

NOTICE OF PROPOSED CHANGES IN THE
REGULATIONS OF THE DEPARTMENT OF REVENUE

The Department of Revenue proposes to adopt regulation changes in Title 15 of the Alaska Administrative Code, dealing with Games of Chance and Skill, including the following:

- (1) 15 AAC 160.020 is proposed to be changed to:

make grammatical changes to this section, require that the formation documents of qualified organizations provide that, upon dissolution, all remaining net proceeds be given to another gaming permittee, other than a multiple beneficiary permittee, and clarify how applicants may satisfy the notice requirement of subsection 020(e) when the applicants intend to conduct gaming in an area served by both a city and a borough. The proposed amendments would also allow a permittee to satisfy subparagraph 020(a)(6) by submitting a partial list of at least 25 current members who are Alaska residents, provided that the names of the primary and alternate members in charge are included on the list.

- (2) 15 AAC 160.030 is proposed to be changed to:

clarify that applicants for an operator's license must provide all the information needed to complete the prescribed license application, mandate periodic appraisals of real property used to satisfy the operator bond requirement, and make grammatical changes to the section. The amendment would clarify how applicants may satisfy the notice requirement of subsection 030(e) when the applicants intend to conduct gaming in an area served by both a city and a borough, and require that human applicants for an operator's license must be at least 21 years old. The amendments would require that applicants for reinstatement of a revoked operator's license retake the test required of initial applicants by AS 05.15.122(b).

- (3) 15 AAC 160.050 is proposed to be changed to:

make a grammatical change to the section and require that, after 2008, new applicants for a pull-tab distributor license be at least 21 years old and have adequate office and warehouse space to conduct business. The proposed amendments would make failure to have adequate office or storage space grounds for denial, suspension or revocation of a license.

- (4) 15 AAC 160.350 is proposed to be changed to:

clarify the requirement that a registered vendor may not charge expenses to a permittee that would result in payment to the permittee of less than 70% of ideal net of a pull-tab game, prohibit participation in a pull-tab purchase inducement program prohibited by 15 AAC 160.925 or acceptance of a pull-tab point of sale system or dispenser as a gift or a loan, or for rent, from a permittee or a pull-tab distributor. The proposed amendments would allow compensation to a lessor for use of retail space by a permittee to conduct gaming activity to the maximum allowed under 15 AAC 160.935(c)(2).

(5) 15 AAC 160.410 is proposed to be changed to:

make grammatical changes to the section and drop vendors from the list of persons subject to subsection 410(b). Subsection 410(c) would be repealed as an unnecessary duplication of subsection 410(b) because both subsections ban distributions of a pull-tab series by a manufacturer without state identification stamps. The proposed amendments would also require pull-tab manufacturers to sell a pull-tab game to all licensed distributors who wish to purchase product from them, and at the same price, thereby eliminating exclusive agreements, except for pull-tab games that are proprietary to a specific permittee or operator.

(6) 15 AAC 160.470 is proposed to be changed to:

make grammatical changes to the section and mandate that pull-tab prizes of \$50 or more be paid by cash or check, and that there can be no merchandise prizes except lottery tickets awarded under AS 05.15.187(g). The proposed amendments would allow the use of certain pull-tab dispensers if there is no public contact with them and the Department has previously approved the use of the dispenser. The proposed regulations would prohibit the sale of play pull-tabs to employees, officers, members or alternative members in charge, managers of gaming or related parties to any of the individuals. The proposed amendments would mandate that unclaimed prizes in a coin board pull-tab game be awarded to the buyer of the last ticket and that an unclaimed prize in a seal card game must be awarded to one of the players of the game pursuant to house rules, that a coin in a coin board shall be given face value for purposes of 15 ACC 160.480(a)(3), and that players be denied access to pull-tab containers, jars or dispensing devices.

(7) 15 AAC 160.510 is proposed to be changed to:

mandate that the same price per bingo card, whether paper or electronic, be changed to all players, prohibit the reservation of electronic bingo paper for use by a particular player or group of players, and require that electronic bingo paper be sold to all interested payers equally.

(8) 15 AAC 160.640 is proposed to be changed to:

mandate that the ticket number be on the face of a raffle ticket and stub.

(9) 15 AAC 160.800 is proposed to be changed to:

clarify that a permittee or operator may receive a promotional item from a manufacturer if the item has little intrinsic value and is offered for free.

(10) 15 AAC 160.820 is proposed to be changed to:

allow a permittee to deposit money collected from gaming activities into a bank account more than three days after the activity by obtaining prior permission from the Department. The proposed amendments would also

prohibit a permittee from accepting or cashing third-party checks.

- (11) 15 AAC 160.880 is proposed to be changed to:

allow for the suspension, revocation or denial of a vendor registration or a permit if the registered vendor fails to pay at least 70% of ideal net of a pull-tab game to the permittee upon delivery of the game to the registered vendor.

- (12) 15 AAC 160 will be amended with a new section 925 to:

prohibit and define inducement programs offered to operators or permittees, and exclude from the definition of "inducement program," programs where a discount in the purchase price of equipment and supplies is offered, provided that the discount is invoiced and directly reduces the invoiced amount due, net of discount, to the distributor for specific supplies, pull-tab games or equipment. The proposed section would also allow the sale of a pull-tab point-of-sale system to a permittee, operator or registered vendor only if the system is able to accept data for pull-tabs sold from all licensed pull-tab distributors.

- (13) 15 AAC 160 will be amended with a new section 934 to:

mandate that, after 2008, operators, members in charge, alternate members in charge and managers of gaming would be required to submit to criminal history checks by the Department at the time the application for a yearly gaming license or permit is submitted to the Department. The Department would also have authority to require registered vendors, managers or supervisors, or fund raisers or consultants for an operator or a registered vendor, to submit to a criminal history check upon demand by the Department. The amendments would also give the Department authority to require persons regulated by the charitable gaming statutes to submit to criminal history checks, including the submission of finger prints for a further review of any criminal history.

- (14) 15 AAC 160.954 is a proposed to be changed to:

expand the categories of activities that would constitute prohibited conflicts of interest including the acceptance of gifts or inducements of any value involving an operator, a distributor, a registered vendor, or a manufacturer, or an employee of any of these; the playing of pull-tabs by a related party with access to pull-tab information or accounting records; the conducting of gaming sales transactions through third parties if the same transactions would be prohibited conflicts of interest if conducted without the third party involvement. The proposed amendments clarify that it would not be a prohibited conflict of interest for a person regulated under gaming law to participate in gaming activity, other than pull tabs, if the person is not otherwise barred because of age, house rules, statute or other regulation, or not involved with selection of a winner.

- (15) 15 AAC 160.970 is proposed to be changed to:

make the member in charge and alternative member in charge the main contact points for interaction between the qualified organization and the Department, and mandate that they work to ensure that adequate internal controls are used and that net proceeds are properly used. The proposed amendments would also require that an alternate member in charge must have been a member or an employee of the qualified organization for at least six months prior to becoming the alternate member in charge and that members in charge and alternate members in charge be at least 21 years old.

(16) 15 AAC 160.995 is proposed to be changed to:

update the statute citation for animal classics and provide definitions for a coin board, a seal card, and a point of sale system.

You may comment on the proposed regulation changes, including the potential costs to private persons of complying with the proposed changes, by submitting written comments to Joseph Koss, Tax Division, Department of Revenue, at 550 West 7th Avenue, Suite 500, Anchorage, Alaska 99501-3555, or by fax to [907] 269-6595. Comments may also be submitted by email addressed to Joe.Koss@alaska.gov. To be considered, comments must be received or postmarked no later than 5 PM on January 18, 2008

If you are a person with a disability who needs a special accommodation in order to participate in this process, please contact Joseph Koss, at [907] 269-6589 no later than January 18, 2008, to ensure that any necessary accommodations can be provided.

For a copy of the proposed regulation changes, contact Joseph Koss, Tax Division, at 550 West 7th Avenue, Suite 500, or at 269-6589, or go to www.tax.alaska.gov/programs/gaming/index.asp.

After the public comment period ends, the Department of Revenue will either adopt these or other provisions dealing with the same subject, without further notice, or decide to take no action on them. The language of the final regulations may differ from the proposed regulations. **YOU SHOULD COMMENT DURING THE TIME ALLOWED IF YOUR INTERESTS COULD BE AFFECTED.** Written comments received are public records and are subject to public inspection.

Statutory Authority: AS 05.15.060

Statutes Being Implemented: AS 05.15.010, AS 05.15.020, AS 05.15.030, AS 05.15.040, AS 05.15.050, AS 05.15.060, AS 05.15.095, AS 05.15.100; AS 05.15.105, AS 05.15.112, AS 05.15.120, AS 05.15.122, AS 05.15.128, AS 05.15.130, AS 05.15.140, AS 05.15.160, AS 05.15.165, AS 05.15.167, AS 05.15.170; AS 05.15.180, AS 05.15.181; AS 05.15.183, AS 05.15.184, AS 05.15.185; AS 05.15.187, AS 05.15.188, and AS 05.15.690.

Fiscal Information: The proposed regulation changes are not expected to require an increased appropriation.

DATE: December 13, 2007

Johanna Bales, Deputy Director, Tax Division

ADDITIONAL REGULATIONS NOTICE INFORMATION
(AS 44.62.190(d))

1. Adopting agency: Tax Division, Department of Revenue
2. General subject of regulation: Games of Chance and Skill
3. Citation of regulations: AS 05.15.020—AS 05.15.690
4. Reason for the proposed action:
 - compliance with federal law
 - compliance with new or changed state statute
 - compliance with court order
 - development of program standards
 - other: refined procedures to regulate disposition of gaming assets upon permittee dissolution; manufacture and sale of pull-tabs; Department review of the criminal history of a member in charge, registered vendor or operator; pull-tab dispensing devices; purchase inducement programs; age and residency of members in charge, of operators and of distributors; grounds for permit or license action; and definition of a coin board, a seal card, and a point of sale system.

5. RDU/component affected: Tax Division

6. Cost of implementation to the state agency and available funding (in thousands of dollars):

	Initial Year FY 2008	Subsequent Years
Operating cost	\$-0-	\$-0-
Capital cost	\$-0-	\$-0-
Federal receipts	\$-0-	\$-0-
General fund match	\$-0-	\$-0-
General fund	\$-0-	\$-0-
General fund/program receipts	\$-0-	\$-0-
General fund/mental health	\$-0-	\$-0-
Other funds (specify)	\$-0-	\$-0-

7. The name of the contact person for the regulations:

Name	Joseph Koss
Title	Tax Auditor
Address	550 West 7 th Avenue, Suite 500, Anchorage, Alaska 99515-3555
Telephone	[907] 269-6589
Fax	[907] 269-6595
E-mail address	Joe.Koss@alaska.gov

8. The origin of the proposed action:

- staff of state agency
- federal government
- general public
- petition for regulation change
- other (please list)_____

9. Date: December 13, 2007

Prepared by: _____
Joseph P Koss, Jr
Tax Auditor
[907] 269-6589