

# Indiana Department of Revenue

## *Office of the Commissioner*

November 1, 2002

The Honorable Frank O'Bannon  
Governor, State of Indiana  
State House, Room 206  
Indianapolis, IN 46204

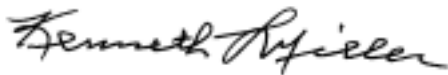
Dear Governor O'Bannon,

The Indiana Department of Revenue is pleased to submit the 2002 Charity Gaming Annual Report for your review. I believe you will find it to be both informative and an accurate accounting of the recent fiscal year's charity gaming activity.

No state statute requires the issuance of this report; however, the Department believes it is extremely important for the public to understand the size and scope of charity gaming within our state and the revenues that it generates.

The included financial information pertaining to not-for-profit organizations, which are the only legal entities allowed to conduct gaming of this variety, is available for public inspection according to IC 6-2.1-8-4.

Sincerely,



Kenneth L. Miller  
Commissioner  
Indiana Department of Revenue

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# History of Indiana Charity Gaming

In June 1992, the Indiana Department of Revenue was given the responsibility of enforcing charity gaming laws in Indiana. Only qualified not-for-profit organizations can legally conduct charity gaming events in Indiana. These gaming events are limited to bingo, charity game nights, door prizes, festival events, raffles, and the sale of pull tabs, punchboards, and tip boards. Organizations must be licensed and registered for each type of charity gaming event they want to conduct.

## ***Which Organizations Qualify?***

An organization may conduct legal charity gaming events if it is a bona fide educational, religious, senior citizen, veteran, or civic/fraternal/charitable organization operating in Indiana, and is exempt from taxation under Section 501 of the Internal Revenue Code (IRC).

The not-for-profit organizations eligible to engage in Indiana charity gaming events are defined in Title 4, Article 32, of the Indiana Code. A brief description of these organizations is as follows:

### **Bona Fide Civic Organization**

A branch, chapter, or lodge of a local, national, or state organization that is not-for-profit and primarily operated for charitable, civic, or fraternal purposes.

### **Bona Fide Educational Organization**

An organization that is not-for-profit, whose primary purpose is educational in nature, and is designed to develop the capabilities of individuals by instruction in public or private elementary and secondary schools, as well as colleges and universities.

### **Bona Fide Political Organization**

An association, committee, fund, party, or other organization that is established and operated for either directly or indirectly accepting contributions and making expenditures for an exempt purpose, as defined in Section 527 of the Internal Revenue Code. These organizations are the Democratic Party, Republican Party, Independent Party, etc.

***Note: A political candidate's committee is not a political organization by this definition.***

### **Bona Fide Religious Organization**

An organization, church, or body of communicants operating on a not-for-profit basis and primarily for religious purposes. The organization must operate under Section 501 of the Internal Revenue Code and provide written documentation as such.

### **Bona Fide Senior Citizens Organization**

An organization that is not-for-profit and has at least 15 members who are at least 60 years old. The purpose of the organization is to advance and support the causes of the elderly and retired persons.

### **Bona Fide Veterans Organization**

A local organization, or a branch, chapter, or lodge of a national or state organization that is not-for-profit, chartered by the United States Congress, and whose members are or were in the United States Armed Forces. The purpose of the organization is for the mutual advancement and support of the organization's membership and patriotic causes.

All organizations meeting one of the preceding requirements also must have been in active and continuous existence for at least 5 years, or be affiliated with a parent organization that has been in existence and operating for at least 5 years. Except where a qualified organization or its affiliate is having a convention or other annual meeting of its membership, charity gaming events may only be conducted in the county where the Indiana principal office is located.

Any hospital licensed under IC 16-21, a health facility licensed under IC 16-28, or a psychiatric facility licensed under IC 12-25, may conduct charity gaming events under certain circumstances.

Being exempt from taxation under Section 501 of the Internal Revenue Code does not ensure that an organization is eligible to conduct legal charity gaming events. The types of organizations that do not qualify include federal credit unions, pension trusts, and generally those established primarily for literary, scientific, and social purposes.

## ***What Are Legal Charity Gaming Activities?***

Qualified not-for-profit organizations may conduct certain types of legal charity gaming activities in Indiana. These activities include bingo, door prizes, raffles, as well as the sale of pull tabs, punchboards, and tip boards. Charity game nights and festival events are also covered. Individuals participating in licensed events must be at least 18 years old.

## **Bingo**

A bingo game is played with regulation bingo cards, pads, or sheets. A player covers the numbers that are called out by the announcer. The winner of each game is the player who is the first to properly cover the announced pattern of squares on the bingo surface.

## **Door Prizes**

A door prize is awarded to a person based solely upon the person's attendance at an event, or the purchase of a ticket to attend an event.

## **Raffles**

A raffle is the selling of chances or tickets to win a prize awarded through a random drawing.

## **Pull Tabs**

A pull tab is either a single, folded, banded ticket, or a two-ply card with a perforated break-open tab that has a hidden symbol that determines the winner. The prize must be fully described on the inside of the ticket.

## **Punchboards**

A punchboard is a board or card that contains a grid or sections that hide the random opportunity to win a prize based on the results of punching a single section to reveal either a prize amount or a symbol.

## **Tip Boards**

A tip board is a game of chance board or placard with a hidden winning number or symbol in each column.

## **Charity Game Nights**

This permits the licensee to conduct a card game, a dice game, a roulette wheel and a spindle (wheel of fortune style) game, along with door prize drawings and the sale of pull-tabs, punchboards and tip boards. An organization is limited to holding four charity game nights per calendar year.

## **Festival Events**

This permits the licensee to conduct bingo games, charity game night, one raffle, door prizes and the sale of pull-tabs, punchboards and tip boards at the festival. A festival can only be held once a calendar year and cannot exceed four consecutive days.

# Types of Licenses

Listed are the six different types of licenses that are available:

1. Annual Bingo License
2. Charity Game Night License
3. Door Prize License
4. Festival License
5. Raffle License
6. Special Bingo License

Each type of license allows an organization to conduct a limited number of charity gaming events within certain prize limitations. There also are restrictions on how many times an organization may receive each type of license during the year.

Note: The wagering on banking and percentage games, bookmarking activities, numbers games, pinball machines, or slot machines are not included in these legal charity gaming events.

## **Annual Bingo License**

The Annual Bingo License is available for those organizations that conduct bingo events throughout the year. This type of license allows for the following games to be played:

1. Door Prize drawings
2. Multiple Bingo events
3. The sale of pull tabs, punchboards, and tip boards

This license is also used by organizations who only sell pull tabs, punchboards and tip boards throughout the year, even if bingo is not played. The organizations who only reported income from only the sales of pull tabs, punchboards and tip boards were extracted from Annual Bingo figures and shown as Pull Tab Only figures in this report.

## **Charity Game Night License**

Charity Game Nights are commonly referred to as “Las Vegas Nights” or “Monte Carlo Nights”. This type of license allows for the following games to be played:

1. Card games
2. Dice games
3. Door Prize drawings
4. Roulette wheel games
5. Spindle games
6. The sale of pull tabs, punchboards, and tip boards

## **Door Prize License**

A Door Prize License may be needed when an organization gives away door prizes as a fund-raising event. This type of license allows for the following games to be played:

1. Door prize drawings
2. The sale of pull tabs, punchboards, and tip boards

## **Festival License**

The festival license permits one (1) organization to conduct a variety of charity gaming events for up to four (4) consecutive days. All of these events have to be conducted within certain limitations. This type of license allows for the following games to be played:

1. Bingo games
2. Charity Game Night event
3. Door Prize drawings
4. One (1) Raffle drawing event
5. The sale of pull tabs, punchboards, and tip boards

## **Raffle License**

A Raffle License is needed when an organization holds a raffle drawing as a fund-raising event. This type of license allows the following game to be played:

1. Door Prize drawings
2. Raffle drawings
3. The sale of pull tabs, punchboards, and tip boards

## **Special Bingo License**

The second type of bingo license is a Special Bingo License. This license is usually used by those organizations wanting to hold bingo events only occasionally, and not weekly, throughout the year. This license is valid for only one location and time. This license may also be used by Annual Bingo License holders who want to conduct a bingo event on a day that is not listed on their annual license. This type of license allows for the following games to be played:

1. One (1) Bingo event
2. Door Prize drawings
3. The sale of pull tabs, punchboards, and tip boards

### **Gross revenues from charity gaming events**

<b>FY94</b>	<b>\$311,247,513.81</b>
<b>FY95</b>	<b>\$400,690,533.45</b>
<b>FY96</b>	<b>\$457,093,470.60</b>
<b>FY97</b>	<b>\$515,648,950.81</b>
<b>FY98</b>	<b>\$521,970,657.10</b>
<b>FY99</b>	<b>\$512,958,370.64</b>
<b>FY00</b>	<b>\$585,498,273.99</b>
<b>FY01</b>	<b>\$576,138,058.77</b>
<b>FY02</b>	<b>\$583,128,493.97</b>



# Administrative Highlights for Fiscal Year 2002

The Charity Gaming Section of the Indiana Department of Revenue was created to administer charity gaming laws. Staff members in this section, in addition to field investigators from the Criminal Investigation Division, strive to see that licensed organizations are operating within charity gaming laws and regulations.

## **Build Indiana Fund**

Under IC 4-32-10-6, the Indiana Department of Revenue is required to remit charity gaming surplus revenue into the “Build Indiana Fund.” This revenue is generated by license fees, as well as excise taxes and penalties. The department deposited \$4,000,000 into this fund during Fiscal Year 2002.

## **Taxpayer Assistance**

During Fiscal Year 2002, the Charity Gaming Section assisted 212 taxpayers in the walk-in assistance center and answered 15,769 phone calls (compared to 18,492 in Fiscal Year 2001).

## **Education**

During Fiscal Year 2002, six educational seminars were conducted around the state (see “Seminars,” page 10) and three are planned for FY03.

## **Form Revision**

During Fiscal Year 2002, the following forms were revised to facilitate reporting requirements:

- CG-NSR, Indiana Department of Revenue Charity Gaming Nightly Summary Report
- CG-1, Annual Qualification Application
- CG-2, Annual Bingo License Application

## **Legislation**

There was no new legislation that became effective during Fiscal Year 2002.

# Seminars

Education is one of the major missions within the Indiana Department of Revenue and the Charity Gaming Section spends a great number of man-hours to that end. During Fiscal Year 2002, six educational seminars were conducted around the state, not as mere “meet and greet” sessions but with an emphasis on education. Important topics such as not-for-profit tax regulations, how to qualify, charity gaming excise tax, and bookkeeping were discussed by the Section’s staff. A member of the department’s legal team spoke on penalties and fines.

The six full-day seminars were well received and attended by the not-for-profit groups. They have proven to be a valuable tool in helping groups understand and comply to the Indiana codes and regulations.

For Fiscal Year 2003, three full-day seminars have been scheduled for late summer and fall in Indianapolis, Plymouth and Madison.

## ***Fiscal Year 2002*** *(Fall, 2001)*

<b>Date</b>	<b>City</b>	<b>No. of Attendees</b>
August 17	Indianapolis	55
September 7	Terre Haute	51
September 21	Jasper	52
September 28	Plymouth	57
October 5	Ft. Wayne	47
October 18	Madison	55

**Total Attendees 317**

## ***Seminars Scheduled for Fiscal Year 2003*** *(Fall, 2002)*

<b>Date</b>	<b>City</b>
September 27	Indianapolis
October 4	Plymouth
November 8	Madison

# License Fees

The fee for the first license in any category is \$25.

For a subsequent license, fees are based on the gross receipts from the previous event for which the same type of license was held.

These receipts include:

1. The income from all gaming activities, including the sale of pull tabs, punchboards, and tip boards.
2. The sale of tangible personal property specifically sold at the gaming event. Some items commonly sold at these events include card dobbbers, good luck dolls, keychains, etc.
3. Concessions that are sold specifically at the gaming event.

***Contracting with an individual or group to operate a gaming event on behalf of a qualified organization is a Class D Felony. (IC 4-32-12)***

Charity gaming license fees are based on the following chart:

<b>Gross Revenues</b>		
<u>At Least</u>	<u>But Less Than</u>	<u>Fee</u>
\$ 0	\$ 15,000	\$ 25
\$ 15,000	\$ 25,000	\$ 75
\$ 25,000	\$ 50,000	\$ 200
\$ 50,000	\$ 75,000	\$ 350
\$ 75,000	\$ 100,000	\$ 600
\$ 100,000	\$ 150,000	\$ 900
\$ 150,000	\$ 200,000	\$ 1,200
\$ 200,000	\$ 250,000	\$ 1,500
\$ 250,000	\$ 300,000	\$ 1,800
\$ 300,000	\$ 400,000	\$ 2,500
\$ 400,000	\$ 500,000	\$ 3,250
\$ 500,000	\$ 750,000	\$ 5,000
\$ 750,000	\$ 1,000,000	\$ 6,750
\$ 1,000,000	\$ 1,250,000	\$ 8,500
\$ 1,250,000	\$ 1,500,000	\$ 10,000
\$ 1,500,000	\$ 1,750,000	\$ 12,000
\$ 1,750,000	\$ 2,000,000	\$ 14,000
\$ 2,000,000	\$ 2,250,000	\$ 16,250
\$ 2,250,000	\$ 2,500,000	\$ 18,500
\$ 2,500,000	\$ 3,000,000	\$ 22,500
\$ 3,000,000	\$ -----	\$ 25,000

# Manufacturers and Distributors

All business entities desiring to manufacture, distribute, or sell the following items in Indiana must be licensed by the Indiana Department of Revenue. These items include bingo sheets, devices, equipment, and other supplies used in playing bingo, as well as pull tabs, punchboards and tip boards.

A manufacturer's annual license fee is \$3,000. There were 14 manufacturer's licenses issued in fiscal year 2002. The total fee collected was \$42,000.

A distributor's annual license fee is \$2,000. There were 58 distributor's licenses issued in fiscal year 2002. The total fee collected was \$116,000.

An excise tax is imposed on the distribution of pull tabs, punchboards, and tip boards in the amount of ten percent (10%) of the wholesale price. For fiscal year 2002, manufacturers and distributors remitted \$ 1,448,439 in gaming card excise taxes and penalties.

	FY 2002	FY 2001
Manufactures' Fees	\$ 42,000	\$ 48,000
Distributors' Fees	116,000	118,000
Excise Taxes	1,448,439	1,521,100
Totals	\$1,606,439	\$1,687,100

# ENFORCEMENT

*In Fiscal Year 2002, Criminal Investigations Division (CID) conducted in-depth investigations on charity gaming license applicants. These investigations have proven to be very successful. The results are as follows:*

**Denials:**

DeKalb County	National Automotive & Truck Museum of the United States, Inc.
Delaware County	VFW Post 651
Floyd County	Lion's Club Floyds Knobs
Grant County	Marion School Employees FCU Helping Hands
Hamilton County	Towne Meadow Elementary PTO, Inc.
Johnson County	Nathan's Battle Foundation
Kosciusko County	Dutch & Ford Foundation
Lawrence County	SOAR – Success & Opportunity at Reading
Madison County	Improved Order of Redmen Chief Anderson Tribe 2
Marion County	A Rainbow House Day Care
Marion County	Indiana Black Expo Development Corporation
Marion County	Love All People Ministries
Marion County	Pathway Family Center
Marion County	Sertoma Club of Lawrence, Inc.
Scott County	Scott County Partnership, Inc., The

**Emergency  
Revocations:**

Allen County	Eagles 3164
Marion County	Boys & Girls Club of Indianapolis
Marion County	Carnine Little League
Marion County	Consortium Foundation
Marion County	Forest Manor Multi-Service Center
Marion County	Grand United Order of Oddfellows
Marion County	Indiana Opportunities Industrial Center

## **Statute Violations**

IC 4-32-7-4	The department has the sole authority to license entities under this article to sell, distribute, or manufacture the following: bingo cards, bingo boards, bingo sheets, bingo pads, pull tabs, punchboards, tipboards and any other <b>supplies, devices, or equipment</b> designed to be used in playing bingo designated by rules of the department.
	Number of Violations: 1                      Penalty Assessed: \$1,000
IC 4-32-9-2	A qualified organization must obtain a <b>license</b> from the department to conduct an allowable event.
	Number of Violations: 3                      Penalty Assessed: \$10,500
IC 4-32-9-4	Each organization applying for a bingo license, special bingo license, charity game license, raffle license, door prize drawing license or festival license must submit to the department a <b>written application</b> on a form prescribed by the department.
	Number of Violations: 2                      Penalty Assessed: \$1,500
IC 4-32-9-15	A qualified organization may not <b>contract</b> or enter into an agreement with an individual, a corporation, a partnership, a limited liability company or other association to manage or conduct an allowable event -- only operators and workers meeting the requirements.
	Number of Violations: 3                      Penalty Assessed: \$7,000
IC 4-32-9-16	A qualified organization that receives ninety percent (90%) or more of its <b>total gross receipts</b> from any events licensed under this article is required to donate sixty percent (60%) of its gross charitable gaming receipts -- less prize payouts to another qualified organization that is not an affiliate, a parent or a subsidiary organization of the qualified organization.
	Number of Violations: 1                      Penalty Assessed: \$1,000

IC 4-32-9-17	A qualified organization shall maintain <b>accurate records</b> of all financial aspects of an allowable event. A qualified organization shall make accurate reports of all financial aspects of an allowable event to the department within the time established by the department.	Number of Violations: 3	Penalty Assessed: \$8,500
IC 4-32-9-25	An operator or worker may not receive <b>remuneration</b> for preparing, conducting, assisting in conducting, cleaning up after, or taking any other action in connection with an allowable event.	Number of Violations: 5	Penalty Assessed: \$15,000
IC 4-32-9-28	An <b>operator must be a member</b> in good standing of the qualified organization that is conducting the allowable event for at least one (1) year prior to the allowable event.	Number of Violations: 5	Penalty Assessed: \$34,000
IC 4-32-9-29	A <b>worker must be a member</b> in good standing of a qualified organization that is conducting an allowable event for at least thirty (30) days after the allowable event.	Number of Violations: 1	Penalty Assessed: \$500
IC 4-32-12-1	The department may <b>suspend or revoke the license</b> of, or levy a penalty against, a qualified organization or an individual for conduct prejudicial to public confidence.	Number of Violations: 6	Penalty Assessed: \$33,200
IC 4-32-12-2	The department may impose upon a qualified organization or an individual the following <b>civil penalties up to</b> one thousand dollars (\$1,000) for the first violation, two thousand, five hundred dollars (\$2,500) for the second violation, and five thousand dollars (\$5,000) for each additional violation.	Number of Violations: 1	Penalty Assessed: \$2,500

IC 4-32-12-3 The department may prohibit an operator or an individual who has been to be in **violation of this article** from associating with charity gaming activities from one (1) year to ten (10) years and fined a civil penalty.

Number of Violations: 32 Penalty Assessed: \$3,000

45 IAC 18-3-2 An organization cannot pay the operator or workers of an allowable event, nor may players give tips to workers. A legible sign of adequate dimensions must be prominently posted during events, stating that the **operator and workers are not allowed to accept tips.**

Number of Violations: 2 Penalty Assessed: \$3,000

45 IAC 18-4-1 A qualified organization must maintain **adequate records** of all financial aspects of a qualified event and report such information to the department on forms prescribed by the department.

Number of Violations: 2 Penalty Assessed: \$2,000

TOTAL VIOLATIONS: 67 TOTAL PENALTY ASSESSED: \$122,700



# Help is Available

The department wants to assist problem and compulsive gamblers. Help information is routinely printed in its biannual *Indiana Charity Gaming News*, and posters are provided at no cost to organizations for posting at charity gaming events.

***Indiana Problem  
Gambling Referral Line:***

***1-800-9-WITH-IT  
(1-800-994-8448)***



**MONEY Matters**

**Turn the Tables  
on Gambling**



**Don't Leave it to  
Chance!**

**To deal with your gambling problem  
Call: 1-800-9-WITH-IT**

Indiana Department of Revenue  
Committed to public trust and service

# Statistics

Every organization that holds a charity gaming license is required to file a financial report for each of its licenses. The following statistics are based on financial reports that were received during the State of Indiana's Fiscal Year 2002 (July 1, 2001 - June 30, 2002). An organization cannot receive a successive gaming license until it has filed a financial report for its previous event.

## Grand Totals

Type of License	Gross Income	Total Expenses	Net Proceeds	Distributed Income	
				Amount Given to Unrelated Organizations	Amount Retained for use by the Organization
Annual Bingo	\$495,035,887.10	\$444,697,913.75	\$50,337,973.35	7,008,310.05	37,420,955.95
Pull Tab	\$52,350,277.47	43,693,006.85	8,657,270.62	1,097,899.68	6,615,142.32
Annual Bingo/Pull Tab	5,584,273.00	5,311,299.00	272,974.00	60,631.00	181,638.00
Charity Game Night	1,303,708.93	715,226.04	588,482.89	68,221.28	480,423.13
Door Prize	10,865.00	28,497.15	(17,632.15)	1,719.23	1,075.50
Festival	12,768,373.01	6,723,381.25	6,044,991.76	697,145.22	4,869,466.39
Raffle	14,342,337.02	7,056,663.53	7,285,673.49	1,348,809.83	5,406,372.71
Special Bingo	1,732,772.45	1,253,230.12	479,542.33	120,502.86	328,215.57
<b>Total</b>	<b>\$583,128,493.98</b>	<b>\$509,479,217.69</b>	<b>\$73,649,276.29</b>	<b>\$10,403,239.15</b>	<b>\$55,303,289.57</b>

Note:

Amounts were taken directly from the financial reports filed with the department by the organizations. Desk examinations of reports were performed to correct obvious calculation errors.

### License Fees

License Type	No. Issued	Fees Collected
Annual Bingo	581	\$3,493,825.00
Pull Tab Only	318	404,725.00
Annual Bingo/Pull Tab	2	33,500.00
Charity Game Night	187	6,025.00
Door Prize	7	175.00
Festival	298	78,325.00
Raffle	627	77,375.00
Special Bingo	164	8,425.00
<b>Total</b>	<b>2,184</b>	<b>\$4,102,375.00</b>

(The Pull Tab license also includes punchboards and tipboards.)

### Concession Income

License Type	No. Issued	Reported Income
Annual Bingo	209	\$1,929,447.32
Pull Tab Only	1	281.25
Annual Bingo/Pull Tab	1	85,727.00
Charity Game Night	54	69,085.48
Door Prize	1	4,760.00
Festival	203	2,808,113.27
Calendar Raffle	1	1,866.00
Raffle	52	194,644.64
Special Bingo	86	48,686.10
<b>Total</b>	<b>608</b>	<b>\$5,142,611.06</b>

# Financial Information by County

The following information is a breakdown of individual organizations by county. The information was obtained from all Forms CG-8, Annual Bingo Financial Reports, and Forms CG-9, Single Event Financial Reports, received during Fiscal Year 2002. *The number of licenses issued during the fiscal year may differ from the number of financial reports actually received during the fiscal year.* (Annual bingo licenses are valid for one year from the date of issuance.)

Information pertaining to not-for-profit organizations is available for public inspection according to IC 6-2.1-8-4. This includes all applications for exemption and all annual reports filed by the not-for-profit organizations under IC 6-2.1-3-19, IC 6-2.1-3-20, IC 6-2.1-3-21, and IC 6-2.1-3-22, which also includes information on the above mentioned forms.

Some organization names may appear more than once in the following listings for any of the following reasons:

- \*More than one type of charity gaming license may be held at a time; and,

- \*An unlimited number of door prize, raffle, and special bingo licenses may be issued to organizations during the same year, as long as all required applications and fees have been received and approved by the Indiana Department of Revenue; and,

- \*The organizations were late in filing or filed amended financial reports for the previous year .

