

## **Section F**

# **Bingo, Lottery, Raffle, and Lottery by Pickle Card Tax**

### **BASIC PROVISIONS AND TAX BASE OF THE NEBRASKA TAX LAWS**

#### ***Bingo***

A nonprofit organization wishing to conduct bingo where: (1) a charge is made to participate, or (2) any prize to be awarded exceeds twenty-five dollars in value, must apply for and obtain a license from the Nebraska Department of Revenue.

All licensed nonprofit organizations are subject to a state tax of three percent of the gross receipts from each bingo occasion. The gross receipts include the sale or rental of all bingo cards, any rental fee charged for the use of bingo card monitoring devices, and admissions to the bingo occasion. The state tax is due on a quarterly basis. A licensed organization cannot hold more than ten bingo occasions per month. The sale or rental of bingo cards to the public is not subject to sales tax.

A qualifying nonprofit organization not holding a bingo license can apply for a Special Event Bingo permit. Special Event Bingo allows the conduct of small-stakes bingo games by an organization not wanting to conduct bingo on a regular basis. It is intended more for social and recreational purposes, at special events such as county fairs, school fun nights, or annual town celebrations where bingo is not the primary function of the event. An organization may apply for no more than two Special Event Bingo permits per calendar year, for an aggregate total of not more than fourteen days. Special Event bingo cards cannot be sold for more than twenty-five cents per card, and individual prizes are limited to no more than twenty-five dollars in value. Special Event Bingo is exempt from the licensing, tax, and reporting requirements imposed on organizations holding a bingo license. All nonprofit organizations licensed to conduct bingo must purchase bingo equipment only from a licensed distributor. A licensed distributor must purchase bingo equipment only from a licensed manufacturer. Both distributors and manufacturers must obtain their licenses from the department.

#### ***Lottery by Pickle Card***

A nonprofit organization wishing to sell pickle cards must apply for and obtain a license from the Nebraska Department of Revenue. A nonprofit organization may apply for a license that allows it to sell individual pickle cards at its location and/or bingo game, or a license that, in addition to allowing the organization to sell individual pickle cards at its location and/or bingo game also permits the sale of pickle card units on a retail basis through licensed pickle card operators. Any person or business holding a retail liquor license with the Nebraska Liquor Control Commission is eligible to apply to the Nebraska Department of Revenue to obtain a pickle card operator's license. If a licensed organization sells through pickle card operators, it must also license at least one of its members as a sales agent. A sales agent is responsible for all marketing activity with a pickle card operator relative to selling the organization's pickle cards. A licensed organization must apply for and obtain a pickle card operator authorization from the department for each pickle card operator location selling the organization's pickle cards.

All nonprofit organizations licensed to conduct a lottery by the sale of pickle cards must purchase pickle card units only from a licensed distributor. A licensed distributor must purchase pickle card units only from a licensed manufacturer. Both distributors and manufacturers must obtain their licenses from the department.

A licensed distributor selling pickle card units to a Nebraska licensed organization is subject to a tax of ten percent of the definite profit of each pickle card unit sold. The definite profit is the gross proceeds of the unit less all possible prizes. The gross proceeds of a unit is determined by multiplying the number of pickle cards in the unit by the selling price per individual pickle card. The pickle card tax imposed on the licensed distributor is due on a monthly basis. The tax paid by the licensed distributor is passed along to the licensed organization as a part of the selling price of a pickle card unit. The appropriate sales tax is also due on the sale of each pickle

card unit, unless the licensed organization purchasing the unit is exempt from the payment of sales tax. The sale of individual pickle cards to the public either by a licensed organization or a licensed pickle card operator is not subject to sales tax.

If a licensed organization or pickle card operator utilizes a coin- or currency-activated pickle card dispensing device, such device must be registered with the department. An annual registration fee is required and each device must bear a registration decal issued by the department.

### ***Lottery/Raffle***

A nonprofit organization wishing to conduct a lottery with gross proceeds in excess of \$1,000 or a raffle with gross proceeds in excess of \$5,000 must first apply for and obtain a license from the Nebraska Department of Revenue. The permissible forms of winner determination for a lottery or raffle are limited to (1) a random ticket drawing or (2) a race utilizing inanimate, buoyant objects floated along a river, canal, or other waterway. Lotteries exceeding \$1,000 in gross proceeds and raffles exceeding \$5,000 in gross proceeds are subject to a state tax of two percent of the gross proceeds. The gross proceeds are based upon the selling price of the lottery or raffle ticket and would include the value of any free tickets given away and any other consideration which is required to be paid by a participant in order to be eligible for the drawing. The sale of lottery or raffle tickets to the public is not subject to sales tax. The lottery/raffle tax is due on a quarterly basis, even when the gross proceeds for a given quarter do not exceed the \$1,000/\$5,000 threshold. Upon the conclusion of the lottery or raffle, if the licensed organization's actual gross proceeds did not exceed the \$1,000/\$5,000 threshold, they may request a refund of any tax previously paid.

### ***County/City Lottery***

Any county, city, or village that has approved a lottery in a special or regularly-scheduled election must apply for and obtain a license from the Nebraska Department of Revenue prior to commencing the lottery activity.

There are two forms of authorized lottery activity for a county, city, or village: (1) a traditional ticket drawing whereby winners are determined based upon a random drawing of sequentially-numbered tickets; and (2) keno. A community which has approved a lottery may conduct the lottery on its own or contract with another person or business to conduct the lottery on its behalf. The person or business that contracts with the community is called a lottery operator. A lottery operator must apply for and obtain a license from the department. In addition to the licensing requirements for the community and the lottery operator, all persons who perform any work directly related to the conduct of the lottery must apply for and obtain a lottery worker license from the department. Any location where tickets are to be sold, other than the lottery operator's location, must also be licensed as an authorized sales outlet location.

A state tax of two percent of the gross proceeds must be remitted to the department on a quarterly basis. The net proceeds of the lottery are to be used for community betterment purposes.

### ***Tax Allocation***

Forty percent of all charitable gaming taxes collected and referred to in this section are credited to the Charitable Gaming Operations Fund for administration and enforcement of the charitable gaming laws. The remaining sixty percent is required to be transferred to the General Fund. On or before November 1 of each year, \$50,000 is required to be transferred from the Charitable Gaming Operations Fund to the Compulsive Gamblers Assistance Fund if such funds are available. Any funds remaining in the Charitable Gaming Operations Fund after the transfer to the Compulsive Gamblers Assistance Fund which was not used by the Charitable Gaming Division for its administrative and enforcement duties may be transferred to the General Fund at the direction of the Legislature.

## BINGO, LOTTERY, RAFFLE, AND LOTTERY BY PICKLE CARD TAX

Statutory Reference and Description	Estimated Tax Expenditure Cost NA = Not Available
<b>EXEMPTIONS</b>	
<b>Section 9-230</b> Bingo taxes do not apply to any bingo game for which no charge is made and/or no prize awarded exceeds \$25 in value. Bingo taxes do not apply to Special Event Bingo.	Minimal
<b>Regulation 35-215.01A</b> The state bingo tax applies to the gross bingo receipts of the licensed organization. This tax does not apply to the sale of bingo equipment and supplies by a licensed distributor to a licensed organization, or to the sale of bingo supplies by some other retail business to the general public.	Minimal
<b>Section 9-429</b> The lottery or raffle tax does not apply to any lottery conducted by a nonprofit organization when the gross proceeds do not exceed \$1,000, or to any raffle when the gross proceeds do not exceed \$5,000.	NA
<b>4 U.S.C. 109 and 25 U.S.C. 2701, Et al</b> The bingo tax imposed on the gross receipts of a licensed organization is not applicable to bingo activity conducted by Indian tribes on Indian land within Nebraska. In addition, the pickle card tax imposed on a licensed distributor is not applicable to pickle card units sold to a federally recognized Indian tribe located either within Nebraska or located in another state if the sale of such pickle cards occurs only at the tribe's bingo operation on Indian land. Federal law prohibits state taxation relative to these activities.	NA (State taxation prohibited)

### RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.