of chance, lotteries, and raffles at a FRE. These events are also known as Casino or Reno Nights and are open to the public.

House-banked card games such as blackjack are played at FREs. However, games where players wager against each other (such as poker) is prohibited by WAC 230-25-050.

The RCW limits FREs to:

- One FRE for a period of 72 consecutive hours once during a calendar year; or two FREs during a calendar year with each not exceeding 24 consecutive hours.
- Annual net receipts cannot exceed \$10,000.

Impact of the Proposed Change

With the increasing popularity of poker, Commission staff has received numerous calls from charitable/nonprofit organizations requesting to operate poker tournaments to raise funds. Many of the requests are to operate poker tournaments in conjunction with a dinner or other events used to raise money for organizations such as hospital foundations, churches, parent groups, and other charitable organizations.

Allowing poker tournaments at a Fund Raising Event is consistent with the recent approval of poker tournaments at Recreational Gaming Activities.

Regulatory Concerns

None

Resource Impacts

Staff currently spends a considerable amount of time answering questions and assisting charitable/nonprofit organizations wishing to operate poker tournaments for fund raising purposes.

Any additional regulatory duties created by allowing poker tournaments should be offset by the time not spent addressing why charitable/nonprofits can't operate poker tournaments and explaining what they can do.

Policy Consideration

The increase of other forms of gambling (house-banked card rooms and tribal casinos) has impacted charitable and nonprofit organizations ability to raise funds through gambling.

Poker tournaments are allowed as a non-profit and charitable licensed activity, but have not previously been allowed at Fund Raising Events. This will give non-profit or charitable organizations another venue to raise funds for their stated purposes.

Stakeholder Statements For the Proposed Rule Change

A request was read into the record at the June 2006, Commission meeting as to whether the Commission was going to allow poker tournaments at fund-raising events.

Stakeholder Statements Against the Proposed Rule Change

None.

Licensees Directly Impacted

Fund-raising event licensees and limited fund-raising event licensees.

Staff Recommendation

Adoption.

Proposed Effective Date for Rule Change

November 13, 2006, assuming the rule is adopted at the October 2006, Commission meeting to become effective 31 days after filing.

Amendatory Section:

**WAC 230-25-040 Fund-raising event -- House rules to be developed and posted --
Limitations on wagers.**

(1) Before conducting a fund-raising event (FRE), each licensee shall develop house rules to govern the scope and manner of all gambling activities to be conducted during the FRE. At a minimum, these rules shall:

(a) State the maximum amount of a single wager that may be placed by FRE participants. Wagering limits are as follows:

(i) Single wagers shall not exceed ten dollars;

(ii) Raffles or other similar drawings may exceed the ten dollar wagering limit, but may not exceed the limitations set forth in RCW 9.46.0277; ~~((and))~~

(iii) There are no limits on wagers made using scrip; and

(iv) There are no limits on the number of poker tournament chips that may be wagered.

(b) Prohibit any thing of value from being given to any person involved in the management or operation of the FRE; and

(c) Prohibit any person involved in the management or operation of the FRE from accepting any thing of value.

Posting house rules.

(2) A copy of the rules shall be conspicuously posted in the area where the FRE is being conducted at all times during the FRE. A copy must be available, upon request, to any law enforcement officer or representative of the commission, or member of the general public

NEW SECTION

WAC 230-25-045 Poker tournaments at fund-raising events and limited fund-raising events.

Poker tournaments are authorized at fund-raising events (FREs) and limited FREs under FRE rules with the following additional requirements.

Net Receipts Limitation

(1) All money paid to enter a tournament or purchase chips or script to enter a tournament is considered to be a wager for the purpose of determining the \$10,000 net receipts limits.

Prizes.

(2) Chips used in card tournaments do not have a monetary value and may only be redeemed for prizes.

Posting of rules.

(3) The licensee must adopt poker tournament rules and conspicuously post the rules at the tournament location.

Prize records.

(4) The licensee must maintain a record of all prizes awarded to include the amount the licensed operator actually paid for each prize and the name and complete address of each winning participant. If prizes are donated, the licensee must maintain a record that includes the name of the donor and a description of the prizes donated.

Amendatory Section:

WAC 230-25-050 Wagering among participants not permitted.

No Licensees ~~((to conduct))~~ conducting a fund-raising event shall not permit, as a part of that fund-raising event, a gambling activity which involves a wagering of money or other items of value by one participant against another participant. This rule ~~shall not be construed to~~ does not prohibit gambling activities wholly administered by the licensee wherein the licensee collects wagers from among the participants and determines the winners and amounts of prizes on a pari-mutuel basis or poker tournaments as authorized under WAC 230-25-045.

Amendatory Section:

WAC 230-25-325 Limited fund-raising event -- Procedures and restrictions.

Pursuant to RCW 9.46.0233(2), nonprofit or charitable organizations may offer *limited* fund-raising events (FREs). Organizations offering *limited* FREs must operate the FRE under the following operational procedures:

Operating procedures.

- (1) Only members of the organization and their guests shall participate in the event. The event shall not be open to the general public.
- (2) Participants shall purchase scrip with cash.
- (3) Scrip shall be exchanged at gambling stations for chips.
- (4) Only bona fide members will be utilized for all transactions involving acceptance of cash for scrip, conducting the schemes to determine the winners of merchandise prizes, and maintaining records during the event.
- (5) The value of all purchased prizes must not exceed ten percent of the gross revenue from the event, less the cost of the FRE equipment rental contract.
- (6) Any prizes purchased from the FRE equipment distributor must be disclosed. The cost may not exceed the fair market value. Prizes may be disclosed to the public at the retail value.
- (7) Poker tournaments may be operated at limited fund-raising events. Tournament rules must be established and posted.

FRE equipment distributors.

Limitations.

~~((7))~~ (8) The nonprofit organization may only contract with a person or organization licensed as a FRE equipment distributor to provide the equipment and staff to operate the gaming stations.

~~((8))~~ (9) Under no circumstances shall employees of the FRE equipment distributor handle cash transactions or allow participants to purchase chips with cash.

Compensation.

~~((9))~~ (10) The fee paid to the FRE equipment distributor shall be in compliance with WAC 230-25-120. The FRE equipment distributor shall not share in any way in the proceeds of the event except as set forth in the rule.

Information to be submitted with FRE application.

~~((10))~~ (11) The application must include details relating to the initial cost to participate, and method for purchasing additional scrip, as well as identify all costs included in the initial price to enter that are not related to the gambling activity (i.e., meals, drinks, etc.).

The application must also identify the scheme that will be followed to distribute the merchandise prizes to participants at the end of the event (i.e., raffle, auction, etc.).

(11) All contracts signed by the FRE licensee with the FRE equipment distributor and premises provider must be submitted with the FRE license application.

Fees.

(12) The licensing fee for a *limited* FRE shall be as set forth in WAC 230-04-202(4).

[Statutory Authority: RCW 9.46.070. 00-15-048 (Order 387), § 230-25-325, filed 7/17/00, effective 8/17/00.]

Rule Up For Discussion and Possible Filing



Proposed Amendment to
WAC 230-20-059

Temporary moratorium for complying with minimum cash flow requirements for bingo games — Contributions to stated purpose — Sanctions.

ITEM 12 (a) on the October 13, 2006, Commission Meeting Agenda. Statutory Authority 9.46.070
Who proposed the rule change?
Richard Newgard, representing the Washington Charitable and Civic Gaming Association.
Proposed Change
Allow a two year moratorium from cash flow requirements for charitable/nonprofit bingo operators. Bingo licensees will still be required to have a positive cash flow and meet “significant progress” requirements.
Attachments: Memo to the Commission outlining their options for handling the petition. Petition for Rule Change dated August 16, 2006. Bingo Adjusted Cash Flow Status Report Projected for Calendar Year 2006. Letter notifying Mr. Newgard his petition will be up for filing at the October 2006, Commission meeting.
History of Rule
This rule requires bingo licensees to ensure their adjusted cash flow does not fall below certain amounts during each calendar year. For example: a bingo licensee that has gross receipts above \$1,500,000 and up to \$2,500,000 must have adjusted cash flow of at least 3% of its gross receipts over \$1,500,000. If a bingo licensee has gross receipts of \$2,000,000, its required minimum adjusted cash flow would be \$60,000, which must be used to support their stated purpose.
Cash flow requirements were streamlined in April 2004 to remove the waiver process and made it so the director automatically granted a 25% reduction of the requirements for one year; we began measuring cash flow on a calendar year rather than four floating quarters. The relief applied to the calendar year beginning 2003.
"Adjusted cash flow from the bingo operation" means the combined gross income of the bingo operation less all prizes and expenses, whether paid or accrued. For the purposes of computing expenses, depreciation or amortization, are not considered an expense of the bingo operation.
Impact of the Proposed Change
Under this proposal, staff would not take enforcement action against licensees during the two year moratorium period unless they have a negative cash flow during two consecutive quarters.
Regulatory Concerns
The legislative declaration in RCW 9.46.010 states that “the raising of funds for the promotion of bona fide charitable or nonprofit organizations is in the public interest.”
RCW 9.46.0209 states that charitable and nonprofit organizations must be “operated primarily for purposes other than the operation of gambling activities.”

Resource Impacts
Minimal.
Policy Consideration
<p>Granting a moratorium on cash flow requirements may reduce the amount of money that organizations return to their stated purposes.</p> <p>Without a moratorium, more bingo licensees may close. This would reduce money available for the organization's stated purpose.</p> <p>Bingo licensees could operate without contributing any money to their stated purposes, contrary to RCW 9.46.010 and RCW 9.46.0209.</p> <p>Bingo licensees could be out of compliance with cash flow requirements up to four years before facing administrative action. They could operate under the moratorium for two years (2006 and 2007). They could receive an automatic 25% waiver at the end of the third year (2008). They could operate a fourth year (2009) without meeting cash flow requirements, because cash flow requirements are not calculated until the end of the year. Administrative action would be taken in the winter of 2010, with a final resolution after that.</p>
Statements Supporting the Proposed Rule Change
None.
Statements Opposing the Proposed Rule Change
None.
Licensees Directly Impacted By the Change
Sixteen bingo licensees whose combined gross receipts from punch board and pull-tab, and bingo operations are in excess of \$1.5 million.
Staff Recommendation
File for further discussion; however, there are significant policy considerations associated with the petitioner's request.
Proposed Effective Date for Rule Change
31 days from filing.



PETITION FOR ADOPTION, AMENDMENT, OR REPEAL OF A STATE ADMINISTRATIVE RULE (RCW 34.05.330)

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AUG 16 2006

GAMBLING/LICENSING

The Office of Financial Management (OFM) has adopted this form for members of the public who wish to petition a state agency to adopt, amend, or repeal an administrative rule (regulation). Full consideration will be given to a petitioner's request.

To obtain this form in an alternate format, call OFM at (360) 902-0555 or TTY (360) 664-9437.

Please complete the following:

PETITIONER'S NAME (PLEASE PRINT) WASHINGTON CHARITABLE & CIVIC GAMING ASSN.		TELEPHONE NUMBER (INCLUDE AREA CODE) 425-327-3541	
STREET ADDRESS 7017 220th St SW	PO BOX NUMBER	CITY MLT	STATE WA
AGENCY RESPONSIBLE FOR ADMINISTERING THE RULE, IF KNOWN WSGC		If unknown, call (360) 753-7470 for mailing information	
ZIP CODE 98043			

Please submit completed and signed form to the "Rules Coordinator" at the appropriate state agency. The agency will contact you within 60 days.

Check all that apply below and explain on the back of this form with examples. Whenever possible, attach suggested language. You may attach other pages, if needed.

1. NEW: I am requesting that a new WAC be developed

I believe a new rule should be developed.

- The subject of this rule is:
- The rule will affect the following people:
- The need for the rule is

2. AMEND: I am requesting a change to existing WAC 230-20-059

3. REPEAL: I am requesting existing WAC _____ be removed.

I believe this rule should be changed or repealed because (check one or more):

- It does not do what it was intended to do.
- It imposes unreasonable costs.
- It is applied differently to public and private parties.
- It is not clear.
- It is no longer needed.
- It is not authorized. The agency has no authority to make this rule.
- It conflicts with another federal, state, or local law or rule. Please list number of the conflicting law or rule, if known
- It duplicates another federal, state, or local law or rule. Please list number of the duplicate law or rule, if known

Other (please explain): SEE ATTACHED

PETITIONER'S SIGNATURE 	DATE 8-16-06
----------------------------	-----------------

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AUG 17 2006

GAMBLING COMMISSION
COMM & LEGAL DEPT



President: Tom Safford
 Vice President: Kathleen Marshall
 Secretary: Randy Granger / Treasurer: Richard Newgard
 WASHINGTON CHARITABLE AND CIVIC GAMING ASSOCIATION
 7012 220th Street S.W. Mountlake Terrace, WA 98043
 Tel: (425) 771-2006 Fax: (425) 670-1177
 UBI NO. 601 793 327

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AUG 16 2006

Moratorium Placed On Net Return Requirement

GAMBLING/LICENSING

Charitable bingo has suffered a severe loss of revenue due to the smoking ban that took effect in December, 2005. Since that time 7 games have ceased operation and out of the 16 remaining games (those large enough to make more than \$1), 5 or 6 are projected to not meet their net return compliance at the end of 2006. Of those games still in operation, some are down more than 50% compared to the first 6 months of 2005.

WAC 230-20-159 (3) that requires a positive cash flow is the essential regulation that assures bingo games must remain profitable and contribute in a positive manner to their charity. All 7 games that have closed did so because they could not return a positive cash flow. No organization wants to lose money for the sake of retaining a bingo operation nor should they be allowed that option.

WAC 230-20-059 requiring a net return based on size can contribute to more games closing that now have a chance of recovering from the smoking ban. Statistics support recovery from a smoking ban is possible but it can take up to 18 – 24 months. If games are forced to make changes for the sake of compliance and these changes further erode the player base prior to a natural upturn taking effect, a downward spiral occurs that is impossible to recover from. Organizations wind up losing all revenue instead of retaining a portion of what they received in prior years. With so few games remaining, what purpose is served in forcing the elimination of those games that are on the bubble? Every organization is pressing to return as much as possible, but would like to do so without additional pressure being applied during this time of recovery from the smoking ban.

We would like to propose a 2 year moratorium on WAC 230-20-059. This would cover the 2006 and 2007 time period. The WAC could then be reviewed and the needs of the games and concerns of the commission could be evaluated with updated information and a better sense of the state of the bingo industry.

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AUG 17 2006

GAMBLING COMMISSION
COMM & LEGAL DEPT

AMENDATORY SECTION:

WAC 230-20-059 Temporary moratorium for complying with minimum cash flow requirements for bingo games--Contributions to stated purpose -- Sanctions.

The commission imposes a moratorium on the adjusted cash flow requirements as set forth below.

Bingo shall be conducted only as a social pastime or for fund-raising to support the stated purpose(s) of a charitable or nonprofit organization. Organizations licensed to conduct bingo games shall comply with the following procedures and limitations:

Contributions

(1) To ensure that organizations licensed to conduct bingo games meet the intent of RCW 9.46.010 and provide funds adequate to promote charitable and nonprofit programs, such organizations shall not allow their bingo operation to award prizes or pay expenses to conduct bingo games that are excessive and all capital expenditures for the bingo operation that exceed six thousand dollars shall be specifically approved by the governing board.

An organization licensed to conduct bingo games shall ensure that the adjusted cash flow from the bingo operation available for its charitable and nonprofit programs is at least the following amount during each calendar year:

- (a) For gross receipts above \$1,500,000 up to \$2,500,000 - 3% of gross receipts over \$1,500,000;
- (b) For gross receipts above \$2,500,000 up to \$3,500,000 - \$30,000 plus 4% of gross receipts over \$2,500,000;
- (c) For gross receipts above \$3,500,000 up to \$4,500,000 - \$70,000 plus 5% of gross receipts over \$3,500,000; and
- (d) For gross receipts above \$4,500,000 - \$120,000 plus 6% of gross receipts over \$4,500,000.
- (e) If the licensee does not operate for a full year, the requirements shall be prorated based on full quarters operated.

Definitions

- (2) The following definitions shall apply to this section:
- (a) "Gross receipts" shall mean the combined gross gambling receipts from bingo, pull-tab and punch board activities.
 - (b) "Adjusted cash flow from the bingo operation" shall mean the combined gross income of the bingo operation less all prizes and expenses, whether paid or accrued. For the purposes of computing expenses, depreciation or amortization, shall not be considered an expense of the bingo operation.

(c) "Bingo operation" shall mean bingo games and all associated activities conducted in conjunction with bingo games at the same location including punch boards, pull-tabs, snack bar, retail sales activities, rental of the bingo premises and drawings authorized under WAC 230-20-242.

Sanctions for failing to maintain a positive adjusted cash flow

(3) To ensure a licensee maintains a positive cash flow and is not operating primarily for gambling purposes, adjusted cash flow shall be measured quarterly. If a licensee does not maintain a positive cash flow from the bingo operation during any two consecutive calendar quarters, measured independently, the director shall summarily suspend the organization's bingo license.

Sanctions for failing to meet adjusted cash flow requirements - relief

(4)(a) If a bingo licensee fails to meet the adjusted cash flow requirements of subsection (1) of this section for any calendar year, administrative action shall be taken to revoke the organization's bingo license: Provided, That if a licensee fails to meet the minimum adjusted cash flow requirements for any calendar year and has maintained a positive cash flow as required by subsection (3) of this section. The director shall automatically grant relief allowing a twenty-five percent reduction to the annual dollar amount of required adjusted cash flow in subsection (1) of this section, for the year in which the licensee is out of compliance, however, during the moratorium period, this section will not be enforced;

(b) No organization granted relief under (a) of this subsection, shall be eligible to receive relief for any of the four calendar years following the calendar year for which the relief was granted, however, during the moratorium period, this section will not be enforced; and

~~((c) Relief may be granted under (a) of this subsection for the calendar year beginning January 1, 2003.))~~

(5) The moratorium:

- a. Applies to licensees for the calendar year January 1, 2006; and
- b. Concludes on December 31, 2007, or on such date to be determined by the commission; and
- c. Applies only to licensees with gross receipts above \$1,500,000; and
- d. Does not apply to any other licensee requirements.



Rule Up For Discussion and Possible Filing

Proposed Amendment to
WAC 230-20-055

Use of proceeds from authorized activities by charitable or nonprofit organizations.

ITEM 13 (a) on the October 13, 2006, Commission Meeting Agenda. Statutory Authority 9.46.070

Who proposed the rule change?

Linda Smith, manager, Seattle Jaycee Bingo

Proposed Change

The proposed change will assist charitable and nonprofit licensees because the potential benefit would be the elimination of tax on punchboard/pull-tab income. The resulting savings (potentially) could be thousands of dollars per licensee.

Attachments:

Memo to the Commission outlining their options for handling the petition.

Memo regarding IRS deductibility of nonprofit punchboard/pull-tab net income dated July 18, 2006.

Petition for Rule Change dated August 21, 2006.

Letter from Seattle Jaycee Bingo dated July 17, 2006.

Letter notifying Ms. Smith that her petition will be up for filing at the October 2006, Commission meeting.

History of Rule

The IRS issued a Technical Advice Memorandum (TAM) in 1999 that relied on the wording of WAC 230-20-110 (c). This rule stated in part that net gambling income was to be used 'exclusively for the lawful purposes' of the organization. Based on these specific words, the TAM allowed for 100% elimination of the tax on punchboard/pull-tab income.

WAC 230-20-110 (c) was repealed in 2000 as part of a housekeeping rules package because, at that time, it was felt that the language the IRS relied on was duplicated in WAC 230-20-055. However, the IRS has said the language in 230-20-055 is not specific enough. Currently, the IRS relies on WAC 230-08-255 as saying that the minimum legal requirement in Washington for non-profit organizations to spend for the purposes of the organization is 60% of the net gambling income. As a result, non-profits can now only deduct 60% of the net punchboard/pull-tab gaming income, not 100%.

WAC 230-20-055 was in effect at the same time that WAC 230-20-110 was repealed, but the IRS used the language in WAC 230-20-110 as the controlling language when they issued the TAM.

The Petitioner included three Options for proposed amendments to WAC 230-20-055 with notes indicating which is close to the original language in WAC 230-20-110 and which is close to her discussions with the Internal Revenue Service. Staff recommends Option 2, which most closely resembles the original language that the IRS relied on for the federal tax exemption.

Impact of the Proposed Change

Elimination of punchboard/pull-tab federal tax for charitable/nonprofit licensees, allowing them to devote more money to their stated purposes.

Regulatory Concerns
None.
Resource Impacts
None.
Policy Consideration
None.
Statements Supporting the Proposed Rule Change
None.
Statements Opposing the Proposed Rule Change
None.
Licensees Directly Impacted By the Change
Charitable and nonprofit punchboard/pull-tab licensees.
Staff Recommendation
File for further discussion.
Proposed Effective Date for Rule Change
31 days from filing.



PETITION FOR ADOPTION, AMENDMENT, OR REPEAL OF A STATE ADMINISTRATIVE RULE (RCW 34.05.330)

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AUG 25 2006

The Office of Financial Management (OFM) has adopted this form for members of the public who wish to petition a state agency to adopt, amend, or repeal an administrative rule (regulation). Full consideration will be given to a petitioner's request.

To obtain this form in an alternate format, call OFM at (360) 902-0555 or TTY (360) 664-9437.

Please complete the following:

PETITIONER'S NAME (PLEASE PRINT) <i>Linda Smith</i>		TELEPHONE NUMBER (INCLUDE AREA CODE) <i>206-767-0327</i>	
STREET ADDRESS <i>11030 E Marginal Way S.</i>	PO BOX NUMBER	CITY <i>Tukwila</i>	STATE <i>WA</i>
AGENCY RESPONSIBLE FOR ADMINISTERING THE RULE, IF KNOWN <i>WSSC</i>		ZIP CODE <i>98168</i>	
If unknown, call (360) 753-7470 for mailing information			

Please submit completed and signed form to the "Rules Coordinator" at the appropriate state agency. The agency will contact you within 60 days.

Check all that apply below and explain on the back of this form with examples. Whenever possible, attach suggested language. You may attach other pages, if needed.

1. NEW: I am requesting that a new WAC be developed

I believe a new rule should be developed.

- The subject of this rule is:
- The rule will affect the following people:
- The need for the rule is

2. AMEND: I am requesting a change to existing WAC 230-20-055

3. REPEAL: I am requesting existing WAC _____ be removed.

I believe this rule should be changed or repealed because (check one or more):

- It does not do what it was intended to do.
- It imposes unreasonable costs.
- It is applied differently to public and private parties.
- It is not clear.
- It is no longer needed.
- It is not authorized. The agency has no authority to make this rule.
- It conflicts with another federal, state, or local law or rule. Please list number of the conflicting law or rule, if known *This WAC was used to compare WA state with another Court case for a determination of TAM # 199741043 which applies to Section 162 of the IRS Code.*
- It duplicates another federal, state, or local law or rule. Please list number of the duplicate law or rule, if known
- Other (please explain):

PETITIONER'S SIGNATURE

[Handwritten Signature]

DATE

18/21/06

WAC 230-20-055 Use of proceeds from authorized activities by charitable and nonprofit organizations. ***No charitable or nonprofit organization shall fail to devote the entire net income of any gambling activity exclusively to the lawful purposes of the organization.***

All proceeds remaining after paying the necessary expenses of operating an activity authorized by RCW 9.46.0311 shall be used by the organization conducting the activity only for those purposes which are set out in RCW 9.46.0209 and as it may be amended and, if a commission licensee, only for those purposes disclosed to the commission in the application for a license.

① As close to original WAC as possible

WAC 230-20-055 Use of proceeds from authorized activities by charitable and nonprofit organizations. ***All net income from gambling activities must be used exclusively to the lawful purposes of the organization.***

All proceeds remaining after paying the necessary expenses of operating an activity authorized by RCW 9.46.0311 shall be used by the organization conducting the activity only for those purposes which are set out in RCW 9.46.0209 and as it may be amended and, if a commission licensee, only for those purposes disclosed to the commission in the application for a license.

② + ③ As close to discussions with IRS Agent

WAC 230-20-055 Use of proceeds from authorized activities by charitable and nonprofit organizations. ***All net income from gambling activities must be used in its entirety to the lawful purposes of the organization.***

All proceeds remaining after paying the necessary expenses of operating an activity authorized by RCW 9.46.0311 shall be used by the organization conducting the activity only for those purposes which are set out in RCW 9.46.0209 and as it may be amended and, if a commission licensee, only for those purposes disclosed to the commission in the application for a license.



SEATTLE JAYCEE BINGO

RECEIVED

JUL 19 2006
GAMBLING COMMISSION
DIRECTOR'S OFFICE

July 17, 2006

Director Rick Day
Washington State Gambling Commission
PO Box 42400
Olympia, WA 98504-2400

Dear Director Day,

This letter is to request assistance from the Gambling Commission to re-instate a rule that was repealed in July 2000. WAC 230-20-110 (1)(c) under Prohibited practices (Attachment #1) had language that the IRS used to validate Technical Advice Memorandum (TAM) #199941043 (Attachment #2) which was issued on June 28, 1999. Without the wording from this WAC Rule, which clearly stated that an organization shall not fail to devote the entire net income of any gambling activity exclusively to the lawful purpose of the organization, it changes the ordinary and necessary business expenses deductible under section 162 of the IRS Code.

This TAM allowed Non Profit / Charitable Licensees to deduct the expenses from Pull Tabs at 100%, now it is at 60% for Class 3 and above. 0% for Class 1 & 2. Simply it gives us the same exemption as with Bingo with the IRS.

What I am asking of you is to pass this on to the department that can work on getting this rule reinstated and a letter from the WSGC to the IRS explaining that the repealing of the WAC was not with the intent to change how the organization should use the proceeds of their gambling income. Throughout the manual it states that proceeds to be used for its stated purpose or solely to advance the purpose or dedicated solely to the purposes. What they are looking for is that the net gambling income be used exclusively for the lawful purposes of the organization. The address for the IRS is: IRS, Tax Exempt/Government Entities, 915 Second Ave, Seattle, WA 98174.

I received the first draft of the rules simplification for the Charitable and Non Profit Rules while at the meeting last week and have found a need to make sure it makes it into the new rules too, as they have been trimmed back even more than they were. This rule would need to be under the General Rules sections because the Gambling Commission defines gambling proceeds as all moneys remaining from the operation of any gambling activity after payment of prizes and necessary expenses. We would need to be sure that it is not "bingo specific" since this, for IRS purposes, is to do with pull tab net income.

Here is a history of how all this came about:

We at Seattle Jaycee Bingo and members of the CNPV (Charitable Non Profit Voice) just learned about this tax deduction in 2003. Members of the WCCGA (Washington Charitable & Civic Gaming Association) have been enjoying the deduction since 1999 (actually 1996 for the three year eligibility for refund). If you recall, the CNPV was trying to change the Pull Tab

called Row Call from a Pull Tab game to a Bingo game, as it required the bingo game to complete the game. The reason we wanted this change was due to the taxes we were paying to the IRS on our pull tabs and this game increased our revenue in pull tabs due to it's success. Commission staff convinced us that rule would remain the same and because it has instant winners it is a pull tab. A member of the WCCGA approached us and informed us that we no longer had to pay the Federal Income Tax on pull tabs and gave us the cover letter (Attachment #3). It took some time but we were able to finally get the TAM and get it to our CPAs. We requested our refunds for the three years and started filing as the TAM allowed.

During the month of July 2006 audits began from the IRS relative to filing with the TAM. Since those of us that are being currently audited are the ones who have recently started filing with this TAM we believe that this is what caused the IRS to reexamine the TAM. Upon doing this, they could not find WAC 230-12-110. During our investigation I was able to locate the WAC referenced in the TAM in the 1997 Rules Manual under WAC 230-20-110. In the 2001 Rules Manual it was listed under the "Disposition of sections formerly codified in this chapter" with Order 381. I contacted Cameron of the WSGC Financial Unit and asked about some forms we were unaware of for Federal requirement and also asked him what Order 381 was. He investigated it for me and informed me that the rule was repealed due to redundancy. I reviewed this with the auditing IRS Agent and he wrote up an explanation for me to give to our Board of Directors and I asked if I could also give this to the WSGC, he said that would be fine. (Attachment #4) I reported at the WSGC Meeting last week during the Study Session and am now following up with a letter.

We really need to have this rule back in the WAC rules. It affects all your Non Profit and Charitable Licensees. The TAM would become effective as soon as this rule is back in the Rules Manual. If retroactive to June 30, 2000 then we could once again ask for the three year refund. If not, then we can take 60% for previous years and as of 2006 100% if it can go back into the rules ASAP. I am guessing that there would be a 120 day period to get a rule back in with the 31 day rule. I am not sure if the letter from the WSGC that I requested would make a difference with the IRS, but I certainly feel that it would be important to let them know that the rule change did not change the intent of how Washington State law requires the distribution of net gambling income be for lawful purposes.

Please feel free to contact me if you have any questions.

Sincerely,



Linda Smith
Manager

Attachments

Cc: Jill Griffin – President, Seattle Jaycees
Ronnie Strong - CNPV

JUL 19 2006

GAMBLING COMMISSION
DIRECTOR'S OFFICE

230-20-107

Bingo, Raffles and Amusement

230-20-110

[Statutory Authority: RCW 9.46.070 (1), (8) - (11), (14), (20). 96-13-067 (Order 293), § 230-20-107, filed 6/18/96, effective 7/19/96.]

WAC 230-20-108 Combination receipting method of receipting bingo income—Procedures. A system utilizing a combination of cash register receipting and another approved method of receipting may be used to receipt for bingo income. The following conditions and procedures apply to the use of the combination receipting method:

(1) This method must be used by Class F and above licensees receipting for bingo income from the following types of sales:

- (a) Disposable bingo card packets;
- (b) Disposable bingo card sheets from a set of bingo cards divided into subgroups;
- (c) Electronically generated bingo cards, if sales transactions and issuance of cards are not completed and documented concurrently; and
- (d) Bonus games as described in WAC 230-20-246 (8)(c);

(2) All requirements for cash register receipting set forth in WAC 230-20-104 shall be followed;

(3) If receipting for the sale of disposable bingo cards:

(a) All requirements of WAC 230-20-107 must be followed;

(b) Each packet of cards from a collation of bingo card packets or each sheet of cards from a set of bingo card sheets shall be consecutively issued at each individual sales point. Each packet, sheet of cards, or card which was not issued consecutively during a session, and whose audit number is lower than the highest audit number issued, shall be retained by the licensee for a period of not less than one year: *Provided*, That if collations or sets are divided into subgroups as authorized by WAC 230-08-105(5), then packets or sheet of cards within each subgroup must be issued consecutively from each subgroup: *Provided further*, That packets or sheets of cards required to be retained by this subsection may be sold during the next bingo session that the specific collation or series is used; and

(c) The information required by WAC 230-08-105 must be recorded in the inventory control record; and

(d) The totals from the transaction record shall be carried forward to the "daily bingo summary" and reconciled to sales per the cash register record;

(4) If receipting for electronically generated bingo cards:

(a) All requirements of electrically generated bingo card receipting as set forth in WAC 230-20-106 must be followed; and

(b) The totals from the transaction record shall be carried forward to the "daily bingo summary" and reconciled to sales per the cash register record; and

(5) If receipting for bonus games as described in WAC 230-20-246 (8)(c):

(a) All requirements of ticket receipting as set forth in WAC 230-20-105 must be followed;

(b) Tickets must be issued consecutively from each sales point. Tickets at each sales point with audit numbers lower than the highest ticket issued at that sales point shall be retained as a part of the daily bingo records for a period of not less than one year; and

(c) ~~230-20-059~~ record shall be carried forward to the "daily bingo summary" and reconciled to sales per the cash register record.

[Statutory Authority: RCW 9.46.070 (1), (8) - (11), (14), (20). 96-13-067 (Order 293), § 230-20-108, filed 6/18/96, effective 7/19/96.]

WAC 230-20-110 Prohibited practices. (1)(a) No charitable or nonprofit organizations shall operate or conduct any gambling activity on or within any leased premises if rental under such lease is to be paid, wholly or partly, on the basis of a percentage of the receipts or net profits derived from the operation of such activity,

(b) Nor shall the rental under such lease exceed the usual rental for such premises in the same locality,

(c) Nor shall any such organization fail to devote the entire net income of any gambling activity exclusively to the lawful purpose of the organization.

(2) No charitable or nonprofit organization shall hold or conduct any gambling activity if the compensation to any person taking part in the management or operation of such activity is based upon a percentage of the receipts or income derived from the operation of such game. The payment to such persons of compensation which is other than reasonable under the local prevailing wage scale for employment of a comparable nature shall create a presumption of a violation of this subsection.

[Statutory Authority: RCW 9.46.070 (1), (10) and (13). 80-03-059 (Order 98), § 230-20-110, filed 2/25/80; Order 5, § 230-20-110, filed 12/19/73, 1:25 p.m.]

WAC 230-20-111 Promotional activities—Performances as gifts—Advance approval required. In order to preserve the integrity and image of the charitable and nonprofit bingo industry, promotional activities including performances to entertain bingo patrons shall be deemed a promotional gift and subject to the monetary restrictions of WAC 230-20-242. For the purpose of this rule, a performance includes any show, comedy act, skit, play, dance, or similar activities, whether live or recorded, and whether or not consideration is paid or not paid to the performers of such activities.

(1) An organization that plans to offer any performance before, during, or after any bingo session shall present a written detailed outline of such and shall secure approval by the director of the commission prior to conducting the performance. The organization shall, in writing, request a review by the director at least sixty days in advance of the scheduled date of the performance.

(2) The director shall review the subject matter of the proposed performance and shall not approve any such performance which in the director's opinion is contrary to the public interest of preserving the integrity of charitable bingo.

(3) If the director denies a request to conduct a performance, the organization may request a review by the commission within thirty days of the decision. The decision of the commission shall be final.

[Statutory Authority: RCW 9.46.070. 94-07-084 (Order 250), § 230-20-111, filed 3/16/94, effective 4/16/94; 93-15-041 (Order 242), § 230-20-111, filed 7/14/93, effective 8/14/93.]

JUL 19 2006

Page 2

TAM 199941043

TAM 199941043, 1999 WL 821698 (IRS TAM)

GAMBLING COMMISSION
DIRECTOR'S OFFICE

this account to the organization's general account. You have indicated that all amounts claimed as section 162 deductions were subsequently paid out as functional expenses from the general account. It does not appear that you have made an allocation between the bingo and pull-tab receipts for these years.

The taxpayer is operating its gaming activities under rules set forth in the 1973 Gambling Act for the State of Washington. Under this Act, only bona fide charitable or nonprofit organizations may conduct gaming. These are defined in RCW 9.46.0209 as organizations having charitable, benevolent, eleemosynary, educational, civic, patriotic, political, social, fraternal, athletic or agricultural purposes when found by the Commission to be organized and operated solely for those purposes rather than for the purpose of carrying on gambling activities. Under this section, if contributions are not deductible or the organization is not exempt from federal income taxes, the organization is not considered a bona fide charitable or nonprofit organization. The Act also creates the Washington State Gambling Commission, Chapter 230-WAC, to implement the statutory scheme.

WAC 230-12-076 sets forth licensing requirements for organizations participating in gaming activities. Organizations are assigned a regulatory group based upon the authorized gambling receipts as follows:

(1) Group 1 - gambling activities with combined annual gross receipts up to \$300,000.

(2) Group 2 - gambling activities with combined annual gross receipts up to \$1,000,000.

(3) Group 3 - gambling activities with combined annual gross receipts up to \$3,000,000.

(4) Group 4 - gambling activities with combined annual gross receipts up to \$5,000,000.

(5) Group 5 - gambling activities with combined annual gross receipts that exceed \$5,000,000.

WAC 230-08-255 states that as a requirement of obtaining a gambling license and to maintain it, a charitable or nonprofit organization must demonstrate that it has made significant progress toward meeting its stated purposes during the period under review. "Significant progress" means that an organization has complied with requirements set forth in its by-laws and charter; has actively engaged in providing services to the public or its members during the entire period under consideration; and the services provided directly relate to the stated purposes of the organization. Such activities are deemed to be significant when an organization uses a substantial portion of its resources, including net gambling income, for providing such services. Organization in Groups 3,4, and 5, are subject to the following additional requirements:

(1) Elections to select officers must be held at least once every two years;

(2) A general membership meeting must be held at least once every two years;

(3) At least 60% of the net gambling income earned in the most recently completed fiscal year must be used in the same period as functional expenses to provide services to members or the public; [There are several exceptions to the timing of the required payout.]

(4) No more than 35% of the functional expenses may be spent for supporting service expenses. If more than 50% of the functional expenses are provided through indirect methods such as contributions, scholarships, services, then not more than 20% of functional expenses can be spent for supporting services.

Functional expenses are essentially program service expenses. [WAC 230-02-162]
Supporting service expenses are administrative costs. [WAC 230-02-279]

WAC 230-12-110 provides that an organization shall not "fail to devote the entire net income of any gambling activity exclusively to the lawful purpose of the organization."

WAC 230-12-280 provides further that an organization's gambling license may be voided for failure to comply with these requirements.

ISSUES:

Based on these facts you have asked the following questions:

1. Are the requirements under the Revised Code of Washington State (RCW) and the Washington Administrative Code (WAC) that require an organization to make significant progress toward meeting its stated purpose as a condition for a gaming license so broad that they do not constitute a requirement of lawful purpose expenditures?
2. Is the distribution of net gambling income by the taxpayer in accordance with Washington law, subject to the limitations of section 512(b)(10) of the Code as a charitable contribution under section 170, or are the payments deductible under section 162 as ordinary and necessary business expenses?
3. If the payments are deductible under section 162, is the excess of the payments over sixty percent subject to the charitable limitation under section 170?
4. If a licensee is a Group I or II licensee, do the requirements of the RCW and WAC constitute a lawful purpose expenditure?
5. Is a licensee that is exempt under section 501(c)(3) or (4) entitled to a lawful purpose expenditure deduction under section 162, even though the functional expenses required under the RCW and WAC for a charitable gaming license are not charitable payments as defined in section 170?
6. Are amounts relating to bingo proceeds (as defined at section 513(f)(2) of the Code), as distinguished from pull-tabs, that are transferred from the gambling account to the general account and ultimately expended for functional services, deductible under either section 162 or 170 of the Code.

LAW:

Section 511 of the Code imposes a tax on the unrelated business taxable income of an organization described in section 501(c)(3) of the Code, that is derived from any unrelated trade or business regularly carried on by it.

Section 512(a)(1) of the Code defines the term "unrelated business taxable income" as the gross income derived by any organization from any unrelated trade or business regularly carried on by it, less the allowable deductions which are directly connected with the carrying on of such trade or business, both computed with the modifications provided in subsection (b).

Section 512(b)(10) of the Code permits organizations subject to the section 511 tax the deductions allowed by section 170 but not to exceed 10% of the unrelated business taxable income computed without the benefit of this paragraph.

Section 162(a) of the Code allows a deduction for all the ordinary and necessary

of section 512(b)(10) of the Code do not apply.

3. WAC 230-12-110 requires that the entire net gambling proceeds be used for lawful purposes. The additional requirement of WAC 230-08-255 that certain licensees spend 60% of the net gaming income within the current year does not change the requirement that 100% of the net gambling proceeds be used for lawful purposes though it may change the timing of the deduction. A deduction can only be taken in the year the funds are actually spent.

4. RCW 9.46.0209 and WAC 230-12-110 apply to all gambling licensees.

5. A licensee exempt under section 501(c)(3) or 501(c)(4) is entitled to a lawful purpose expenditure deduction under section 162 for expenses incurred as a condition of holding a gambling license. Lawful purposes are loosely defined in RCW 9.46.0209. The list of permissible purposes for which gaming income may be spent must be tempered by the further requirement that the organization be exempt from federal tax and use the funds in furtherance of its own stated purposes whether as an adjunct to its own program or by a program of targeted grants. A 501(c)(3) or 501(c)(4) organization incurring expenditures for non-exempt purposes jeopardizes its exempt status, whether those funds are generated by an unrelated trade or business or not.

6. Expenditures from 513(f) bingo proceeds are not deductible. An allocation must be made between the 513(f) bingo and the pull-tab income in the gaming account. If there are no records on which to base an allocation, all the funds may be considered from an unrelated trade or business. Expenditures from bingo proceeds that are not described in section 513(f) that are made as a condition of holding a gambling license are deductible under section 162 as ordinary and necessary business expenditures.

This document may not be used or cited as precedent. Section 6110(j)(3) of the Internal Revenue Code.

END OF DOCUMENT

WCCGA

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JUL 19 2006
GAMBLING COMMISSION
DIRECTOR'S OFFICE

July 27, 1999

All WCCGA Members:

The enclosed Technical Advise Memorandum issued by the IRS on June 28, 1999 pertaining to Unrelated Business Income Tax (UBIT) on net profit from the sale of pull-tabs is furnished for your information and implementation. The IRS has agreed with our position and the document is self-explanatory. The bottom line is that this is a great achievement for our association and will result in millions of dollars being saved by non-profits that sell pull-tabs. Also, you will be eligible to get a refund for the last three years you paid UBIT on pull tab income.

The CPA firm who handled this project will be meeting with Mr. John Johns of the IRS in the near future to discuss their position of whether we will be required to maintain pull tab income as separate funds in order to account for the expenditures. They will also discuss the years that will apply for net operating losses (NOL). The final outcome will be sent to all members immediately after the determination is made.

If your accounting firm should have any questions they may contact Dick Greenwood or Chris Kindness of Greenwood, Ohlund & Company at (206) 782-1767.

Sincerely,



John R. Beadle
Project Person

cc: Ben Bishop, Director - WSGC
Dennis McLaughlin, Attorney at Law

WASHINGTON
CHARITABLE & CIVIC
GAMING ASSOCIATION

7012 220th S.W.
Mountlake Terrace, WA 98043

199941043
6/28/99

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JUL 19 2006

**GAMBLING COMMISSION
DIRECTOR'S OFFICE**

Form 990-T Issue:

The minimum legal requirement in the State of Washington is to expend 60% of the net gaming income for the purposes of the organization. No more than an additional 35% may be expended for administrative expenses.

Due to the minimum requirement, only 60% of the net gaming income, which must be allocated due to the existence of income from bingo, may be subtracted automatically as an expense from the gross receipts on the Form 990-T.

There was a provision that permitted the entire net gaming income to be expensed on the Form 990-T, which was repealed on July 1, 2000. The net gaming income was to be "exclusively for the lawful purposes" of the organization. (WAS 230-20-110) If this provision was to be re-enacted, with the effect retroactive to June 30, 2000, then the net income could once again be expensed in its entirety.

The key to this argument is what are the minimum necessary and ordinary expenses (Section 162 of the Internal Revenue Code) required to maintain the organization's gaming license. Under Washington State law, the amount required is 60%.

Potential benefit: elimination of tax on pull-tabs, resulting in \$15K of savings

AMENDATORY SECTION:

WAC 230-20-055 Use of proceeds from authorized activities by charitable or nonprofit organizations.

All net income from gambling activities must be used exclusively for the lawful purposes of the organization. All proceeds remaining after paying the necessary expenses of operating an activity authorized by RCW 9.46.0311 shall be used by the organization conducting the activity only for those purposes which are set out in RCW 9.46.0209 and as it may be amended and, if a commission licensee, only for those purposes disclosed to the commission in the application for a license.

Rules Up For Discussion and Possible Filing

Proposed Amendment to:

WAC 230-04-202 Fees-Bona fide charitable/nonprofit organizations.

WAC 230-04-203 Fees-Commercial stimulant and other business organizations.

WAC 230-04-204 Fees-Individuals.



Companion Rules Simplification Project Rules:

These companion rules were previously adopted but won't become effective until 1/1/08.

WAC 230-05-020 Charitable or nonprofit organization fees.

WAC 230-05-025 Commercial stimulant fees.

WAC 230-05-030 Fees for other businesses.

WAC 230-05-035 Individual license fees.

ITEM 14 (a)-(g) on the October 13, 2006, Commission Meeting Agenda. Statutory Authority 9.46.070
Who proposed the rule change?
Staff.
Proposed Change
The proposed change will increase license fees by approximately 3% beginning June 30, 2007. This increase is consistent with the limitations set forth in Initiative 601.
History of Rule
The Commission is a non-appropriated agency. RCW 9.46.070(5) requires the Commission to set fees to generate funds necessary to cover all costs of licensing and enforcement.
History of Fee Increases:
Fees for all licensees were increased effective 6-30-98 and effective 12-31-99.
Fees for only commercial organizations and individuals were increased effective 1-1-02. Fees for charitable/nonprofits were not increased at that time.
Fees for all licensees were last increased effective 6-30-03.
Impact of the Proposed Change
The 07/09 budget approved by the Commission in August 2006 was based on a fee increase.
If adopted, applicants and licensees will pay approximately 3% more in license fees.
Regulatory Concerns
If this rule is passed, the agency will continue to meet its licensing and enforcement statutory mandates at its current level.
Resource Impacts
There will be some impact. The agency database will need to be updated to reflect the new fees for when renewals and other notices are sent out.
Policy Consideration
None.
Statements Supporting the Proposed Rule Change
None.
Statements Opposing the Proposed Rule Change
None.
Licensees Directly Impacted By the Change
All applicants and licensees.
Staff Recommendation
File for further discussion.
Proposed Effective Date for Rule Change
WAC 230-04-202, WAC 230-04-203, WAC 230-04-204: June 30, 2007
Companion Rules Simplification Project Rules:
WAC 230-05-020, WAC 230-05-025, WAC 230-05-030, WAC 230-05-035: January 1, 2008

WAC 230-04-202

Fees — Bona fide charitable/nonprofit organizations.

Bona fide charitable and nonprofit organizations shall submit the following fees to the commission when applying for gambling licenses, permits, miscellaneous changes, inspection services, or when assessed the cost of special investigation procedures by the commission:

<u>LICENSE TYPE</u>	<u>DEFINITION</u>	<u>FEE</u>
1. AMUSEMENT GAMES (Fee based on annual gross gambling receipts)		
* Class A	Premises only	\$ 64 <u>\$55</u>
Class B	Up to \$ 10,000	\$ 64 <u>\$55</u>
Class C	Up to \$ 25,000	\$ 294 <u>\$303</u>
Class D	Up to \$ 50,000	\$ 472 <u>\$487</u>
Class E	Over \$ 50,000	\$ 822 <u>\$848</u>
* Allows a charitable or nonprofit organization to enter into a contract with Class "B" or above commercial amusement game licensee to locate and operate amusement games on their premises.		
2. BINGO GROUP (Fee based on annual gross gambling receipts)		
	VARIANCE *	
Class A	Up to \$ 25,000 \$ 1,000	\$ 64 <u>\$55</u>
Class B	Up to \$ 75,000 \$ 1,000	\$ 171 <u>\$176</u>
Class C	Up to \$ 150,000 \$ 2,000	\$ 350 <u>\$361</u>
Class D	Up to \$ 350,000 \$ 4,000	\$ 944 <u>\$974</u>
Class E	Up to \$ 650,000 \$ 8,000	\$ 1,690 <u>\$1,642</u>
Class F	Up to \$ 1,500,000 \$ 15,000	\$ 3,196 <u>\$3,304</u>
Class G	Up to \$ 2,000,000 \$ 23,000	\$ 4,612 <u>\$4,766</u>
Class H	Up to \$ 3,000,000 \$ 30,000	\$ 6,162 <u>\$6,370</u>
Class I	Up to \$ 4,000,000 \$ 38,000	\$ 7,700 <u>\$7,960</u>
Class J	Up to \$ 5,000,000 \$ 45,000	\$ 9,238 <u>\$9,550</u>
Class K	Up to \$ 6,000,000 \$ 53,000	\$ 10,364 <u>\$10,714</u>
Class L	Up to \$ 7,000,000 \$ 60,000	\$ 11,846 <u>\$12,246</u>
Class M	Up to \$ 8,000,000 \$ 65,000	\$ 13,339 <u>\$13,780</u>
Class N	Up to \$ 9,000,000 \$ 70,000	\$ 14,500 <u>\$14,990</u>

Class O	Up to \$ 10,000,000	\$ 75,000	\$ 16,000 <u>\$16,540</u>
Class P	Up to \$ 11,000,000	\$ 80,000	\$ 17,500 <u>\$18,090</u>
Class Q	Up to \$ 12,000,000	\$ 85,000	\$ 21,000 <u>\$21,708</u>
Class R	Up to \$ 13,000,000	\$ 90,000	\$ 24,000 <u>\$24,810</u>
Class S	Up to \$ 14,000,000	\$ 95,000	\$ 27,000 <u>\$27,912</u>

* A licensee will be allowed a one-time variance for each license class without having to upgrade or pay the penalties set forth in WAC ~~230-04-260~~. Provided, That a licensee utilizing the variance shall be required to upgrade to the higher license class upon renewal.

3. CARD GAMES

Class A	General (Fee to play charged)	\$ 689 <u>\$608</u>
Class B	Limited card games - hearts, rummy, pitch, pinochle, and cribbage (Fee to play charged)	\$ 474 <u>\$176</u>
Class C	Tournament only - no more than ten consecutive days per tournament	\$ 54 <u>\$55</u>
Class D	General (No fee to play charged)	\$ 54 <u>\$55</u>

4. FUND-RAISING EVENT

Class A	One event - not more than 24 consecutive hours First time applicant *Previously licensed applicant	\$ 360 <u>\$361</u> \$ 206 <u>\$212</u>
Class B	One event - not more than 72 consecutive hours First time applicant *Previously licensed applicant	\$ 589 <u>\$608</u> \$ 364 <u>\$373</u>
Class C	Additional participant in joint event (not lead organization)	\$ 174 <u>\$176</u>
Class D	Limited fund-raising event (one event - not more than six consecutive hours) First time applicant **Previously licensed applicant	\$ 164 <u>\$159</u> \$ 103 <u>\$106</u>
Class E	Fund-Raising Event Equipment Distributor - rents	\$ 233 <u>\$240</u>

	or leases, equipment for fund- raising event or recreational gaming activity for no more than ten times per year***	
Class F	Fund-Raising Event Equipment Distributor - rents or leases equipment for fund- raising event or recreational gaming activity more than ten times per year.	\$ 589 <u>\$608</u>

* Provides for a reduced fee when charitable and nonprofit organizations apply for an additional Class A or Class B fund-raising event.

** Provides for a fee reduction when charitable and nonprofit organizations apply for an additional Class D limited fund-raising event.

*** Charitable and nonprofit organizations licensed to conduct fund-raising events may rent their equipment up to four occasions during the term of the license without getting licensed as a distributor.

5. PUNCH BOARDS/PULL-TABS

(Fee based on annual gross

	gambling receipts)	VARIANCE*	
Class A	Up to \$ 50,000	\$ 5,000	\$ 661 <u>\$579</u>
Class B	Up to \$ 100,000	\$ 5,000	\$ 1,002 <u>\$1,034</u>
Class C	Up to \$ 200,000	\$ 10,000	\$ 1,892 <u>\$1,954</u>
Class D	Up to \$ 300,000	\$ 10,000	\$ 2,750 <u>\$2,842</u>
Class E	Up to \$ 400,000	\$ 10,000	\$ 3,552 <u>\$3,672</u>
Class F	Up to \$ 500,000	\$ 10,000	\$ 4,288 <u>\$4,432</u>
Class G	Up to \$ 600,000	\$ 10,000	\$ 4,970 <u>\$5,136</u>
Class H	Up to \$ 700,000	\$ 10,000	\$ 5,594 <u>\$5,782</u>
Class I	Up to \$ 800,000	\$ 10,000	\$ 6,162 <u>\$6,370</u>
Class J	Up to \$ 1,000,000	\$ 20,000	\$ 6,986 <u>\$7,222</u>
Class K	Up to \$ 1,250,000	\$ 25,000	\$ 7,766 <u>\$8,018</u>
Class L	Up to \$ 1,500,000	\$ 25,000	\$ 8,470 <u>\$8,756</u>
Class M	Up to \$ 1,750,000	\$ 25,000	\$ 9,058 <u>\$9,364</u>
Class N	Up to \$ 2,000,000	\$ 25,000	\$ 9,594 <u>\$9,918</u>
Class O	Up to \$ 2,500,000	\$ 30,000	\$ 10,542 <u>\$10,898</u>
Class P	Up to \$ 3,000,000	\$ 35,000	\$ 11,200 <u>\$11,578</u>
Class Q	Up to \$ 4,000,000	\$ 40,000	\$ 13,200 <u>\$13,646</u>
Class R	Up to \$ 5,000,000	\$ 50,000	\$ 15,000 <u>\$15,506</u>
Class S	Up to \$ 6,000,000	\$ 60,000	\$ 17,000 <u>\$17,574</u>
Class T	Up to \$ 7,000,000	\$ 70,000	\$ 19,000 <u>\$19,642</u>
Class U	Up to \$ 8,000,000	\$ 80,000	\$ 21,000 <u>\$21,708</u>

Class V	Over \$ 8,000,000	\$ 80,000	\$ 23,000 <u>\$23,776</u>
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* A licensee will be allowed a one-time variance for each license class without having to upgrade or pay the penalties set forth in WAC ~~230-04-260~~. Provided, That a licensee utilizing the variance shall be required to upgrade to the higher license class upon renewal.

6. RAFFLES (Fee based on annual gross gambling receipts)		
Class A	Up to \$ 5,000	\$ 54 <u>\$55</u>
Class B	Up to \$ 10,000	\$ 174 <u>\$176</u>
Class C	Up to \$ 25,000	\$ 350 <u>\$361</u>
Class D	Up to \$ 50,000	\$ 580 <u>\$608</u>
Class E	Up to \$ 75,000	\$ 944 <u>\$974</u>
Class F	Over \$ 75,000	\$ 1,414 <u>\$1,460</u>

7. COMBINATION LICENSE

CLASS A	Allows gross gambling receipts of up to \$ 25,000 from bingo, \$ 7,500 from raffles, and \$ 7,500 from amusement games, not to exceed \$ 30,000 combined gross gambling receipts from all such activities. Allows general card games where no fee to play is charged.	\$ 106 <u>\$109</u>
CLASS B	Allows gross gambling receipts of up to \$ 60,000 from bingo, \$ 15,000 from raffles, and \$ 15,000 from amusement games, not to exceed \$ 75,000 combined gross gambling receipts from all such activities. Allows general card games where no fee to play is charged.	\$ 276 <u>\$285</u>
CLASS C	Allows gross gambling receipts of up to \$ 125,000 from bingo, \$ 30,000 from raffles, and \$ 30,000 from amusement games, not to exceed \$ 150,000 combined gross gambling receipts from all such activities. Allows	\$ 630 <u>\$660</u>

general card games
where no fee to play
is charged.

**8. SEPARATE
PREMISES**

BINGO Per occasion

(see WAC 230-04-300) \$ 26

9. PERMITS

AGRICULTURAL

FAIR-BINGO (See WAC 230-04-191) \$ 26

RECREATIONAL

GAMING ACTIVITY (See WAC 230-25-330
(RGA) and 230-02-505) ~~\$ 64~~\$55

10. CHANGES

NAME (See WAC 230-04-310) \$ 26

LOCATION (See WAC 230-04-320) \$ 26
(Date or time)

FRE (See WAC 230-04-325) \$ 26

LICENSE CLASS (See WAC 230-04-260) \$ 26

DUPLICATE

LICENSE (See WAC 230-04-290) \$ 26

11. SPECIAL FEES

INVESTIGATION (See WAC 230-04-240) As required

REPLACEMENT IDENTI- (See WAC 230-08-017) \$ 26

FICATION STAMPS

EXCEEDING LICENSE (See WAC 230-04-260) As required
CLASS

REVIEW, As required
INSPECTION AND/OR (See WAC 230-12-315)

EVALUATION OF EQUI-

PMENT,
PARAPHERNALIA,

SERVICES, OR
SCHEMES

12. SIX-MONTH
PAYMENT PLAN (See WAC 230-04-190) \$ 26

WAC 230-04-203

Fees – Commercial stimulant and other business organizations.

All persons seeking to operate gambling activities shall submit the following fees to the commission when applying for gambling licenses, permits, miscellaneous changes, inspection services, or when assessed the cost of special investigation procedures by the commission:

<u>LICENSE TYPE</u>	<u>DEFINITION</u>	<u>FEE</u>
1. CARD GAMES		
Class B	Up to five tables of limited card games - hearts, rummy, pitch, pinochle, and/or cribbage (Fee to play charged)	\$ 175 \$180
Class C	Tournament only, no more than ten consecutive days per tournament.	
C-5	Up to five tables	\$ 175 \$180
C-10	Up to ten tables	\$ 318 \$328
C-15	Up to fifteen tables	\$ 520 \$546
Class D	General - Up to five tables (No fee to play charged)	\$ 66 \$56
Class E	*General (Fee to play charged)	
E-1	One table only	\$ 422 \$436
E-2	Up to two tables	\$ 727 \$751
E-3	Up to three tables	\$ 1,210 \$1,250
E-4	Up to four tables	\$ 2,426 \$2,506
E-5	Up to five tables	\$ 3,650 \$3,772
Additional tables up to a maximum of fifteen may be authorized for an additional per table fee of \$ 1,060 \$1,092		
*In addition to the above initial license fee, the commission will assess all applicants/licensees the actual costs that exceed the license fee for conducting the initial investigation and inspection, any follow-up reviews or investigations involved in the approval of activities and schemes.		
Class F	Enhanced card room activities endorsement - Includes alternative fee collections (per hand; pot rake) and use of player-supported jackpot schemes.	
	Annual license fee	\$ 1,590 \$1,642
2. CARD GAMES - HOUSE-BANKED		
All tables within a card room operating any house-banked card game shall be licensed under this license class.		
	*Annual license fee	\$ 6,368 \$6,582
	Per table fee (up to fifteen tables)	\$ 1,590 \$1,642
*In addition to the above initial license fee, the commission will assess all applicants the actual costs that exceed the license fee for conducting the initial license investigation and premises inspection. Any post licensing follow-up reviews, inspections, internal control evaluations or subsequent phases of operation		

shall also be charged actual costs. Licensees will be evaluated and charged for these additional authorizations/phases on an individual case by case basis.

3. **COMMERCIAL** (Fee based on annual gross

AMUSEMENT gambling receipts)

GAMES

* Class A	Premises only	** \$ 301 <u>\$310</u>	\$ 137 <u>\$143</u>
Class B	Up to \$ 50,000		\$ 422 <u>\$436</u>
Class C	Up to \$ 100,000		\$ 1,086 <u>\$1,122</u>
Class D	Up to \$ 250,000		\$ 2,426 <u>\$2,506</u>
Class E	Up to \$ 500,000		\$ 4,266 <u>\$4,398</u>
Class F	Up to \$ 1,000,000		\$ 7,306 <u>\$7,552</u>
Class G	Over \$ 1,000,000		\$ 9,140 <u>\$9,448</u>

* Allows a business that is qualified under WAC 230-04-138 (1)(f), (g), (h), (i), or (j) to enter into a contract with a class "B" or above commercial amusement game licensee to locate and operate amusement games upon their premises.

** Provides for a fee reduction of \$ 164 when: Renewing an annual license; applying for an additional license(s) at the same premises; and/or applying for multiple licenses at the same premises.

4. **PUNCH BOARDS/** (Fee based on annual gross

PULL-TABS gambling receipts)

			VARIANCE*
Class A	Up to 50,000	\$ 5,000	\$ 577 <u>\$596</u>
		\$	
Class B	Up to 100,000	\$ 5,000	\$ 1,030 <u>\$1,064</u>
		\$	
Class C	Up to 200,000	\$ 10,000	\$ 1,942 <u>\$2,006</u>
		\$	
Class D	Up to 300,000	\$ 10,000	\$ 2,826 <u>\$2,920</u>
		\$	
Class E	Up to 400,000	\$ 10,000	\$ 3,650 <u>\$3,772</u>
		\$	
Class F	Up to 500,000	\$ 10,000	\$ 4,408 <u>\$4,556</u>
		\$	
Class G	Up to 600,000	\$ 10,000	\$ 5,108 <u>\$5,280</u>
		\$	
Class H	Up to 700,000	\$ 10,000	\$ 5,748 <u>\$5,942</u>
		\$	
Class I	Up to 800,000	\$ 10,000	\$ 6,332 <u>\$6,546</u>
		\$	
Class J	Up to 1,000,000	\$ 20,000	\$ 7,180 <u>\$7,422</u>
		\$	
Class K	Up to 1,250,000	\$ 25,000	\$ 7,970 <u>\$8,238</u>
		\$	
Class L	Up to 1,500,000	\$ 25,000	\$ 8,704 <u>\$8,998</u>
		\$	
Class M	Up to 1,750,000	\$ 25,000	\$ 9,340 <u>\$9,624</u>
		\$	

Class N	Up to 2,000,000 \$	\$ 25,000	\$ 9,862 <u>\$10,194</u>
Class O	Up to 2,500,000 \$	\$ 30,000	\$10,836 <u>\$11,202</u>
Class P	Up to 3,000,000 \$	\$ 35,000	\$11,200 <u>\$11,578</u>
Class Q	Up to 4,000,000 \$	\$ 40,000	\$13,200 <u>\$13,646</u>
Class R	Up to 5,000,000 \$	\$ 50,000	\$16,000 <u>\$15,506</u>
Class S	Up to 6,000,000 \$	\$ 60,000	\$17,000 <u>\$17,574</u>
Class T	Up to 7,000,000 \$	\$ 70,000	\$19,000 <u>\$19,642</u>
Class U	Up to 8,000,000 \$	\$ 80,000	\$21,000 <u>\$21,708</u>
Class V	Over \$ 8,000,000	\$ 80,000	\$23,000 <u>\$23,776</u>

* A licensee will be allowed a one-time variance for each license class without having to upgrade or pay the penalties set forth in WAC 230-04-260: Provided, That a licensee utilizing the variance shall be required to upgrade to the higher license class upon renewal.

5. PUNCH BOARD AND PULL-TAB SERVICE BUSINESS

(See WAC 230-04-133)	\$ 217 <u>\$224</u>
*Initial application fee	
Additional associate	\$ 136 <u>\$140</u>
Renewal	\$ 63 <u>\$54</u>

*Includes up to two associates.

6. DISTRIBUTOR (Fee based on annual gross sales of gambling related supplies and equipment)

(a) Class A	Nonpunch board/pull-tab only	\$ 606 <u>\$625</u>
Class B	Up to \$ 250,000	\$ 1,210 <u>\$1,250</u>
Class C	Up to \$ 500,000	\$ 1,818 <u>\$1,878</u>
Class D	Up to \$ 1,000,000	\$ 2,426 <u>\$2,506</u>
Class E	Up to \$ 2,500,000	\$ 3,160 <u>\$3,266</u>
Class F	Over \$ 2,500,000	\$ 3,890 <u>\$4,020</u>

In addition to the annual fee, the commission will assess all applicants the actual costs incurred in conducting the investigation and inspection necessary for initial certification.

(b) FUND-RAISING

EVENT EQUIPMENT

DISTRIBUTOR

Class A	Rents or leases equipment for fund-raising event or recreational gaming activity up to 10 times per year.	\$ 239 <u>\$247</u>
Class B	Rents or leases equipment for fund-raising event or recreational gaming activity more than 10 times per year.	\$ 606 <u>\$625</u>

7. GAMBLING SERVICE SUPPLIER

(See WAC 230-04-119)	\$ 630 <u>\$651</u>
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In addition to the annual fee, the commission will assess all applicants the actual costs incurred in conducting the investigation and inspection necessary for initial certification.

A fee of \$ 136 shall be charged for each new contract initiated by the gambling service supplier.

8. LINKED BINGO PRIZE PROVIDER

(See WAC 230-04-126) ~~\$ 4,048~~**\$4,184**

9. MANUFACTURER

(Fee based on annual gross sales of gambling related supplies and equipment)

Class A	Pull-tab dispensing devices only	\$ 605 \$625
Class B	Up to \$ 250,000	\$ 1,210 \$1,250
Class C	Up to \$ 500,000	\$ 1,818 \$1,878
Class D	Up to \$ 1,000,000	\$ 2,426 \$2,506
Class E	Up to \$ 2,500,000	\$ 3,160 \$3,266
Class F	Over \$ 2,500,000	\$ 3,800 \$4,020

In addition to the annual fee, the commission will assess all applicants the actual costs incurred in conducting the investigation and inspection necessary for initial certification, quality control inspection for additional activities or product lines, compliance suitability evaluations, and renewal of licenses when travel cost is incurred to complete the investigation.

10. PERMITS

AGRICULTURAL FAIR/

SPECIAL PROPERTY

BINGO

Class A One location and event only (See WAC 230-04-191) \$ 26

Class B Annual permit for specified different events and locations (See WAC 230-04-193) ~~\$ 175~~**\$180**

RECREATIONAL

GAMING ACTIVITY (See WAC 230-02-505 and 230-25-330) ~~\$ 55~~**\$56**

MANUFACTURER'S SPECIAL SALES PERMIT (See WAC 230-04-115) *\$ 211

*The two hundred eleven dollar fee is nonrefundable, whether the sales permit is approved or not. In addition, an applicant may be assessed additional fees incurred to process and determine suitability.

11. CHANGES

NAME	(See WAC <u>230-04-310</u>)	\$ 26
LOCATION	(See WAC <u>230-04-320</u>)	\$ 26
BUSINESS	(Same owners)	\$ 55 \$56
CLASSIFICATION	(See WAC <u>230-04-340</u>)	
LICENSE CLASS	(See WAC <u>230-04-260</u>)	
	New class fee, less previous fee paid, plus	\$ 26
DUPLICATE LICENSE	(See WAC <u>230-04-290</u>)	\$ 26

CORPORATE STOCK/LIMITED LIABILITY COMPANY SHARES/UNITS	(See WAC <u>230-04-360</u>)	\$ 55 \$56
LICENSE TRANSFERS	(See WAC <u>230-04-125</u> and <u>230-04-340</u>)	\$ 55 \$56
12. SPECIAL FEES		
INVESTIGATION IDENTIFICATION AND INSPECTION	(See WAC <u>230-04-240</u>)	As required
SERVICES STAMPS QUALITY CONTROL	(See WAC <u>230-08-017</u>)	As required
INSPECTION FEES REPLACEMENT OF IDENTIFICATION	(See WAC <u>230-30-030</u>)	As required
STAMPS EXCEEDING LICENSE	(See WAC <u>230-30-017</u>)	\$ 26
CLASS REVIEW, INSPECTION AND/OR EVALUATION OF EQUIPMENT, PARA- PHERNALIA, SERVICES, OR SCHEMES SPECIAL SALES	(See WAC <u>230-04-260</u>)	As required
PERMITS ELECTRONIC CARD FACSIMILE TABLE	(See WAC <u>230-12-315</u>)	As required
IDENTIFICATION STAMP	(See WAC <u>230-04-115</u>)	As required
	(See WAC <u>230-08-017</u>)	*\$ 361.51
	*Annually, for each separate table	
13. SIX-MONTH		
PAYMENT PLAN	(See WAC <u>230-04-190</u>)	\$ 26

WAC 230-04-204

Fees – Individuals.

Individuals shall submit the following fees to the commission when applying for gambling licenses, permits, miscellaneous changes, or when assessed the cost of special investigation procedures by the commission:

LICENSE TYPE	DEFINITION	FEE
1. CHARITABLE OR NONPROFIT GAMBLING MANAGER	Original	\$ 171 \$176
	Renewal	\$ 82 \$84
	Change of Employer	\$ 82 \$84
2. LINKED BINGO PRIZE PROVIDER REPRESENTATIVE	Original	\$ 239 \$247
	Renewal	\$ 146 \$150
3. COMMERCIAL GAMBLING MANAGER	Original	\$ 175 \$180
	Renewal	\$ 84 \$86
	Change of Employer	\$ 84 \$86
4. DISTRIBUTOR'S OR GAMBLING SERVICES SUPPLIER REPRESENTATIVE	Original	\$ 239 \$247
	Renewal	\$ 146 \$150
5. MANUFACTURER'S REPRESENTATIVE	Original	\$ 239 \$247
	Renewal	\$ 146 \$150
6. PUBLIC CARD ROOM EMPLOYEE		
CLASS A - Performs duties as defined in WAC <u>230-02-415</u> in a class E card room.		
	Original	\$ 175 \$180
	Renewal	\$ 84 \$86
CLASS B - Performs duties as defined in WAC <u>230-02-415</u> in enhanced and house-banked card rooms.		
	Original, in-state	\$ 237 \$245
	Original, out-of-state	\$ 295 \$304
	Renewal	\$ 146 \$150
	Transfer/Additional Employee/Conversion/ Emergency Waiver Request	\$ 57 \$58
7. OTHER FEES		
CHANGE OF NAME	(See WAC <u>230-04-310</u>)	\$ 26
DUPLICATE LICENSE	(See WAC <u>230-04-290</u>)	\$ 26
OUT-OF-STATE RECORDS INQUIRY	(See WAC <u>230-04-240</u>)	As required
8.	If a license expires while an individual is on active military service, the individual may apply to have their license reissued at the renewal fee. The application must be received within six months after completing their active military service. The applicant shall provide evidence of the completion date of active military service.	

Companion Rules Simplification Project Rule

This rule was previously adopted, but won't become effective until 1/1/08

Amendatory Section:

230-05-020 Charitable or nonprofit organization fees.

Bona fide charitable and nonprofit organizations must pay the following fees to us when applying for gambling licenses, permits, miscellaneous changes, or inspection services:

1. Amusement Games

License	Annual Gross Gambling Receipts	Fee
Class A	Premises only	\$ <u>55</u> 54
Class B	Up to \$10,000	\$ <u>55</u> 54
Class C	Up to \$25,000	\$ <u>303</u> 294
Class D	Up to \$50,000	\$ <u>487</u> 472
Class E	Over \$50,000	\$ <u>848</u> 822

2. Bingo

License	Annual Gross Gambling Receipts	Fee	One Time Variance*
Class A	Up to \$25,000	\$ <u>55</u> 54	\$1,000
Class B	Up to \$75,000	\$ <u>176</u> 171	\$1,000
Class C	Up to \$150,000	\$ <u>361</u> 350	\$2,000
Class D	Up to \$350,000	\$ <u>974</u> 944	\$4,000
Class E	Up to \$650,000	\$ <u>1,642</u> 1,590	\$8,000
Class F	Up to \$1,500,000	\$ <u>3,304</u> 3,196	\$15,000
Class G	Up to \$2,000,000	\$ <u>4,766</u> 4,612	\$23,000
Class H	Up to \$3,000,000	\$ <u>6,370</u> 6,162	\$30,000
Class I	Up to \$4,000,000	\$ <u>7,960</u> 7,700	\$38,000
Class J	Up to \$5,000,000	\$ <u>9,550</u> 9,238	\$45,000
Class K	Up to \$6,000,000	\$ <u>10,714</u> 10,364	\$53,000
Class L	Up to \$7,000,000	\$ <u>12,246</u> 11,846	\$60,000
Class M	Up to \$8,000,000	\$ <u>13,780</u> 13,330	\$65,000
Class N	Up to \$9,000,000	\$ <u>14,990</u> 14,500	\$70,000
Class O	Up to \$10,000,000	\$ <u>16,540</u> 16,000	\$75,000
Class P	Up to \$11,000,000	\$ <u>18,090</u> 17,500	\$80,000
Class Q	Up to \$12,000,000	\$ <u>21,708</u> 21,000	\$85,000
Class R	Up to \$13,000,000	\$ <u>24,810</u> 24,000	\$90,000
Class S	Up to \$14,000,000	\$ <u>27,912</u> 27,000	\$95,000

*See Chapter 06 – “Exceeding License Class”

3. Card Games

License	Description	Fee
Class A	Nonhouse-Banked - Fee to play	\$ <u>608</u> 589
Class B	Limited card games - hearts, rummy, pitch, pinochle, and cribbage - Fee to play	\$ <u>176</u> 171
Class C	Tournament only - no more than thirty consecutive days per tournament	\$ <u>55</u> 54

Companion Rules Simplification Project Rule

This rule was previously adopted, but won't become effective until 1/1/08

Class D	Nonhouse-Banked - No fee to play	\$ 55 54
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4. Fund-Raising Event

License	Description	Fee
Class A	One event - not more than 24 consecutive hours	
	First time applicant	\$ 361 350
	Previously licensed applicant	\$ 212 206
Class B	One event - not more than 72 consecutive hours	
	First time applicant	\$ 608 589
	Previously licensed applicant	\$ 373 361
Class C	Additional participant in joint event - not lead organization	\$ 176 171
Class D	Limited fund-raising event - one event - not more than six consecutive hours	
	First time applicant	\$ 159 154
	Previously licensed applicant	\$ 106 103
Class E	Fund-Raising Event Equipment Distributor - rents or leases, equipment no more than ten times per year	\$ 240 233
Class F	Fund-Raising Event Equipment Distributor - rents or leases equipment more than ten times per year.	\$ 608 589

5. Punch Boards/Pull-Tabs

License	Annual Gross Gambling Receipts	Fee	One Time Variance*
Class A	Up to \$50,000	\$ 579 561	\$5,000
Class B	Up to \$100,000	\$ 1,034 1,002	\$5,000
Class C	Up to \$200,000	\$ 1,954 1,892	\$10,000
Class D	Up to \$300,000	\$ 2,842 2,750	\$10,000
Class E	Up to \$400,000	\$ 3,672 3,552	\$10,000
Class F	Up to \$500,000	\$ 4,432 4,288	\$10,000
Class G	Up to \$600,000	\$ 5,136 4,970	\$10,000
Class H	Up to \$700,000	\$ 5,782 5,594	\$10,000
Class I	Up to \$800,000	\$ 6,370 6,162	\$10,000
Class J	Up to \$1,000,000	\$ 7,222 6,986	\$20,000
Class K	Up to \$1,250,000	\$ 8,018 7,756	\$25,000
Class L	Up to \$1,500,000	\$ 8,756 8,470	\$25,000
Class M	Up to \$1,750,000	\$ 9,364 9,038	\$25,000
Class N	Up to \$2,000,000	\$ 9,918 9,594	\$25,000
Class O	Up to \$2,500,000	\$ 10,898 10,542	\$30,000

Companion Rules Simplification Project Rule

This rule was previously adopted, but won't become effective until 1/1/08

Class P	Up to \$3,000,000	\$11,578 11,200	\$35,000
Class Q	Up to \$4,000,000	\$13,646 13,200	\$40,000
Class R	Up to \$5,000,000	\$15,506 15,000	\$50,000
Class S	Up to \$6,000,000	\$17,574 17,000	\$60,000
Class T	Up to \$7,000,000	\$19,642 19,000	\$70,000
Class U	Up to \$8,000,000	\$21,708 21,000	\$80,000
Class V	Over \$8,000,000	\$23,776 23,000	\$80,000

*See Chapter 06 "Exceeding License Class."

6. Raffles

License	Annual Gross Gambling Receipts	Fee
Class A	Up to \$5,000	\$55 54
Class B	Up to \$10,000	\$176 171
Class C	Up to \$25,000	\$361 350
Class D	Up to \$50,000	\$608 589
Class E	Up to \$75,000	\$974 944
Class F	Over \$75,000	\$1,460 1,414

7. Combination License

License	Description	Fee
Class A	Allows gross gambling receipts of up to \$25,000 from bingo, \$7,500 from raffles, and \$7,500 from amusement games, not to exceed \$30,000 combined gross gambling receipts from all such activities. Allows Class D card games.	\$109 106
Class B	Allows gross gambling receipts of up to \$60,000 from bingo, \$15,000 from raffles, and \$15,000 from amusement games, not to exceed \$75,000 combined gross gambling receipts from all such activities. Allows Class D card games.	\$285 276
Class C	Allows gross gambling receipts of up to \$125,000 from bingo, \$30,000 from raffles, and \$30,000 from amusement games, not to exceed \$150,000 combined gross gambling receipts from all such activities. Allows Class D card games.	\$660 639

8. Special Property Bingo

Once Annually	\$26
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9. Permits

Recreational gaming activity	\$55 54
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10. Changes

Type	Fee
Name	\$26
Location	\$26
Fund-Raising Event Date or Time	\$26

Companion Rules Simplification Project Rule

This rule was previously adopted, but won't become effective until 1/1/08

License Class	\$26
Duplicate License	\$26

11. Other Fees

Type	Fee
Replacement Identification Stamps	\$26
Failing to Apply for License Class Upgrade	Up to fifty percent of the difference between our fees for the licensee's present license class and the new license class or one thousand dollars, whichever is less, plus \$26
Review, Inspection and/or Evaluation of Equipment, Paraphernalia, Services, or Schemes	Deposit and fees as required

12. Two Part Payment Plan Participation

Annual Participation	\$26
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[Statutory Authority: RCW 9.46.070 (5) and (6).]

Companion Rules Simplification Project Rule

This rule was previously adopted, but won't become effective until 1/1/08

Amendatory Section:

WAC 230-05-025 Commercial Stimulant Fees

All commercial stimulant license applicants must pay the following fees to us when applying for gambling licenses:

1. Card Games – Nonhouse-banked

License	Description	Fee
Class B	Up to five tables of limited card games - hearts, rummy, pitch, pinochle, and/or cribbage. Fee to play.	\$ <u>180</u> 175
Class C	Tournament only, no more than thirty consecutive days per tournament.	
C-5	Up to five tables	\$ <u>180</u> 175
C-10	Up to ten tables	\$ <u>328</u> 318
C-15	Up to fifteen tables	\$ <u>546</u> 529
Class D	Up to five tables. No fee to play.	\$ <u>56</u> 55
Class E	Fee to play	
E-1	One table only	\$ <u>436</u> 422
E-2	Up to two tables	\$ <u>751</u> 727
E-3	Up to three tables	\$ <u>1,250</u> 1,210
E-4	Up to four tables	\$ <u>2,506</u> 2,426
E-5	Up to five tables	\$ <u>3,772</u> 3,650
Additional tables	Per Table - up to a maximum of fifteen	\$ <u>1,092</u> 1,060
Class F	Endorsement/Upgrade of Class E includes permission to use alternative fee collections and use of player-supported jackpots.	\$ <u>1,642</u> 1,590

2. Card Games – House-Banked

All tables within a card room operating any house-banked card game must be licensed under this license class.

License	Fee
Annual	\$ <u>6,582</u> 6,368
Additional fee per table - up to fifteen tables	\$ <u>1,642</u> 1,590

3. Punch Boards and Pull-Tabs

License	Annual Gross Gambling Receipts	Fee	One Time Variance*
Class A	Up to \$50,000	\$ <u>596</u> 577	\$5,000
Class B	Up to \$100,000	\$ <u>1,064</u>	\$5,000

Companion Rules Simplification Project Rule

This rule was previously adopted, but won't become effective until 1/1/08

		1,030	
Class C	Up to \$200,000	\$2,006 1,942	\$10,000
Class D	Up to \$300,000	\$2,920 2,826	\$10,000
Class E	Up to \$400,000	\$3,772 3,650	\$10,000
Class F	Up to \$500,000	\$4,556 4,408	\$10,000
Class G	Up to \$600,000	\$5,280 5,108	\$10,000
Class H	Up to \$700,000	\$5,942 5,748	\$10,000
Class I	Up to \$800,000	\$6,546 6,332	\$10,000
Class J	Up to \$1,000,000	\$7,422 7,180	\$20,000
Class K	Up to \$1,250,000	\$8,238 7,970	\$25,000
Class L	Up to \$1,500,000	\$8,998 8,704	\$25,000
Class M	Up to \$1,750,000	\$9,624 9,310	\$25,000
Class N	Up to \$2,000,000	\$10,194 9,862	\$25,000
Class O	Up to \$2,500,000	\$11,202 10,836	\$30,000
Class P	Up to \$3,000,000	\$11,574 11,200	\$35,000
Class Q	Up to \$4,000,000	\$13,646 13,200	\$40,000
Class R	Up to \$5,000,000	\$15,506 15,000	\$50,000
Class S	Up to \$6,000,000	\$17,574 17,000	\$60,000
Class T	Up to \$7,000,000	\$19,642 19,000	\$70,000
Class U	Up to \$8,000,000	\$21,708 21,000	\$80,000
Class V	Over \$ 8,000,000	\$23,776 23,000	\$80,000

* See Chapter 06 "Exceeding License Class"

Companion Rules Simplification Project Rule

This rule was previously adopted, but won't become effective until 1/1/08

Amendatory Section:

230-05-030 Fees for Other Businesses

All other business license applicants must pay the following fees to us when applying for gambling licenses, miscellaneous changes, or inspection services:

1. Commercial Amusement Games

License	Annual Gross Gambling Receipts	Fees
Class A	Premises only	*\$310 301 / \$143 137
Class B	Up to \$50,000	\$436 422
Class C	Up to \$100,000	\$1,122 1,086
Class D	Up to \$250,000	\$2,506 2,426
Class E	Up to \$500,000	\$4,398 4,256
Class F	Up to \$1,000,000	\$7,552 7,306
Class G	Over \$1,000,000	\$9,448 9,140

* We reduce the license fee by \$164 when you apply for additional licenses at the same business premises, apply for multiple licenses at the same business premises, or a licensee is renewing an annual license.

2. Distributor

License	Annual Gross Sales	Fee
Class A	Nonpunch board/pull-tab only	\$625 \$605
Class B	Up to \$250,000	\$1,250 1,210
Class C	Up to \$500,000	\$1,878 1,818
Class D	Up to \$1,000,000	\$2,506 2,426
Class E	Up to \$2,500,000	\$3,266 3,160
Class F	Over \$2,500,000	\$4,020 3,890

3. Fund-Raising Event Equipment Distributor

License	Description	Fee
Class A	Rents or leases equipment for fund-raising event or recreational gaming activity up to 10 times per year.	\$247 239
Class B	Rents or leases equipment for fund-raising event or recreational gaming activity more than 10 times per year.	\$625 603

4. Gambling Service Supplier

License	Fee
Annual	\$651 630
Financing, consulting, and management contract review	\$136

Companion Rules Simplification Project Rule

This rule was previously adopted, but won't become effective until 1/1/08

5. Linked Bingo Prize Provider

License	Fees
Annual	\$ 4,184 4,048

6. Manufacturer

License	Annual Gross Sales	Fee
Class A	Pull-tab dispensing devices only	\$ 625 605
Class B	Up to \$250,000	\$ 1,250 1,210
Class C	Up to \$500,000	\$ 1,878 1,818
Class D	Up to \$1,000,000	\$ 2,506 2,426
Class E	Up to \$2,500,000	\$ 3,266 3,160
Class F	Over \$2,500,000	\$ 4,020 3,890

7. Permits

Type	Description	Fee
Agricultural Fair	One location and event only	\$26
Agricultural Fair Annual Permit	Annual permit for specified different events and locations	\$ 180 175
Recreational Gaming Activity		\$ 56 55
Manufacturer's Special Sales Permit		\$211
Punch Board and Pull-Tab Service Business Permit	Initial application fee	\$ 224 217
Punch Board and Pull-Tab Service Business Permit	Renewal	\$ 54 53

8. Changes

Application	Description	Fee
Name		\$26
Location		\$26
Business Classification	Same owners	\$ 56 55
Exceeding License Class	New class fee, less previous fee paid, plus	\$26
Duplicate License		\$26
Corporate Stock/Limited Liability Company Shares/Units		\$ 56 55
License Transfers		\$ 56 55

9. Other Fees

Type	Fee
Defective Punch Board/Pull-Tab Cost Recovery Fees	Up to \$100
Failing to Apply for License Class Upgrade	Up to fifty percent of the difference between our fees for the licensee's present license class and the new license class or one thousand dollars, whichever is less, plus \$26

Companion Rules Simplification Project Rule

This rule was previously adopted, but won't become effective until 1/1/08

Review of Gambling Equipment, Supplies, Services, or Games	Cost reimbursement
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10. Identification Stamps

Type	Fee
(a) Punch Boards and Pull-Tabs	
(i) Standard	Wagers fifty cents and below
	Wagers over fifty cents
(ii) Progressive jackpot pull-tab series	Per series
(iii) Pull-tab series with carry-over jackpots	Per series
(b) Pull-tab dispensing devices	
(i) Mechanical and electro-mechanical	
(ii) Electronic	Dispensing devices that require initial and ongoing evaluation of electronic components or functions, such as reading encoded data on pull-tabs, accounting for income or prizes
Replacement of Identification Stamps	
(c) Disposable bingo cards	
(i) Single game sets of individual cards or sheets of cards	
(ii) Multi-game card packets	
(iii) Cards used to play for linked bingo prizes	Fee per 250 card
(iv) Cards used to play for linked bingo prizes	Fee per 5000 cards
(d) Coin or token-activated amusement games	
Annually - Operated at any Class A amusement game license location	
(e) Electronic bingo card daubers	
Annual	
(f) Electronic card facsimile table	
Annual	

11. Two-Part Payment Plan Participation

Annual Participation	\$26
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[Statutory Authority: RCW 9.46.070 (5), (6), (14), and (20).]

Companion Rules Simplification Project Rule

This rule was previously adopted, but won't become effective until 1/1/08

Amendatory Section:

230-05-035 Individuals License Fees

Individuals must pay the following fees to us when they apply for gambling licenses, permits, miscellaneous changes:

1. Charitable or Nonprofit Gambling Manager

License	Fee
Original	\$ 176 171
Renewal	\$ 84 82
Change of Employer	\$ 84 82

2. Linked Bingo Prize Provider Representative

License	Fee
Original	\$247 239
Renewal	\$ <u>150</u> 146

3. Commercial Gambling Manager

License	Fee
Original	\$ <u>180</u> 175
Renewal	\$ <u>86</u> 84
Change of Employer	\$ <u>86</u> 84

4. Distributor's or Gambling Services Supplier's Representative

License	Fee
Original	\$247 239
Renewal	\$ <u>150</u> 146

5. Manufacturer's Representative

License	Fee
Original	\$247 239
Renewal	\$ <u>150</u> 146

6. Public Card Room Employee

License	Fee
Class A - Performs Card Room Employee duties in a Class E card room.	
Original	\$ <u>180</u> 175
Renewal	\$ <u>86</u> 84
Class B - Performs Card Room Employee duties in enhanced and house-banked card rooms.	
Original, in-state	\$ <u>245</u> 237
Original, out-of-state	\$ <u>304</u> 295
Renewal	\$ <u>150</u> 146
Transfer/Additional Employee/Conversion/Emergency Waiver Request	\$57

7. Other Fees

Change Of Name	\$26
Duplicate License	\$26

[Statutory Authority: RCW 9.46.070.]



Rule Up For Discussion and Possible Filing

Proposed Amendment to
WAC 230-50-562

Final orders – When to file a petition for reconsideration of a final order.

ITEM 15 (a) on the October 13, 2006, Commission Meeting Agenda.	Statutory Authority 9.46.070; 9.46.140
Who proposed the rule change?	
Staff.	
Proposed Change	
The proposed rule change authorizes the Commission to automatically schedule petitions for reconsideration on Final Orders issued by the Commission. This proposed rule change also clarifies the process for petitioners.	
History of Rule	
RCW 34.05.470 requires the Commission to hear petitions for reconsideration within 20 days; if the Commission does not hear the petition, the petition is considered denied. Because of this requirement, staff has had to schedule petitions for reconsideration at the last minute, or schedule a special meeting, depending on when the petition is received.	
For example, if the regularly scheduled Commission meeting is held on August 10 and a petition is received on August 4, staff must revise the Commission meeting agenda and send the materials to the Commissioners as a separate mailing or the Commissioners must hold a special meeting no later than August 24, in order to respond timely to the petition. The proposed rule amendment allows the Commissioners to have more flexibility in scheduling petitions for reconsideration of a final order, while at the same time, treating petitioners fairly and consistently.	
Regulatory Concerns	
None.	
Resource Impacts	
The proposed change will provide staff adequate time to prepare the Commission meeting agenda and related materials. It also provides the Commissioners adequate time to review the case.	
Additionally, the Commissioners will not need to hold special meetings to hear petitions for reconsideration of final orders.	
Policy Consideration	
None.	
Statements Supporting the Proposed Rule Change	
None.	
Statements Opposing the Proposed Rule Change	
None.	
Licensees Directly Impacted By the Change	
Licensees or applicants who have had their licenses denied or revoked, and who cannot operate, may be opposed to having to wait an additional month to have their petitions scheduled.	
Staff Recommendation	
File for further discussion.	
Proposed Effective Date for Rule Change	
31 days from filing.	

Amendatory Section:

WAC 230-50-562 Final orders -- When and how to file a petition for reconsideration of a final order. Any party to an adjudicative proceeding may file a petition for reconsideration of a final order. A petition for reconsideration of a final order under RCW 34.05.470 shall be filed with the commission in accordance with WAC 230-50-210 within ten days of service of a final order. The petition for reconsideration shall be administered in accordance with RCW 34.05.470. If the petition is received at least 15 business days before the next regularly scheduled meeting, the commission will schedule the petition to be heard at the upcoming meeting. If the petition is received less than 15 business days before the next regularly scheduled meeting, the commission will schedule the petition for reconsideration at the meeting immediately following the regularly scheduled commission meeting.



Rule Up For Discussion and Possible Filing

Proposed Amendment to
WAC 230-40-855

Acceptance of tips from patrons for house-banked activities.

ITEM 16 (a) on the October 13, 2006, Commission Meeting Agenda.	Statutory Authority 9.46.070 and 9.46.0282
Who proposed the rule change?	
Staff.	
Proposed Change	
<p>The proposed rule will require more detailed procedures for the accountability of tips received by card room employees. Under the amendments:</p> <ol style="list-style-type: none"> 1. Tip (“toke”) drop boxes must be locked and remain under camera coverage at all times; and 2. Tips must be redeemed under surveillance; and 3. Card room employees (CRE) must accurately report all tips to their employer. This puts the burden on the CRE to report accurately; and 4. Tips received by the cage cashier must be counted and documented by the shift/floor supervisor or security. 	
History of Rule	
<p>This rule was originally approved with all the house-banked rules May 15, 2000, to ensure the accurate accountability of tips received by licensed card room employees at house-banked card rooms. Since the rule approval, incidents of inaccurate tip reporting have taken place.</p> <p>To ensure accurate reporting of tips, Commission staff has required more detailed procedures in the licensee’s internal controls.</p>	
Impact of the Proposed Change	
<p>The rule change will codify tip accountability requirements and provide consistent enforcement by staff.</p> <p>The rule change will ensure licensees have a consistent understanding of requirements for tip accountability.</p>	
Regulatory Concerns	
<p>Licensed card room employees (typically dealers) receive tips in the form of gaming chips from players. Tips are received in two ways:</p> <ol style="list-style-type: none"> 1. Indirectly: The player places a wager for the dealer (toke bet) and the winnings from the toke bet are then placed in the toke box. If the player loses the toke bet, the chips are moved to the chip tray and go to the house. 2. Directly: The player gives a tip to a dealer who places it directly in the tip box and the tip is not dependent on the outcome of the game. <p>To ensure the accountability of all tips, procedures must be in place in the internal controls and followed. These procedures are needed to help ensure income derived from gambling activities is accounted for.</p>	
Resource Impacts	
<p>Clarifying this rule should reduce the amount of time staff spends explaining tip requirements and addressing consistency concerns by licensees.</p>	
Policy Consideration	
None.	

Stakeholder Statements Supporting the Proposed Rule Change
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None.

Stakeholder Statements Opposing the Proposed Rule Change
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None.

Licensees Directly Impacted By the Change

House-banked card rooms and their licensed employees.

Staff Recommendation

File for further discussion.

Proposed Effective Date for Rule Change

31 days from filing.

Amendatory Section:

WAC 230-40-855 Acceptance of tips from patrons for house-banked activities.

Licensees may allow selected employees to accept tips from patrons. If allowed, tips shall be controlled in a manner to ensure they are only received by authorized persons, ~~((properly))~~ accounted for, and maintained separate from all other gaming funds. The following restrictions and procedures apply:

(1) No employee directly concerned with management, supervision, accounting, security, or surveillance shall solicit, accept or otherwise share any tip originating from any player or patron: Provided, That cage cashiers shall be allowed to accept tips.

(2) Each licensee shall establish procedures necessary to ensure that the acceptance of tips by dealers is observed by the floor supervisor and surveillance. Procedures shall include an overt display of tips received, such as tapping the table with the tip prior to placing it in the tip container.

(3) All tips must be dropped into a locked tip container which prevents the removal of chips except by unlocking. Tip containers must remain under camera coverage of the closed circuit television system at all times.

(4) ~~(3)~~ Tips to the cage cashier shall be deposited directly into the tip container by the patron. Cashier tip containers shall be located outside the cage enclosure. Tips received by a cage cashier must be counted and documented by the shift/floor supervisor or security.

(5) ~~(4)~~ Tips received shall be retained by employees or pooled among employees ~~((in such manner as determined by the licensee))~~ as described in the licensee's internal controls.

(6) ~~(5)~~ Licensees shall establish and implement procedures for the ~~((proper))~~ accounting of tips received by authorized card room employees. The procedures shall be fully documented in the licensee's internal controls and shall describe in detail any methods used to allocate tips. ~~((Accounting and recording of tip income shall be in sufficient detail to meet federal income tax requirements.))~~

(7) All tips received by licensed card room employees must be redeemed under surveillance at the cashier's cage. Card room employees must accurately report all tips to their employer as described in the licensee's internal controls.

(8) All pooled tips must be redeemed under surveillance at the cashier's cage, count room or a gaming table.