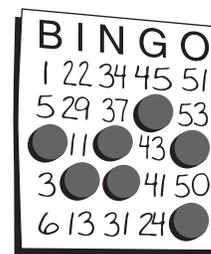




Bingo and Raffles



PROPOSED CONSTITUTIONAL AMENDMENT NO. 1

(Referred to the People by the General Assembly)

POPULAR NAME: A Constitutional Amendment providing that Bingo and Raffles, if conducted by authorized organizations (defined as nonprofit religious, educational, veterans, fraternal, service, civic, medical, volunteer rescue, volunteer fire, and volunteer police organizations), shall not be constitutionally prohibited as a lottery, provided the organization has been in existence five (5) years and net receipts are used only for charitable, religious, or philanthropic purposes.

SUBTITLE: Proposed Constitutional Amendment to allow Bingo and Raffles to be conducted by charitable organizations and to authorize the General Assembly to adopt laws regulating and taxing charitable Bingo and Raffles.

Why is the issue on the ballot of a general election?

Constitutional Amendment No. 1 is a proposed change in the Arkansas Constitution. In passing House Joint Resolution 1003 in the 2005 Regular Session, the Arkansas General Assembly proposes to change the definition of lottery as defined in Section 14 of Article 19 of the Arkansas Constitution. All constitutional amendments require approval by a majority of voters in a statewide election.

What does the amendment say?

This proposed amendment would change the definition of lottery as recognized in Section 14 of Article 19 of the Arkansas Constitution. It does

so by specifically excluding the “game of bingo” and raffles conducted by authorized organizations where the proceeds are used for “charitable, religious, or philanthropic purposes.”

This constitutional amendment proposes to:

- Legalize the game of bingo and raffles that are operated by certain nonprofit tax-exempt organizations that have been in existence for at least five (5) years and will use the receipts for charitable, religious, or philanthropic purposes.
- Enable the Arkansas General Assembly to adopt laws regulating and taxing charitable bingo and raffles.

Conflict of Interest: The University of Arkansas Division of Agriculture, Cooperative Extension Service is widely recognized for its involvement with and support of nonprofit and civic groups statewide. Among these groups, it is conceivable that bingo and raffles could be used as local and statewide fund-raising options. Due to the state’s taxing power, such activities may also become a source of general revenue for the state. Such revenue has the potential to influence the agency’s long-term financial well-being. We are obligated to divulge potential conflicts of interest and to recognize their influence on the educational programs and materials we produce. The professional faculty of PPC is committed to full disclosure and open recognition of our potential for bias. We strive to present Arkansas citizens with a fair and balanced representation of the issues brought to the ballot and welcome any constructive criticism of that effort.

Do other states have similar exclusions for nonprofit bingo and raffles?

Surrounding Arkansas, the states of Kentucky, Kansas, Louisiana, Missouri, Mississippi and Texas have legalized bingo (charitable or for profit). Raffles seem to be accepted under the same statutes. Oklahoma authorizes and defines “bingo” under its Charity Games Act, Oklahoma Statutes Annotated, Title 3A, Chapter 4, Section 401 et seq. The State of Tennessee does not authorize games of chance in any form, charitable or otherwise.

What is the financial picture for bingo and raffles in other states?

A 2004 annual report by the National Association of Ticket Manufacturers provides the following statistics for charitable bingo and raffles. The states identified are close neighbors to Arkansas, and each provides a similar accounting for revenues and funds distributed to charity.

State	Gross Revenue	Charity Distribution	% for Charity
Kentucky	\$570,688,422	\$52,001,929	9.11
Louisiana	\$198,998,200	\$18,862,500	9.48
Mississippi	\$120,929,357	\$20,273,248	16.76
Missouri	\$130,778,246	\$14,186,661	10.85
Texas	\$602,907,777	\$29,842,934	4.95

Figure 1 below represents the national average distribution of dollars raised through charitable gaming.

How do other states tax bingo and raffles?

States have differing approaches to the tax treatment of charitable gaming. Charitable bingo information is the best documented. There is currently no direct indication of how the Arkansas Legislature would choose to tax bingo and raffles. The amendment language allows the legislature to establish mechanisms for licensing and taxing bingo and raffles.

It states, “the General Assembly shall provide by law for the licensure and regulation of authorized bingo and raffles organizations to conduct the game or (of) bingo or raffles and may levy taxes on the activities.” The following discussion describes the approach different states take toward taxing charitable bingo. It is provided as an indication of the range of alternatives found in surrounding states.

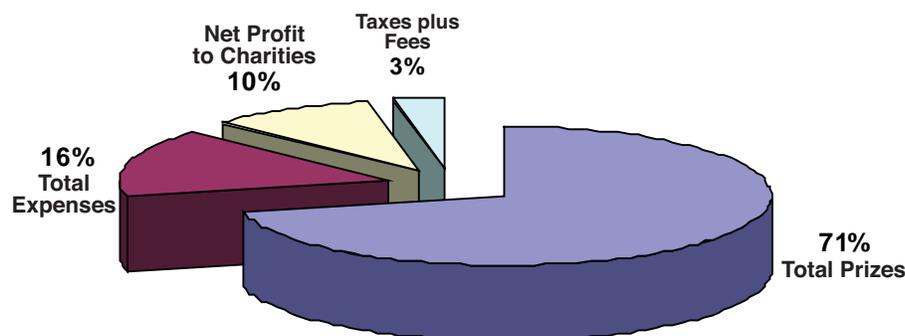
At least nine states tax the operation of charitable bingo games. Colorado taxes its games at a rate set by regulation but limits the tax by imposing it on 40% of adjusted gross revenue (receipts less payments to players). Total gross receipts of charitable games are taxed by Illinois (3%), New Mexico (10%), Minnesota (8.5%) and Kentucky (0.53%). North Dakota taxes charitable games at four rates ranging from 5% to 20% of gross receipts, depending on the size of the enterprise (*Illinois Tax Handbook for Legislators 2006*). Texas imposes a 3% tax on gross rentals for bingo facilities and a 5% tax on the value of all prizes awarded through bingo games. The state also enables local gross receipts taxes by city and county governments <Gambling-Law-US.com>.

In addition to the tax treatments described above, states may also enact license, registration or other fees associated with bingo and raffle enterprises that have the potential to generate additional revenue for state or local governments.

How would changing the definition of “lottery” in the Arkansas Constitution affect other attempts at bringing lotteries and casino gambling to Arkansas?

Some would argue there is no relationship between these issues. Others would cite research that seems to show a correlation of progression from charitable bingo and raffles to a broader public acceptance of lotteries and other gaming. This proposed constitutional amendment contains specific language to provide a narrow interpretation of charitable bingo

Figure 1. National Average Distribution of Dollars Raised Through Charitable Gaming



and raffles under the supervisory guidance and potential taxing authority of the state. The only way to broaden this constitutional authority is through another statewide vote of the people.

Does the proposed change mean a higher cost of services or representation to me as an Arkansas citizen?

There is nothing in the language of the proposed amendment that specifies an added cost to citizens. The amendment does authorize the legislature to establish a mechanism for the regulation and taxation of bingo and raffle enterprises.

What happens if this proposed amendment does not pass?

If the proposed amendment does not receive a majority of the votes in its favor in the November 7 General Election, the current constitutional definition of "lottery" will remain. Bingo and raffles for any purpose (where a purchase or participation fee is charged) will remain constitutionally prohibited.

The following statements are what supporters and opponents of the proposed constitutional amendment report in their literature and on their web sites. By presenting these statements, the University of Arkansas does not endorse or in any way validate the statements.

What do supporters say?

The amendment provides more fund-raising flexibility for local nonprofits and civic groups.

The amendment legalizes charitable fund-raising events that have been conducted for years without the organizer's knowledge of their legal status.

Charity gaming is a source of funding, public entertainment and recreation for nonprofit organization members and supporters. The proceeds go to support many worthy causes and promote activities which are a direct benefit to society.

Charitable bingo and raffles conducted under the guidance of this amendment can boost local economies and generate additional tax revenues for the state.

What do opponents say?

The amendment opens the door to high-stakes bingo enterprises run by large national nonprofits.

It is impossible to make the interpretation and application of this amendment truly purely charitable.

Multi-million dollar charitable gaming gross receipts in surrounding states prompt questions of the structure, ownership, purpose and the state's ability to control it once the door is opened.

Charity gaming is largely cash based, thus providing an opportunity for tax evasion, fraud and other illegal gambling-associated activities.

To date (September 1, 2006), no formal organized opposition to this measure has been identified. Opposition viewpoints found here are those of individual Arkansans and arguments recorded as a part of published research papers on the topic. In the event of organized opposition, significant unrepresented views expressed will be included in the Public Policy Center's online education materials. <<http://ppc.uaex.edu>>.

When does the legislation take effect, if passed?

If a majority of votes are cast in favor of this amendment, it becomes effective on January 1, 2007.

What does a "FOR" vote mean?

Certain nonprofit and tax-exempt religious, educational, veterans, fraternal, service, civic, medical, volunteer rescue service, volunteer fire or volunteer police organizations with a continuing existence for a period of not less than five (5) years can seek and receive state licensure to employ bingo and raffles as fund-raising activities to support charitable, religious or philanthropic purposes.

What does an "AGAINST" vote mean?

The constitutional prohibition of "lotteries" remains broadly interpreted to include charitable bingo and raffles among other illegal games of chance. The current constitutional definition of lottery remains unchanged.

Where can I find more information?

The complete and official text of each ballot measure can be obtained through the Arkansas Secretary of State's office:

- Phone: 501-682-1010
- Web site: http://www.sos.arkansas.gov/elections_2006_amendments.html

For other information, including major support and opposition groups, please visit our web site <<http://ppc.uaex.edu>> or contact your county Cooperative Extension Service office.

The following is information regarding this

Constitutional Amendment as it will appear on the official ballot.

Proposed Constitutional Amendment No. 1

(Referred to the People by the General Assembly)

POPULAR NAME

A CONSTITUTIONAL AMENDMENT PROVIDING THAT BINGO AND RAFFLES, IF CONDUCTED BY AUTHORIZED ORGANIZATIONS (DEFINED AS NONPROFIT RELIGIOUS, EDUCATIONAL, VETERANS, FRATERNAL, SERVICE, CIVIC, MEDICAL, VOLUNTEER RESCUE, VOLUNTEER FIRE, AND VOLUNTEER POLICE ORGANIZATIONS), SHALL NOT BE CONSTITUTIONALLY PROHIBITED AS A LOTTERY, PROVIDED THE ORGANIZATION HAS BEEN IN EXISTENCE FIVE YEARS AND NET RECEIPTS ARE USED ONLY FOR CHARITABLE, RELIGIOUS, OR PHILANTHROPIC PURPOSES.

SUBTITLE

PROPOSED CONSTITUTIONAL AMENDMENT TO ALLOW BINGO AND RAFFLES TO BE CONDUCTED BY CHARITABLE ORGANIZATIONS AND TO AUTHORIZE THE GENERAL ASSEMBLY TO ADOPT LAW REGULATING AND TAXING CHARITABLE BINGO AND RAFFLES.

SECTION 1. (a) As used in this section:

(1) "Authorized bingo and raffles organization" means a nonprofit tax-exempt religious, educational, veterans, fraternal, service, civic, medical, volunteer rescue service, volunteer fire organization, or volunteer police organization that has been in continuing existence as a nonprofit tax-exempt organization in this state for a period of not less than five (5) years immediately prior to conducting the game of bingo or raffles;

(2)(A) "Game of bingo" means a single game of the activity commonly known as "bingo" in which the participants pay a sum of money for the use of one (1) or more bingo cards.

(B) "Game of bingo" shall include only games in which the winner receives a preannounced, fixed-dollar prize and in which the winner is determined by the matching of letters and numbers on a bingo

card imprinted with at least twenty-four (24) numbers, with letters and numbers appearing on objects randomly drawn and announced by a caller, in contemporaneous competition among all players in the game; and

(3) "Raffle" means the selling of tickets or chances to win a prize awarded through a random drawing.

(b)(1) The game of bingo or raffles conducted by an authorized bingo and raffles organization shall not be a lottery prohibited by Section 14 of Article 19 of the Arkansas Constitution if all net receipts over and above the actual cost of conducting the game or raffle is used only for charitable, religious, or philanthropic purposes.

(2) No receipts shall be used to compensate in any manner any person who works for or is in any way affiliated with the authorized bingo and raffles organization.

(c) The General Assembly shall provide by law for the licensure and regulation of authorized bingo and raffles organizations to conduct the game or (of) bingo or raffles and may levy taxes on the activities. SECTION 2. This amendment becomes effective on January 1, 2007.

Exercise your voting privilege.

We live in a democratic society where voting is a privilege of citizenship. Democracy works best when informed citizens exercise their voting privilege. Please vote November 7, 2006.

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- Kentucky Statutes Annotated § Kentucky Revised Statutes: Section 238.570(1). 2005 Supplement to Volume 9A.
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