



HOUSE BILL 130: Allow Game Nights.

2019-2020 General Assembly

Committee: Senate Rules and Operations of the Senate	Date: April 17, 2019
Introduced by: Reps. Boles, Lucas, Saine, Floyd	Prepared by: Susan Sitze
Analysis of: Sixth Edition	Staff Attorney

OVERVIEW: *House Bill 130 would authorize nonprofit organizations and some employers and trade associations to operate "game nights" where games of chance are played and prizes are awarded by raffle at facilities serving alcoholic beverages. The bill would impose the following fees, payable to the Alcohol Law Enforcement Branch (ALE) of the Department of Public Safety and used by ALE to defray the costs of issuing the permits:*

- *\$100 one-time fee per game night event*
- *\$25 annual fee per gaming table or item of gaming equipment*
- *\$2,500 annual fee per game night vendor*

CURRENT LAW: 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.

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 units for classroom teachers, teacher assistants, classroom materials, supplies, and textbooks.

BILL ANALYSIS:

Sections 1 through 3 of House Bill 130 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.

Game Nights Generally – Tax-exempt organizations

The bill 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 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 one 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) Headquarters. The application fee is \$100 to ALE for each game night event. If any exempt organization, employer, or trade association operates a game night in violation of the statutes, the person indicated on the game night permit is guilty of a Class 2 misdemeanor.

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Limitations

- Organization limitations:
 - 4 game nights per year
 - 1 per quarter
- Qualified facility limitations:
 - 2 game nights per month
 - 2 events per week
 - Same-week events must be held by different organizations on different nights.
- General limitations
 - 5 hour maximum duration
 - No events between 2:00 am and 12:00 noon Monday through Saturday
 - No events between 2:00 am and 2:00 pm on Sundays
 - No cash prizes, including no gift cards issued by a financial institution and usable at multiple unaffiliated sellers of goods or services
 - Prizes awarded through raffle only
 - Cost of the prizes and expenses (excluding food, beverages, and entertainment) must not exceed the proceeds from the event. [Does not apply to events conducted by employers or trade associations that are not exempt organizations]
 - 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, and merchandise wheel of fortune.

Employer/Trade Association Game Night Events

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 at no cost or charge to the attendees. Employers and trade associations are generally subject to the same regulations as tax-exempt organizations except for limitations on costs and use of proceeds.

If any exempt organization, employer, or trade association operates a game night in violation of the statutes, the person indicated on the game night permit would be guilty of a Class 2 misdemeanor.

Regulation of Gaming Tables and Equipment

Possession or transport of gaming tables and gaming equipment would be legal, if the possession or transportation is solely for use in legally conducted game night events. Gaming tables and equipment must be registered with ALE and have a sticker affixed with a unique number issued by ALE for a fee of \$25 renewed annually. Use of a gaming table or gaming equipment that does not have a sticker in a game night event would be a Class 1 misdemeanor.

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Game Night Vendor Permit

Any person, firm, or corporation receiving compensation for providing gaming tables or equipment for use in a game night, would be required to obtain a game night vendor permit from ALE. The annual permit fee would be \$2,500 and the permit would have to be displayed at any game night event the vendor conducts. Persons with a conviction for any felony, a conviction within the last five years or pending charges related to a violation of gambling laws, or an active court order prohibiting involvement in gambling activities would not be eligible to obtain a game night vendor permit or be employed by a game night vendor. ALE would be required to inspect the gaming tables and equipment of every game night vendor at least one time per calendar year.

House Bill 130 would only be applicable in areas of the State located east of I-26. This geographic limit matches the Tribal-State Compact.

Section 4 would direct the Department of Public Safety to make a report to the 2020 General Assembly detailing the administration of game night event permits, including any recommendations or proposed legislation.

EFFECTIVE DATE: This act would become effective May 1, 2019. If a final order by a court of competent jurisdiction finds that any portion of Sections 1 through 4 of this act is unconstitutional, or if the passage of Sections 1 through 4 of this act would cause the State to forfeit payments due under a compact entered into between the State and a federally recognized Indian tribe, Sections 1 through 4 of this act would be void.

Amy Darden and Nicholas Giddings, Staff Attorneys, substantially contributed to this summary.