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September 5, 2012

Honorable Mike Brubaker
Chairman
Senate Finance Committee
Senate of Pennsylvania
Room 168, Main Capitol
Harrisburg, PA 17120-3036

Dear Senator Brubaker:

Enclosed please find the Department of Revenue's draft proposed regulation relating to Amendments to 61 Pa. Code §§ 901a.1 – 901a.904, Local Option Small Games of Chance. In accordance with the requirement within the Governor's Executive Order 1996-1 that agencies seek input from affected parties on regulatory initiatives, we have enclosed a copy for your review and comment.

We would appreciate it if you could convey your comments to this office by October 5, 2012. Comments received by this date will be considered in the drafting of the proposed rulemaking. Comments received after this date may not be received in time for consideration in the drafting of the proposed rulemaking. Comments that are not received in time for consideration in the drafting of the proposed rulemaking will be considered when the Department drafts the final rulemaking at the close of the public comment period.

Thank you for your anticipated input and assistance in promulgating this regulation.

Sincerely,

A handwritten signature in blue ink that reads 'Douglas A. Berguson'.

Douglas A. Berguson
Senior Counsel

Enclosures

DAB:rm
#41458



Act 2 Small Game of Chance Amendments

On Feb. 2, 2012, Governor Tom Corbett signed into law Act 2 amending the Local Option Small Games of Chance Act to create new definitions, increase prize limits, provide additional licensing rules and regulations for organizations and amend enforcement provisions.

Effective March 3, 2012:

- The individual prize limit increases from \$500 to \$1,000, and the maximum amount of prizes that may be awarded during an operating week increases from \$5,000 to \$25,000.
- Club licensees are permitted to use up to 30 percent of proceeds (the difference between gross revenue collected from a games of chance and prizes paid) from small games of chance for operational expenses. No less than 70 percent of proceeds must be used for public interest purposes in the calendar year in which the proceeds were obtained.
- Each license application must include the results of a criminal history record information check, obtained by from the Pennsylvania State Police, on the executive officer and secretary of the eligible organization making the application.

Note the amendments to the Small Games of Chance Act made no changes regarding entities eligible for Small Games of Chance licenses.

The Department of Revenue has updated its Small Games of Chance Overview, available online at www.revenue.state.pa.us/SGOC, to reflect many of the changes to the law.

Beginning Feb. 1, 2013, **eligible organizations** must electronically file an **annual report** with the department for the preceding calendar year. Eligible organizations will be required to report the following with respect to small games of chance:

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

Beginning Feb. 1, 2013, club licensees – those organizations with liquor licenses that hold licenses to conduct small games of chance – are required to electronically file **semi-annual reports** with the department. These reports are due Feb. 1 for the preceding six-month period beginning July 1 and ending Dec. 31, and August 1 for the preceding six-month period beginning Jan. 1 and ending June 30. Club licensees will be required to report the following with respect to small games of chance:

- Number of W-2G forms issued
- Total gross winnings reported on W-2G forms
- Gross revenue collected for all games of chance, itemized by week and type of game

- Total small games of chance expenses, itemized by week and type of game
- Total prizes paid, itemized by week and type of game
- Proceeds, itemized by week and type of game, detailing the following:
 - Amount of proceeds used for public interest purposes, including details regarding the date(s) distributed, name of recipient(s) and the amount(s) distributed; and
 - Amount of proceeds used for operational expenses, including details regarding amount used for real property taxes, utility and fuel costs; heating and air conditioning equipment or repair costs; water and sewer costs; property or liability insurance costs; mortgage payments; interior and exterior repair costs, including repair to parking lots; new facility construction costs; entertainment equipment, including television, video and electronic games; and the description, completion date and amount retained for a substantial purchase or project.

Additional reporting information will be posted online as it becomes available, and the department anticipates its electronic reporting system will be accessible online sufficiently in advance of the Feb. 1, 2013, filing deadline. For additional information, please visit www.revenue.state.pa.us/SGOC.

Questions?

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