

1 AN ACT relating to charitable gaming.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 238.550 is amended to read as follows:

- 4 (1) All adjusted gross receipts from charitable gaming shall be handled only by  
5 chairpersons, officers, or employees of the licensed charitable organization.
- 6 (2) **Except as authorized by subsection (11) of this section,** within two (2) business  
7 days after the completion of a charitable gaming event or session, all gross receipts  
8 and adjusted gross receipts shall be deposited into one checking account devoted  
9 exclusively to charitable gaming. This checking account shall be designated the  
10 "charitable gaming account," and the licensed charitable organization shall maintain  
11 its account at a financial institution located in the Commonwealth of Kentucky. No  
12 other funds may be deposited or transferred into the charitable gaming account.
- 13 (3) All payments for charitable gaming expenses, payments made for prizes purchased,  
14 and any charitable donations from charitable gaming receipts shall be made from  
15 the charitable gaming account and the payments or donations shall be made only by  
16 bona fide officers of the organization by checks having preprinted consecutive  
17 numbers and made payable to specific persons or organizations. No check drawn on  
18 the charitable gaming account may be made payable to "cash," or "bearer," except  
19 that a licensed charitable organization may withdraw start-up funds for a charitable  
20 gaming event or session from the charitable gaming account by check made payable  
21 to "cash" or "bearer," if these start-up funds are redeposited into the charitable  
22 gaming account together with all adjusted gross receipts derived from the particular  
23 event or session. Checks shall be imprinted with the words "charitable gaming  
24 account" and shall contain the organization's license number on the face of each  
25 check. Payments for charitable gaming expenses, prizes purchased, and charitable  
26 donations may be made by electronic funds transfer if the payments are made to  
27 specific persons or organizations. The department may by administrative regulation

1 adopt alternative reporting requirements for charitable gaming of limited scope or  
2 duration, if these requirements are sufficient to ensure accountability for all moneys  
3 handled.

4 (4) A licensed charitable organization shall expend net receipts exclusively for  
5 purposes consistent with the charitable, religious, educational, literary, civic,  
6 fraternal, or patriotic functions or objectives for which the licensed charitable  
7 organization received and maintains federal tax-exempt status, or consistent with its  
8 status as a common school, an institution of higher education, or a state college or  
9 university. No net receipts shall inure to the private benefit or financial gain of any  
10 individual.

11 (5) Accurate records and books shall be maintained by each organization exempt from  
12 licensure under KRS 238.535(1) and each licensed charitable organization for a  
13 period of three (3) years. Department staff shall have access to these records at  
14 reasonable times. Licensed charitable organizations and exempt organizations shall  
15 maintain their charitable gaming records at their offices or places of business within  
16 the Commonwealth of Kentucky as identified in their license applications or  
17 applications for exempt status. An exempt organization shall submit a yearly  
18 financial report in accordance with KRS 238.535(2), and failure to file this report  
19 shall constitute grounds for revocation of the organization's exempt status.

20 (6) All licensed charitable organizations that have annual gross receipts of two hundred  
21 thousand dollars (\$200,000) or less and do not have a weekly bingo session shall  
22 report to the department annually at the time and on a form established in  
23 administrative regulations promulgated by the department.

24 (7) All other licensed charitable organizations shall submit reports to the department at  
25 least quarterly at the time and on a form established in administrative regulations  
26 promulgated by the department.

27 (8) Failure by a licensed charitable organization to file reports required under this

1 chapter shall constitute grounds for revocation of the organization's license or  
2 denial of the organization's application to renew its license in accordance with KRS  
3 238.560(3). Reports filed by a licensed charitable organization shall include but  
4 shall not be limited to the following information:

- 5 (a) All gross receipts received from charitable gaming for the reporting period,  
6 classified by type of gaming activity;
- 7 (b) The names and addresses of all persons who are winners of prizes having a  
8 fair market value of six hundred dollars (\$600) or more;
- 9 (c) All expenses paid and the names and addresses of all persons to whom  
10 expenses were paid;
- 11 (d) All net receipts retained and the names and addresses of all charitable  
12 endeavors that received money from the net receipts; and
- 13 (e) Any other information the department deems appropriate.

14 (9) No licensed charitable organization shall incur charitable gaming expenses, except  
15 as provided in this chapter. No licensed charitable organization shall be permitted to  
16 expend amounts in excess of prevailing market rates for the following charitable  
17 gaming expenses:

- 18 (a) Charitable gaming supplies and equipment;
- 19 (b) Rent;
- 20 (c) Utilities;
- 21 (d) Insurance;
- 22 (e) Advertising;
- 23 (f) Janitorial services;
- 24 (g) Bookkeeping and accounting services;
- 25 (h) Security services;
- 26 (i) Membership dues for its participation in any charitable gaming trade  
27 organization; and

1 (j) Any other expenses the department may determine by administrative  
2 regulation to be legitimate.

3 (10) No licensed charitable organization shall expend receipts from charitable gaming  
4 activities nor incur expenses to form, maintain, or operate as a labor organization.

5 **(11) For the purposes of deposits under subsection (2) of this section, a licensed**  
6 **charitable organization conducting charitable gaming events or sessions shall**  
7 **only be required to deposit its gross receipts and adjusted gross receipts one (1)**  
8 **time per week if the following conditions are met:**

9 **(a) The charitable gaming involves only games using charity game tickets;**

10 **(b) The charitable gaming is not part of a charity fundraising event; and**

11 **(c) The licensed charitable organization's deposits of gross receipts and**  
12 **adjusted gross receipts from charitable gaming total less than two thousand**  
13 **five hundred dollars (\$2,500) in the week prior to the deposit.**