

SENATE BILL NO. 1241

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on General Laws and Technology

on _____)

(Patron Prior to Substitute—Senator Durant)

A BILL to amend and reenact §§ 18.2-340.16, 18.2-340.19, 18.2-340.23, 18.2-340.24, 18.2-340.24:1, and 18.2-340.33 of the Code of Virginia, relating to charitable gaming; common interest communities; bingo.

Be it enacted by the General Assembly of Virginia:

1. That §§ 18.2-340.16, 18.2-340.19, 18.2-340.23, 18.2-340.24, 18.2-340.24:1, and 18.2-340.33 of the Code of Virginia are amended and reenacted as follows:

§ 18.2-340.16. Definitions.

As used in this article, unless the context requires a different meaning:

"Bingo" means a specific game of chance played with (i) individual cards having randomly numbered squares ranging from one to 75, (ii) Department-approved electronic devices that display facsimiles of bingo cards and are used for the purpose of marking and monitoring players' cards as numbers are called, or (iii) Department-approved cards, in which prizes are awarded on the basis of designated numbers on such cards conforming to a predetermined pattern of numbers selected at random.

"Bona fide member" means an individual who participates in activities of a qualified organization other than such organization's charitable gaming activities.

"Charitable gaming" or "charitable games" means those raffles, Texas Hold'em poker tournaments, and games of chance explicitly authorized by this article. Unless otherwise specified, "charitable gaming" includes electronic gaming authorized by this article.

"Charitable gaming permit" or "permit" means a permit issued by the Department to an organization that authorizes such organization to conduct charitable gaming, and if such organization is qualified as a social organization, electronic gaming.

"Charitable gaming supplies" includes bingo cards or sheets, devices for selecting bingo numbers, instant bingo cards, pull-tab cards and seal cards, playing cards for Texas Hold'em poker, poker chips, and any other equipment or product manufactured for or intended to be used in the conduct of charitable games. However, for the purposes of this article, charitable gaming supplies shall not include items incidental to the conduct of charitable gaming such as markers, wands, or tape.

"Commissioner" means the Commissioner of the Department of Agriculture and Consumer Services.

"Conduct" means the actions associated with the provision of a gaming operation during and immediately before or after the permitted activity, which may include (i) selling bingo cards or packs, electronic devices, instant bingo or pull-tab cards, or raffle tickets, (ii) calling bingo games, (iii) distributing prizes, and (iv) any other services provided by volunteer workers.

"Department" means the Department of Agriculture and Consumer Services.

"Electronic gaming" or "electronic games" means any instant bingo, pull tabs, or seal card gaming that is conducted primarily by use of an electronic device. "Electronic gaming" does not include (i) the game of chance identified in clause (ii) of the definition of "bingo" or (ii) network bingo.

"Electronic gaming adjusted gross receipts" means the gross receipts derived from electronic gaming less the total amount in prize money paid out to players.

"Electronic gaming manufacturer" means a manufacturer of electronic devices used to conduct electronic gaming.

"Fair market rental value" means the rent that a rental property will bring when offered for lease by a lessor who desires to lease the property but is not obligated to do so and leased by a lessee under no necessity of leasing.

"Gaming expenses" means prizes, supplies, costs of publicizing gaming activities, audit and administration or permit fees, and a portion of the rent, utilities, accounting and legal fees, and such other reasonable and proper expenses as are directly incurred for the conduct of charitable gaming.

"Gross receipts" means the total amount of money generated by an organization from charitable gaming before the deduction of expenses, including prizes.

"Instant bingo," "pull tabs," or "seal cards" means specific games of chance played by the random selection of one or more individually prepacked cards with winners being determined by the preprinted or predetermined appearance of concealed letters, numbers, or symbols that must be exposed by the player to determine wins and losses and may include the use of a seal card that conceals one or more numbers or symbols that have been designated in advance as prize winners. Such cards may be dispensed by mechanical equipment.

"Jackpot" means a bingo game that the organization has designated on its game program as a jackpot game in which the prize amount is greater than \$100.

"Landlord" means any person or his agent, firm, association, organization, partnership, or corporation, employee, or immediate family member thereof, which owns and leases, or leases any premises devoted in whole or in part to the conduct of bingo games or other charitable gaming pursuant to this article, and any person residing in the same household as a landlord.

"Management" means the provision of oversight of a gaming operation, which may include the responsibilities of applying for and maintaining a permit or authorization, compiling, submitting, and maintaining required records and financial reports, and ensuring that all aspects of the operation are in compliance with all applicable statutes and regulations.

"Network bingo" means a specific bingo game in which pari-mutuel play is permitted.

"Network bingo provider" means a person licensed by the Department to operate network bingo.

"Operation" means the activities associated with production of a charitable gaming or electronic gaming activity, which may include (i) the direct on-site supervision of the conduct of charitable gaming and electronic gaming; (ii) coordination of volunteers; and (iii) all responsibilities of charitable gaming and electronic gaming designated by the organization's management.

"Organization" means any one of the following:

1. A volunteer fire department or volunteer emergency medical services agency or auxiliary unit thereof that has been recognized in accordance with § 15.2-955 by an ordinance or resolution of the political subdivision where the volunteer fire department or volunteer emergency medical services agency is located as being a part of the safety program of such political subdivision;

2. An organization that is exempt from income tax pursuant to § 501(c)(3) of the Internal Revenue Code, is operated, and has always been operated, exclusively for educational purposes, and awards scholarships to accredited public institutions of higher education or other postsecondary schools licensed or certified by the Board of Education or the State Council of Higher Education for Virginia;

3. An athletic association or booster club or a band booster club established solely to raise funds for school-sponsored athletic or band activities for a public school or private school accredited pursuant to § 22.1-19 or to provide scholarships to students attending such school;

4. An association of war veterans or auxiliary units thereof organized in the United States;

5. A fraternal association or corporation operating under the lodge system;

6. An organization that is exempt from income tax pursuant to § 501(c)(3) of the Internal Revenue Code

and is operated, and has always been operated, exclusively to provide services and other resources to older Virginians, as defined in § 51.5-116;

7. An organization that is exempt from income tax pursuant to § 501(c)(3) of the Internal Revenue Code and is operated, and has always been operated, exclusively to foster youth amateur sports;

8. An organization that is exempt from income tax pursuant to § 501(c)(3) of the Internal Revenue Code and is operated, and has always been operated, exclusively to provide health care services or conduct medical research;

9. An accredited public institution of higher education or other postsecondary school licensed or certified by the Board of Education or the State Council of Higher Education for Virginia that is exempt from income tax pursuant to § 501(c)(3) of the Internal Revenue Code;

10. A church or religious organization that is exempt from income tax pursuant to § 501(c)(3) of the Internal Revenue Code;

11. An organization that is exempt from income tax pursuant to § 501(c)(3) or 501(c)(4) of the Internal Revenue Code and is operated, and has always been operated, exclusively to (i) create and foster a spirit of understanding among the people of the world; (ii) promote the principles of good government and citizenship; (iii) take an active interest in the civic, cultural, social, and moral welfare of the community; (iv) provide a forum for the open discussion of matters of public interest; (v) encourage individuals to serve the community without personal financial reward; and (vi) encourage efficiency and promote high ethical standards in commerce, industries, professions, public works, and private endeavors;

12. An organization that is exempt from income tax pursuant to § 501(c)(3) of the Internal Revenue Code and is operated, and has always been operated, exclusively to (i) raise awareness of law-enforcement officers who died in the line of duty; (ii) raise funds for the National Law Enforcement Officers Memorial and Museum; and (iii) raise funds for the charitable causes of other organizations that are exempt from income tax pursuant to § 501(c)(3) of the Internal Revenue Code;

13. An organization that is exempt from income tax pursuant to § 501(c)(3) of the Internal Revenue Code and is operated, and has always been operated, exclusively to (i) promote the conservation of the environment, caves, or other natural resources; (ii) promote or develop opportunities for the use of science and technology to advance the conservation of the environment, caves, or other natural resources; and (iii) raise funds for the conservation of the environment, caves, or other natural resources or provide grant

opportunities to other nonprofit organizations that are devoted to such conservation efforts;

14. An organization that is exempt from income tax pursuant to § 501(c)(3) of the Internal Revenue Code that manages a museum that is operated, and has always been operated, exclusively for the purposes of musical heritage and the legacy of the "1927 Bristol Sessions";

15. An organization (i) established on or before December 31, 1963, as a result of its members being prohibited from joining similar existing organizations because of laws such as the Public Assemblages Act of 1926, which required the racial segregation of all public events in the Commonwealth; (ii) that is exempt from income tax pursuant to § 501(c)(7) of the Internal Revenue Code; and (iii) that is operated, and has always been operated, for community awareness and action through educational, economic, and cultural service activities;

16. An organization established on or before December 31, 1977, that is exempt from income tax pursuant to § 501(c)(7) of the Internal Revenue Code and is incorporated, in part, to raise funds for donation to organizations whose missions include promoting early detection of and public education about and supporting research and treatment options for heart disease and various cancers;

17. A local chamber of commerce; ~~or~~

18. *A common interest community (i) established and operating pursuant to the provisions of the Property Owners' Association Act (§ 55.1-1800 et seq.) or the Virginia Condominium Act (§ 55.1-1900 et seq.) and any rules or regulations promulgated pursuant to those Acts, (ii) that qualifies for deductions pursuant to § 277 of the Internal Revenue Code, and (iii) that is solely available to residents age 55 or older; or*

19. Any other nonprofit organization that is exempt from income tax pursuant to § 501(c) of the Internal Revenue Code and that raises funds by conducting raffles, bingo, instant bingo, pull tabs, or seal cards that generate annual gross receipts of \$40,000 or less, provided that such gross receipts, less expenses and prizes, are used exclusively for charitable, educational, religious, or community purposes. Notwithstanding § 18.2-340.26:1, proceeds from instant bingo, pull tabs, and seal cards shall be included when calculating an organization's annual gross receipts for the purposes of this subdivision.

"Pari-mutuel play" means an integrated network operated by a licensee of the Department comprised of participating charitable organizations for the conduct of network bingo games in which the purchase of a network bingo card by a player automatically includes the player in a pool with all other players in the network, and where the prize to the winning player is awarded based on a percentage of the total amount of

147 network bingo cards sold in a particular network.

148 "Qualified organization" means any organization to which a valid permit has been issued by the
149 Department to conduct charitable gaming or any organization that is exempt pursuant to § 18.2-340.23.

150 "Raffle" means a lottery in which the prize is won by (i) a random drawing of the name or prearranged
151 number of one or more persons purchasing chances or (ii) a random contest in which the winning name or
152 preassigned number of one or more persons purchasing chances is determined by a race involving inanimate
153 objects floating on a body of water, commonly referred to as a "duck race."

154 "Reasonable and proper business expenses" means business expenses actually incurred by a qualified
155 organization in the conduct of charitable gaming and not otherwise allowed under this article or under
156 Department regulations on real estate and personal property tax payments, travel expenses, payments of
157 utilities and trash collection services, legal and accounting fees, costs of business furniture, fixtures and office
158 equipment and costs of acquisition, maintenance, repair, or construction of an organization's real property.
159 For the purpose of this definition, (i) salaries and wages of employees whose primary responsibility is to
160 provide services for the principal benefit of an organization's members or (ii) expenses for social or
161 recreational activities for the principal benefit of a social organization's members may qualify as a business
162 expense, if so determined by the Department. However, payments made pursuant to § 51.1-1204 to the
163 Volunteer Firefighters' and Rescue Squad Workers' Service Award Fund shall be deemed a reasonable and
164 proper business expense.

165 "Social organization" means any qualified organization that provides certification to the Department that
166 it is:

167 1. An accredited public institution of higher education or other postsecondary school licensed or certified
168 by the Board of Education or the State Council of Higher Education for Virginia qualified under § 501(c)(3)
169 of the Internal Revenue Code;

170 2. An organization established on or before November 10, 1922, that is qualified under § 501(c)(4) of the
171 Internal Revenue Code, is the only federally chartered Marine Corps-related veterans organization in the
172 country, and is operated for the purpose of promoting the interest and preserving the traditions of the United
173 States Marine Corps;

174 3. An organization established on or before December 31, 1963, as a result of its members being
175 prohibited from joining similar existing organizations because of laws such as the Public Assemblages Act of

1926, which required the racial segregation of all public events in the Commonwealth, that is qualified under § 501(c)(7) of the Internal Revenue Code;

4. An organization established on or before December 31, 1977, that is qualified under § 501(c)(7) of the Internal Revenue Code and is incorporated, in part, to raise funds for donation to organizations whose missions include promoting early detection of and public education about and supporting research and treatment options for heart disease and various cancers;

5. A fraternal beneficiary society, order, or association qualified under § 501(c)(8) of the Internal Revenue Code;

6. A domestic fraternal society, order, or association qualified under § 501(c)(10) of the Internal Revenue Code; or

7. A post or organization of past or present members of the Armed Forces of the United States, or an auxiliary unit or society of, or a trust or foundation for, any such post or organization qualified under § 501(c)(19) of the Internal Revenue Code.

"Social quarters" means, in addition to any specifications prescribed by the Department, an area at a social organization's primary location that (i) such organization designates to be used predominantly by its members for social and recreational activities, (ii) is accessible exclusively to members of the social organization and their guests, and (iii) is not advertised or open to the general public. It shall not disqualify the area from being considered social quarters if guests occasionally accompany members into the area, so long as such guests do not spend their own funds to participate in charitable gaming or electronic gaming activities conducted in the area. In determining if an area is social quarters for purposes of § 18.2-340.26:3, the Department may rely on publications of the Internal Revenue Service regarding the allowable participation of guests in an organization's social and recreational activities for purposes of § 501 of the Internal Revenue Code.

"Supplier" means any person who offers to sell, sells, or otherwise provides charitable gaming supplies to any qualified organization.

"Texas Hold'em poker game" means a variation of poker in which (i) players receive two cards facedown that may be used individually, (ii) five cards shown face up are shared among all players in the game, (iii) players combine any number of their individual cards with the shared cards to make the highest five-card hand to win the value wagered during the game, and (iv) the ranking of hands and the rules of the game are governed by the official rules of the Poker Tournament Directors Association.

205 "Texas Hold'em poker tournament" or "tournament" means an organized competition of players (i) who
206 pay a fixed fee for entry into the competition and for a certain amount of poker chips for use in the
207 competition; (ii) who may be allowed to pay an additional fee, during set preannounced times of the
208 competition, to receive additional poker chips for use in the competition; (iii) who may be seated at one or
209 more tables simultaneously playing Texas Hold'em poker games; (iv) who upon running out of poker chips
210 are eliminated from the competition; and (v) a pre-set number of whom are awarded prizes of value according
211 to how long such players remain in the competition.

212 **§ 18.2-340.19. Regulations of the Department.**

213 A. The Department shall adopt regulations that:

214 1. Require, as a condition of receiving a charitable gaming permit or authorization to conduct electronic
215 gaming, that the applicant use a predetermined percentage of its receipts for those lawful religious, charitable,
216 community, or educational purposes for which the organization is specifically chartered or organized,
217 including (i) those expenses relating to the acquisition, construction, maintenance, or repair of any interest in
218 real property or (ii) expenses related to the rental of real property by an organization as described by
219 subdivision 5, 6, or 7 of the definition of "social organization" in § 18.2-340.16 where such real property is
220 involved in the operation of the organization and used for lawful religious, charitable, community, or
221 educational purposes, as follows:

222 a. With respect to charitable gaming, other than electronic gaming, *and except as provided in §*
223 *18.2-340.24*, a predetermined percentage of its gross receipts.

224 b. With respect to electronic gaming, a predetermined percentage of its electronic gaming adjusted gross
225 receipts.

226 2. Specify the conditions under which a complete list of the organization's members who participate in the
227 management, operation, or conduct of charitable gaming may be required in order for the Department to
228 ascertain the percentage of Virginia residents in accordance with subdivision A 3 of § 18.2-340.24.

229 Membership lists furnished to the Department in accordance with this subdivision shall not be a matter of
230 public record and shall be exempt from disclosure under the provisions of the Freedom of Information Act (§
231 2.2-3700 et seq.).

232 3. Prescribe fees for processing applications for charitable gaming permits and authorizing social
233 organizations to conduct electronic gaming. Such fees may reflect the nature and extent of the charitable

gaming activity proposed to be conducted.

4. Establish requirements for the audit of all reports required in accordance with §§ 18.2-340.30 and 18.2-340.30:2.

5. Define electronic and mechanical equipment used in the conduct of charitable gaming. Department regulations shall include capacity for such equipment to provide full automatic daubing as numbers are called. For the purposes of this subdivision, electronic or mechanical equipment for instant bingo, pull tabs, or seal cards shall include such equipment that displays facsimiles of instant bingo, pull tabs, or seal cards and are used solely for the purpose of dispensing or opening such paper or electronic cards, or both; but shall not include (i) devices operated by dropping one or more coins or tokens into a slot and pulling a handle or pushing a button or touchpoint on a touchscreen to activate one to three or more reels marked into horizontal segments by varying symbols, where the predetermined prize amount depends on how and how many of the symbols line up when the rotating reels come to rest, or (ii) other similar devices that display flashing lights or illuminations, or bells, whistles, or other sounds, solely intended to entice players to play. Such regulations shall not prohibit (a) devices that display spinning, rotating, or rolling reels or animations or flashing lights; (b) devices that accept vouchers; (c) the purchase and play of an electronic pull tab with a single press or touch of a button; or (d) the use of multiple video monitors or touchscreens on an electronic gaming device.

6. Prescribe the conditions under which a qualified organization may (i) provide food and nonalcoholic beverages to its members who participate in the management, operation, or conduct of bingo; (ii) permit members who participate in the management, operation, or conduct of bingo to play bingo; and (iii) subject to the provisions of subdivision 12 of § 18.2-340.33, permit nonmembers to participate in the conduct of bingo so long as the nonmembers are under the direct supervision of a bona fide member of the organization during the bingo game.

7. Prescribe the conditions under which a qualified organization may sell raffle tickets for a raffle drawing that will be held outside the Commonwealth pursuant to subsection B of § 18.2-340.26.

8. Prescribe the conditions under which persons who are bona fide members of a qualified organization or a child, above the age of 13 years, of a bona fide member of such organization may participate in the conduct or operation of bingo games.

9. Prescribe the conditions under which a person below the age of 18 years may play bingo, provided that such person is accompanied by his parent or legal guardian.

263 10. Require all qualified organizations that are subject to Department regulations to post in a conspicuous
264 place in every place where charitable gaming is conducted a sign that bears a toll-free telephone number for
265 "Gamblers Anonymous" or other organization that provides assistance to compulsive gamblers.

266 11. Require all qualified organizations that are subject to Department regulations to post in a conspicuous
267 place in every place where charitable gaming is conducted a sign that bears the toll-free telephone number
268 and website for the illegal gaming tip line established and administered by the Office of the Gaming
269 Enforcement Coordinator in the Department of State Police pursuant to § 52-54 for members of the public to
270 report concerns about, or suspected instances of, illegal gaming activities.

271 12. Prescribe the conditions under which a qualified organization may sell network bingo cards in
272 accordance with § 18.2-340.28:1 and establish a percentage of proceeds derived from network bingo sales to
273 be allocated to (i) prize pools, (ii) the organization conducting the network bingo, and (iii) the network bingo
274 provider. The regulations shall also establish procedures for the retainage and ultimate distribution of any
275 unclaimed prize.

276 13. Prescribe the conditions under which a qualified organization may manage, operate, or contract with
277 operators of, or conduct Texas Hold'em poker tournaments.

278 14. Prescribe the conditions under which a qualified organization may lease the premises of a permitted
279 social organization for the purpose of conducting bingo, network bingo, instant bingo, pull tabs, seal cards,
280 and electronic gaming permitted under this article and establish requirements for proper financial reporting of
281 all disbursements, gross receipts, and electronic gaming adjusted gross receipts and payment of all fees
282 required under this article.

283 B. The Commissioner may, by regulation, approve variations to the card formats for bingo games,
284 provided that such variations result in bingo games that are conducted in a manner consistent with the
285 provisions of this article. Department-approved variations may include bingo games commonly referred to as
286 player selection games and 90-number bingo.

287 **§ 18.2-340.23. Organizations exempt from certain fees and reports.**

288 A. No organization that reasonably expects, on the basis of prior charitable gaming annual results or any
289 other quantifiable method, to realize gross receipts of \$40,000 or less in any 12-month period from raffles
290 conducted in accordance with the provisions of this article shall be required to (i) notify the Department of its
291 intention to conduct raffles or (ii) comply with Department regulations governing raffles.

292 B. ~~Any~~ 1. Except as provided in subdivision 2, any organization that reasonably expects, on the basis of
293 prior charitable gaming annual results or any other quantifiable method, to realize gross receipts of \$40,000
294 or less from all charitable gaming other than raffles on a total of no more than seven days per calendar year
295 shall be required to register with the Department pursuant to the provisions of § 18.2-340.24:1.

296 2. Any organization described in subdivision 18 of the definition of "organization" in § 18.2-340.16 that
297 reasonably expects, on the basis of prior bingo annual results or any other quantifiable method, to realize
298 gross receipts of \$40,000 or less from the conduct of bingo on a total of no more than 12 days per calendar
299 year shall be required to register with the Department pursuant to the provisions of § 18.2-340.24:1.

300 C. 1. If any organization's actual gross receipts from raffles for the 12-month period exceed \$40,000 as
301 described in subsection A or actual gross receipts from all charitable gaming other than raffles conducted on a
302 total of no more than seven days per calendar year exceed \$40,000 as described in ~~subsection~~ subdivision B 1
303 , the Department shall require the organization to obtain a permit pursuant to the provisions of § 18.2-340.25
304 and file by a specified date the report required by § 18.2-340.30.

305 2. If the actual gross receipts for any organization described in subdivision 18 of the definition of
306 "organization" in § 18.2-340.16 exceed \$40,000 from the conduct of bingo on a total of no more than 12 days
307 per calendar year as described in subdivision B 2, the Department shall require the organization to obtain a
308 permit pursuant to the provisions of § 18.2-340.25 and file by a specified date the report required by §
309 18.2-340.30.

310 D. Any (i) organization described in subdivision ~~18~~ 19 of the definition of "organization" in § 18.2-340.16
311 or (ii) volunteer fire department or volunteer emergency medical services agency or auxiliary unit thereof that
312 has been recognized in accordance with § 15.2-955 by an ordinance or resolution of the political subdivision
313 where the volunteer fire department or volunteer emergency medical services agency is located as being part
314 of the safety program of such political subdivision shall be exempt from the payment of application fees
315 required by § 18.2-340.25 and the payment of audit fees required by § 18.2-340.31. Any such organization,
316 department, agency, or unit that conducts electronic gaming shall be subject to such application fees and audit
317 fees for its electronic gaming activities; however, in accordance with the provisions of § 18.2-340.31, any
318 audit fees may be paid by either the organization or the electronic gaming manufacturer whose electronic
319 gaming devices are present on the premises of the organization, department, agency, or unit. Nothing in this
320 subsection shall be construed as exempting any organizations described in subdivision ~~18~~ 19 of the definition

321 of "organization" in § 18.2-340.16, volunteer fire departments, or volunteer emergency medical services
322 agencies from any other provisions of this article or other Department regulations.

323 E. Nothing in this section shall prevent the Department from conducting any investigation or audit it
324 deems appropriate to ensure an organization's compliance with the provisions of this article and, to the extent
325 applicable, Department regulations.

326 **§ 18.2-340.24. Eligibility for permit; exceptions; where valid.**

327 A. To be eligible for a permit to conduct charitable gaming, an organization shall:

328 1. Have been in existence and met on a regular basis in the Commonwealth for a period of at least three
329 years immediately prior to applying for a permit.

330 The three-year residency requirement shall not apply (i) to any lodge or chapter of a national or
331 international fraternal order or of a national or international civic organization which is exempt under §
332 501(c) of the United States Internal Revenue Code and which has a lodge or chapter holding a charitable
333 gaming permit issued under the provisions of this article anywhere within the Commonwealth; (ii) to booster
334 clubs which have been operating for less than three years and which have been established solely to raise
335 funds for school-sponsored activities in public schools or private schools accredited pursuant to § 22.1-19;
336 (iii) to recently established volunteer fire and rescue companies or departments, after county, city, or town
337 approval; or (iv) to an organization which relocates its meeting place on a permanent basis from one
338 jurisdiction to another, complies with the requirements of subdivision 2 of this section, and was the holder of
339 a valid permit at the time of its relocation.

340 2. ~~Be~~ Except as provided in subsection D, be operating currently and have always been operated as a
341 nonprofit organization.

342 3. Have at least 50 percent of its membership consist of residents of the Commonwealth; however, if an
343 organization (i) does not consist of bona fide members and (ii) is exempt under § 501(c)(3) of the United
344 States Internal Revenue Code, the Department shall exempt such organizations from the requirements of this
345 subdivision.

346 B. Any organization whose gross receipts from all charitable gaming exceeds or can be expected to
347 exceed \$40,000 in any calendar year shall have been granted tax-exempt status pursuant to § 501(c) of the
348 United States Internal Revenue Code. At the same time tax-exempt status is sought from the Internal Revenue
349 Service, the same documentation may be filed with the Department in conjunction with an application for a

charitable gaming permit. If such documentation is filed, the Department may, after reviewing such documentation it deems necessary, issue a charitable gaming permit.

C. A permit shall be valid only for the dates and times designated in the permit.

D. Any organization described in subdivision 18 of the definition of "organization" in § 18.2-340.16 that is eligible for a permit pursuant to this section shall donate a minimum of 10 percent of all gross receipts from its charitable gaming activities to a § 501(c)(3) organization.

§ 18.2-340.24:1. Registration requirements; certain organizations.

A. Any organization seeking to conduct charitable gaming in accordance with subsection B of § 18.2-340.23 shall first register with the Department on a form prescribed by the Department. The Department shall only require the organization to provide (i) proof of the organization's nonprofit status *or status as an organization described in subdivision 18 in the definition of "organization" in § 18.2-340.16*; (ii) contact information for the chief executive officer of the organization or his designee; (iii) the location, dates, and times of any expected charitable gaming activity; (iv) a description of the general nature of the anticipated charitable gaming activity; and (v) a signed attestation that the organization (a) does not reasonably expect to realize more than \$40,000 in gross receipts on a total of no more than seven days per calendar year for the charitable gaming activities listed on the registration form *or on a total of no more than 12 days for the conduct of bingo for an organization described in subdivision 18 in the definition of "organization" in § 18.2-340.16*, (b) understands that should the organization exceed the \$40,000 threshold, it will be required to file the report in accordance with § 18.2-340.30, and (c) understands it shall be required to comply with the provisions of this article and Department regulations.

B. Any organization that registers with the Department pursuant to this section is subject to random audits of its charitable gaming activities by the Department and is subject to the penalties specified in §§ 18.2-340.36 and 18.2-340.37 for gross violations of this article.

C. The Department may deny, suspend, or revoke the registration of any organization found not to be in compliance with the provisions of this article and Department regulations. The action of the Department in denying, suspending, or revoking any registration shall be subject to the Administrative Process Act (§ 2.2-4000 et seq.).

D. Any person aggrieved by the denial, suspension, or revocation of a registration or any other action of the Department may seek review of such action in accordance with Article 5 (§ 2.2-4025 et seq.) of the

379 Administrative Process Act.

380 **§ 18.2-340.33. Prohibited practices.**

381 In addition to those other practices prohibited by this article, the following acts or practices are prohibited:

382 1. No part of the gross receipts or electronic gaming adjusted gross receipts derived by a qualified
383 organization may be used for any purpose other than (i) gaming expenses; (ii) reasonable and proper business
384 expenses; and (iii) those lawful religious, charitable, community, or educational purposes for which the
385 organization is specifically chartered or organized.

386 2. Except as provided in § 18.2-340.34:1, no qualified organization shall enter into a contract with or
387 otherwise employ for compensation any person for the purpose of organizing, managing, or conducting any
388 charitable games. However, organizations composed of or for deaf or blind persons may use a part of their
389 gross receipts for costs associated with providing clerical assistance in the management and operation but not
390 the conduct of charitable gaming.

391 The provisions of this subdivision shall not prohibit the joint operation of bingo games held in accordance
392 with § 18.2-340.29.

393 3. No person shall pay or receive for use of any premises wholly devoted to the conduct of any charitable
394 games, any consideration in excess of the current fair market rental value of such property. Fair market rental
395 value consideration shall not be based upon or determined by reference to a percentage of the proceeds
396 derived from the operation of any charitable games or to the number of people in attendance at such
397 charitable games.

398 4. No person shall participate in the management or operation of any charitable game unless such person
399 is and, for a period of at least 30 days immediately preceding such participation, has been a bona fide member
400 of the organization. For any organization that is not composed of members, a person who is not a bona fide
401 member may volunteer in the conduct of a charitable game as long as that person is directly supervised by a
402 bona fide official member of the organization.

403 The provisions of this subdivision shall not apply to (i) persons employed as clerical assistants by
404 qualified organizations composed of or for deaf or blind persons; (ii) employees of a corporate sponsor of a
405 qualified organization, provided such employees' participation is limited to the management, operation, or
406 conduct of no more than one raffle per year; (iii) the spouse or family member of any such bona fide member
407 of a qualified organization provided at least one bona fide member is present; or (iv) persons employed by a

qualified organization authorized to sell pull tabs or seal cards in accordance with § 18.2-340.16, provided (a) such sales are conducted by no more than two on-duty employees and (b) such employees receive no compensation for or based on the sale of the pull tabs or seal cards.

5. No person shall receive any remuneration for participating in the management, operation, or conduct of any charitable game, except that:

a. Persons employed by organizations composed of or for deaf or blind persons may receive remuneration not to exceed \$30 per event for providing clerical assistance in the management and operation but not the conduct of charitable games only for such organizations;

b. Persons under the age of 19 who sell raffle tickets for a qualified organization to raise funds for youth activities in which they participate may receive nonmonetary incentive awards or prizes from the organization;

c. Remuneration may be paid to off-duty law-enforcement officers from the jurisdiction in which such bingo games are played for providing uniformed security for such bingo games even if such officer is a member of the sponsoring organization, provided the remuneration paid to such member is in accordance with off-duty law-enforcement personnel work policies approved by the local law-enforcement official and further provided that such member is not otherwise engaged in the management, operation, or conduct of the bingo games of that organization, or to private security services businesses licensed pursuant to § 9.1-139 providing uniformed security for such bingo games, provided that employees of such businesses shall not otherwise be involved in the management, operation, or conduct of the bingo games of that organization;

d. A member of a qualified organization lawfully participating in the management, operation, or conduct of a bingo game may be provided food and nonalcoholic beverages by such organization for on-premises consumption during the bingo game provided the food and beverages are provided in accordance with Department regulations;

e. Remuneration may be paid to bingo managers or callers who have a current registration certificate issued by the Department in accordance with § 18.2-340.34:1, or who are exempt from such registration requirement. Such remuneration shall not exceed \$100 per session; and

f. Volunteers of a qualified organization may be reimbursed for their reasonable and necessary travel expenses, not to exceed \$50 per session.

6. No landlord shall, at bingo games conducted on the landlord's premises, (i) participate in the conduct,

437 management, or operation of any bingo games; (ii) sell, lease, or otherwise provide for consideration any
438 bingo supplies, including bingo cards, instant bingo cards, or other game pieces; or (iii) require as a condition
439 of the lease or by contract that a particular manufacturer, distributor, or supplier of bingo supplies or
440 equipment be used by the organization.

441 The provisions of this subdivision shall not apply to any qualified organization conducting bingo games
442 on its own behalf at premises owned by it.

443 7. No qualified organization shall enter into any contract with or otherwise employ or compensate any
444 member of the organization on account of the sale of bingo supplies or equipment.

445 8. No organization shall award any bingo prize money or any merchandise valued in excess of the
446 following amounts:

447 a. No bingo door prize shall exceed \$250 for a single door prize or \$500 in cumulative door prizes in any
448 one session;

449 b. No regular bingo or special bingo game prize shall exceed \$100. However, up to 10 games per bingo
450 session may feature a regular bingo or special bingo game prize of up to \$200;

451 c. No instant bingo, pull tab, or seal card prize for a single card shall exceed \$2,000;

452 d. Except as provided in this subdivision 8, no bingo jackpot of any nature whatsoever shall exceed
453 \$1,000, nor shall the total amount of bingo jackpot prizes awarded in any one session exceed \$1,000.

454 Proceeds from the sale of bingo cards and the sheets used for bingo jackpot games shall be accounted for
455 separately from the bingo cards or sheets used for any other bingo games; and

456 e. No single network bingo prize shall exceed \$25,000. Proceeds from the sale of network bingo cards
457 shall be accounted for separately from bingo cards and sheets used for any other bingo game.

458 9. The provisions of subdivision 8 shall not apply to:

459 Any progressive bingo game, in which (i) a regular or special prize, not to exceed \$100, is awarded on the
460 basis of predetermined numbers or patterns selected at random and (ii) a progressive prize, not to exceed
461 \$500 for the initial progressive prize and \$5,000 for the maximum progressive prize, is awarded if the
462 predetermined numbers or patterns are covered when a certain number of numbers is called, provided that (a)
463 there are no more than six such games per session per organization, (b) the amount of increase of the
464 progressive prize per session is no more than \$200, (c) the bingo cards or sheets used in such games are sold
465 separately from the bingo cards or sheets used for any other bingo games, (d) the organization separately

accounts for the proceeds from such sale, and (e) such games are otherwise operated in accordance with the Department's rules of play.

10. No organization shall award any raffle prize valued at more than \$100,000.

The provisions of this subdivision shall not apply to a raffle conducted no more than three times per calendar year by a qualified organization qualified as a tax-exempt organization pursuant to § 501(c) of the Internal Revenue Code for a prize consisting of a lot improved by a residential dwelling where 100 percent of the moneys received from such a raffle, less deductions for the fair market value for the cost of acquisition of the land and materials, are donated to lawful religious, charitable, community, or educational organizations specifically chartered or organized under the laws of the Commonwealth and qualified as a § 501(c) tax-exempt organization. No more than one such raffle shall be conducted in any one geographical region of the Commonwealth.

11. No qualified organization composed of or for deaf or blind persons which employs a person not a member to provide clerical assistance in the management and operation but not the conduct of any charitable games shall conduct such games unless it has in force fidelity insurance, as defined in § 38.2-120, written by an insurer licensed to do business in the Commonwealth.

12. No person shall participate in the management or operation of any charitable game if he has ever been convicted of any felony or if he has been convicted of any misdemeanor involving fraud, theft, or financial crimes within the preceding five years. No person shall participate in the conduct of any charitable game if, within the preceding 10 years, he has been convicted of any felony or if, within the preceding five years he has been convicted of any misdemeanor involving fraud, theft, or financial crimes. In addition, no person shall participate in the management, operation, or conduct of any charitable game if that person, within the preceding five years, has participated in the management, operation, or conduct of any charitable game which was found by the Department or a court of competent jurisdiction to have been operated in violation of state law, local ordinance, or Department regulation.

13. Qualified organizations jointly conducting bingo games pursuant to § 18.2-340.29 shall not circumvent any restrictions and prohibitions which would otherwise apply if a single organization were conducting such games. These restrictions and prohibitions shall include the frequency with which bingo games may be held, the value of merchandise or money awarded as prizes, or any other practice prohibited under this section.

495 14. A qualified organization shall not purchase any charitable gaming supplies for use in the
496 Commonwealth from any person who is not currently registered with the Department as a supplier pursuant
497 to § 18.2-340.34.

498 15. Unless otherwise permitted in this article, no part of an organization's charitable gaming gross receipts
499 shall be used for an organization's social or recreational activities.

500 16. No organization qualified to conduct Texas Hold'em poker tournaments pursuant to § 18.2-340.28:2
501 shall conduct any Texas Hold'em poker games where the game has no predetermined end time and the
502 players wager actual money or poker chips that have cash value.

503 17. *No organization described in subdivision 18 of the definition of "organization" in § 18.2-340.16 shall*
504 *conduct any charitable gaming activity except for bingo as authorized by the Department in accordance with*
505 *the provisions of this article. Any such organization shall limit such bingo games to the residents of the*
506 *common interest community.*