



HOUSE BILL 511: Game Nights/Nonprofit Fund-Raiser.

2017-2018 General Assembly

Committee:		Date:	September 8, 2017
Introduced by:	Reps. Boles, Lucas, Saine, Floyd	Prepared by:	Susan Sitze
Analysis of:	Ratified		Staff Attorney

OVERVIEW: *House Bill 511 would make the following changes to the laws regarding fundraising by nonprofit and tax-exempt organizations:*

- *Authorize tax-exempt organizations to operate game nights where games of chance are played and prizes are awarded by raffle at facilities serving alcoholic beverages.*
- *Impose a \$100 application fee for a game night permit. The fee would be payable to the Alcohol Law Enforcement Branch (ALE) of the Department of Public Safety and used by ALE to defray the costs of issuing game night permits.*
- *Increase the number of raffles that a nonprofit organization could hold each year from two to four.*
- *Increase the annual amount of prizes that a nonprofit organization could award in raffles by a nonprofit from \$125,000 to \$250,000.*
- *Authorize the sale and consumption of alcoholic beverages in a room where a raffle is being conducted.*
- *Provide that a nonprofit organization that has received a limited special occasion ABC permit or special one-time ABC permit may renew the permit rather than applying for a new permit.*
- *Allow a nonprofit organization holding ticketed event with a special one-time ABC permit to offer alcoholic beverages as a prize in a raffle or sell alcoholic beverages at auction at the ticketed event.*

This bill was vetoed by the Governor on July 12, 2017. The veto has not been overridden by the General Assembly and, therefore, the bill has not become law.

CURRENT LAW and BILL ANALYSIS:

Sections 1 through 4 – Game Nights

Under current law, G.S. 14-292 creates a criminal offense punishable as a Class 2 misdemeanor for operating a game of chance or playing a game of chance where money or anything of value is bet, excluding the NC State Lottery, Class III Tribal-State Gaming Compact, beach bingo games, bingo games by tax-exempt organizations, and raffles by tax-exempt organizations. Additionally, G.S. 18B-308 prohibits selling or consuming any alcoholic beverage during a raffle, bingo game, or beach bingo game.

Karen Cochrane-Brown
Director



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The State and the Eastern Band of Cherokee Indians entered into a Tribal-State Compact that authorized live table gaming on Indian lands. The Compact provides that if the State authorizes any live table gaming west of I-26, the payments to the State under the Compact would be forfeited. The funds go to the Indian Gaming Education Revenue Fund. The Fund provides funds to local school administrative unit for classroom teachers, teacher assistants, classroom materials, supplies, and textbooks.

Sections 1 through 3 of House Bill 511 would add a new exception to the gambling prohibition in G.S. 14-292 to allow "Game Nights" under a new Part 4 to Article 37 of Chapter 14. Specifically, House Bill 511 would allow tax-exempt organizations to conduct a game night where games of chance are played and prizes are awarded by raffle at facilities serving alcoholic beverages.

The tax-exempt organization must have operated continuously in the county for 5 years and be exempt from taxation under section 501(c)(3), 501(c)(4), 501(c)(5), or 501(c)(6) of the federal Internal Revenue Code. A qualified facility must have 1 of the following permits: on-premises malt beverage, on-premises unfortified wine, on-premises fortified wine, or mixed beverages.

The tax-exempt organization must obtain a permit from the State Alcohol Law Enforcement (ALE) Section or the ALE district office where the qualified facility is located. The application fee is \$100 to ALE for each game night event.

An organization is limited to no more than 4 game nights per year and no more than 1 per quarter. The maximum duration of each game night is 5 hours.

A qualified facility may host no more than 2 game nights per month, no more than 2 events per week, and same-week events must be held by different organizations on different nights. There are additional restrictions on the time of day for game nights.

No cash prizes can be awarded at a game night event. Prizes are awarded through a raffle. Participants may exchange chips, markers, or tokens from the game night event for raffle tickets. The cost of the prizes and expenses (excluding food, beverages, entertainment) must not exceed the proceeds from the event. Any game night vendor must receive a fixed fee. Any proceeds from the game night must be used to further the organization's tax-exempt purposes.

The following games are the only games allowed: roulette, blackjack, poker, craps, simulated horse race, merchandise wheel of fortune, and any other game specified in the permit application and approved by ALE.

Employers with 25 or more employees and trade associations with 25 or more members would also be allowed to conduct game nights for their employees or members and guests.

House Bill 511 would only be applicable in areas of the State located east of I-26. This geographic limit matches the Tribal-State Compact.

Section 4 directs the Department of Public Safety to make a report to the 2019 General Assembly detailing the administration of game night event permits, including any recommendations or proposed legislation.

Sections 5 through 9 – Nonprofit raffles and special event permits

Section 5 would create a definition of "nonprofit organization" that mirrors language in existing law.

Section 6 would increase the number of raffles that a nonprofit organization can hold per calendar year from two to four, and increase the total annual prizes that a nonprofit organization could award in raffles from \$125,000 to \$250,000. This section would also clarify that a regional or county chapter of a

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nonprofit organization is eligible to conduct raffles independently of its parent organization. This section would not affect raffles held by political candidates, political committees, or government entities.

Section 7 would authorize the sale and consumption of alcoholic beverages in the same room where a raffle is being conducted.

Section 8 would direct the ABC Commission to reissue a limited special occasion ABC permit or certain special one-time ABC permits to a nonprofit organization that has obtained the permit within the previous 18 months, provided that the same individual representing the organization requests reissuance of the permit for the same location. The reissuance fee would be the same as that to obtain a new permit of the same description. The Commission would be directed to investigate the applicant and the premises for reissued permits not more than once every three years. Providing false information on a permit reissuance would be grounds for denying, suspending, or revoking the permit, and would be a Class 1 misdemeanor.

Section 9 would provide that a nonprofit organization that receives a special one-time permit to serve alcoholic beverages at a ticketed fundraising event may offer alcoholic beverages in the manufacturer's original closed container as a prize in a raffle, or may sell alcoholic beverages in the manufacturer's original closed container at auction, at the ticketed event to raise funds for the nonprofit organization.

EFFECTIVE DATE: This bill was vetoed by the Governor on July 12, 2017. The veto has not been overridden by the General Assembly and, therefore, the bill has not become law. Section 8 would become effective December 1, 2017, and apply to offenses committed on or after that date. The remainder of the act would become effective October 1, 2017. If any portion of Sections 1 through 4 of this act is held to be unconstitutional or would forfeit payments under a Tribal-State Compact, then Sections 1 through 4 of the act are void.

Greg Roney and Amy Darden, Staff Attorneys, substantially contributed to this summary.