



Rule Petition to Amend

- WAC 230-06-035 Credit, loans, or gifts prohibited.
- WAC 230-07-130 Additional recordkeeping for charitable or nonprofit licensees.
- WAC 230-11-014 Maximum raffle ticket price.
- WAC 230-11-025 Bundling and selling tickets at a discount.
- WAC 230-11-035 Incentives for selling tickets.
- WAC 230-11-100 Recordkeeping requirements for raffle licensees.

SEPTEMBER 2023 – Commission Review
JULY 2023 – Rule-Making Petition Received

Tab 7: SEPTEMBER 2023 Commission Meeting

Statutory Authority 9.46.070

Who Proposed the Rule Change?

Alex Baier, on behalf of Rocky Mountain Elk Foundation, Olympia, WA
Tiffany Brace, on behalf of Nonprofit Association of Washington, Seattle, WA
Keely Hopkins, on behalf of Congressional Sportsmen’s Foundation, Vancouver, WA
Matt Little, on behalf of Ducks Unlimited, Vancouver, WA
Nello Picinich, on behalf of Coastal Conservation Association, Vancouver, WA

Background

Several nonprofits operating in Washington state have proposed multiple amendments to rules related to nonprofits and raffles. We have split the petition into three separate rules packages: 1) the suggested amendments on which the Commission may want to initiate rulemaking; 2) the suggested amendments on which the Commission may want to deny petitioners’ request; and 3) the suggested amendment that staff believes is a policy question on which the Commissioners should decide. This rules package is **the second part of the package** and is explained as:

- 1) Keeping up with inflation
 - a. Petitioners request the threshold in WAC 230-11-100 be increased so the additional record keeping commences at higher levels than the current \$50,000.
 - b. In the same WAC 230-11-100, petitioners would also like the prize threshold of \$50 for maintaining details of winners to be raised to \$600, which is the reporting limit for the IRS.
 - c. They request that the \$100 maximum on the price of raffle tickets in WAC 230-11-014 be raised to \$250.
- 2) Easing the record-keeping burden
 - a. In WAC 230-11-100, petitioners request that the requirement to hold onto all unsold tickets for individual raffles with gross gambling receipts of more than \$5,000 be eliminated so that they only have to hold onto winning tickets.
 - b. In that same WAC 230-11-100, petitioners also request that they be allowed to complete all record-keeping requirements by the end of the quarter, rather than within 30 days of the drawing.
 - c. Petitioners would like a reduction to one year for the requirements to hold onto records for three years from the end of the license year in WAC 230-07-130.
- 3) Allowing credit card transactions at the end of the event – At nonprofit fundraising events, it is not uncommon for there to be multiple chances throughout the event to buy a raffle ticket. WAC 230-06-

035 requires collection of full payment before participation in an event. This requirement can be cumbersome if people are paying with credit card. Furthermore, for each transaction, the credit card company will charge a fee. The process could be streamlined, and financial burdens reduced if licensees were allowed to accept payment at the end of the event for all purchases made during the event.

- 4) Payment of raffle ticket sales associates – Petitioners would like to be able to pay raffle ticket sellers from organizational, not raffle ticket, revenue and would like the allowable noncash incentive mentioned in WAC 230-11-035 to be better defined.
- 5) Simplify the process for establishing discount plans – Petitioners request that, in WAC 230-11-025, the requirements to pre-bundle discount tickets and to not sell pre-bundled tickets individually at full price be eliminated.

Attachments:

- Petition

Policy Considerations

For some of the petitioners' request, the suggested changes run counter to RCW 9.46 and would require a legislative change. For other parts of the request, Commission staff has concerns that, if the changes were made, they would weaken staff's ability to audit the event and, generally, to exercise regulatory control.

- 1.a.) The \$50,000 threshold for gross gambling receipts in the previous license year in WAC 230-11-100 that triggers more detailed record-keeping should be kept as is because \$50,000 is a significant amount of money, necessitating greater scrutiny.
- 1.b.) The threshold of \$50 value for a prize that triggers maintenance of name, address, and the telephone numbers of winners does not relate to any IRS requirement, but rather exists so that the Commission can contact winners and confirm that they received their prize.
- 1.c.) WAC 230-11-014 that establishes \$100 as the maximum price for a raffle ticket comes from RCW 9.46.0277, which sets the maximum price at \$100.
- 2.a.) The requirement in WAC 230-11-100 to hold onto all unsold and winning tickets for individual raffles with gross gambling receipts of more than \$5,000 exists so that the raffle can be audited. Allowing organizers to dispose of unsold tickets will undermine that audit.
- 2.b.) Staff believes that the requirement in WAC 230-11-100 to complete all recordkeeping no later than 30 days following the drawing is a reasonable limit. Pull tab and punch board operators have a 15-day limit. Allowing an organization to have up to three months (per the petitioners' request) risks the chance that items will be unaccounted for or lost. Thirty days is good accounting practice.
- 2.c.) The requirement in WAC 230-07-130 to maintain records showing how the licensee used and disbursed funds from each licensed activity for three years from the end of the license year is a basic requirement for audit purposes, demanded not just by the Gambling Commission but also by other state and federal agencies to maintain charitable or nonprofit status.
- 3) WAC 230-06-035 requires the licensee to collect the price required to participate before the activity begins. The provision exists as a protection for the organizer to ensure that it gets the money up front.

Allowing credit card transactions might also lead to a co-mingling of funds from the raffle with other activities associated with the raffle (e.g., the cost of dinner or the purchase of a T-shirt).

- 4) WAC 230-11-035 prohibiting the payment of ticket sellers comes from RCW 9.46.0277.
- 5) The provisions in WAC 230-11-025 related to pre-bundling tickets and not being allowed to sell discounted bundled tickets as individual full-price tickets are necessary to account for revenue generated. In the absence of these provisions, the reports on revenue generated could not be audited.

Staff Recommendation

Under the requirements of the Administrative Procedure Act, the Commission must take action on a petition within 60 days of receiving it. Staff recommends that the Commission deny this petition in writing because some of the requests are against statute and others would weaken the Commission's regulatory abilities or raffle organizers' protections.