

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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HOUSE BILL 1188

Short Title: Casino Night for Nonprofits. (Public)

Sponsors: Representative Owens (Primary Sponsor).
For a complete list of Sponsors, see Bill Information on the NCGA Web Site.

Referred to: Judiciary Subcommittee B.

May 30, 2012

1 A BILL TO BE ENTITLED
2 AN ACT TO AUTHORIZE NONPROFIT ORGANIZATIONS TO OPERATE "CASINO
3 NIGHTS," TO PROVIDE FOR THE REGULATION OF NONPROFIT
4 ORGANIZATIONS HOLDING CASINO NIGHTS, TO ALLOW FOR LICENSING AND
5 REGULATION OF GAMING TABLE DEALERS, AND ALLOW THE CONSUMPTION
6 OF ALCOHOLIC BEVERAGES AT CASINO NIGHTS.

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.** Article 37 of Chapter 14 of the General Statutes is amended by
9 adding a new Part to read:

10 "Part 2A. Casino Nights.

11 **"§ 14-309.16. Definitions.**

12 For purposes of this Part, the term:

- 13 (1) "Exempt organization" means an organization that has been in continuous
14 existence in the county of operation of the casino night for at least one year
15 and that is exempt from taxation under section 501(c)(3), 501(c)(4),
16 501(c)(8), 501(c)(10), 501(c)(19), or 501(d) of the Internal Revenue Code
17 and is exempt under similar provisions of the General Statutes as a bona fide
18 nonprofit charitable, civic, religious, fraternal, patriotic, or veterans'
19 organization. (If the organization has local branches or chapters, the term
20 "exempt organization" means the local branch or chapter operating the
21 casino night);
22 (2) "Casino Night" means a specific night at which games of chance are played
23 and at which prizes are awarded on the basis of the amount of play money,
24 scrip, tokens, or chips won at any particular game by an authorized player or
25 participant;
26 (3) "Local law enforcement agency" means any county or municipal law
27 enforcement agency that has territorial and subject matter jurisdiction over
28 the location at which the casino night is being held; and
29 (4) "Licensed exempt organization" means an exempt organization which
30 possesses a currently valid license."

31 **"§ 14-309-16A. Casino nights.**

32 (a) The purpose of conducting a casino night is to insure a maximum availability of the
33 net proceeds exclusively for application to the charitable, nonprofit causes and undertakings
34 specified herein; that the only justification for this Part is to support such charitable, nonprofit
35 causes; and such purpose should be carried out to prevent the operation of casino nights by



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1 professionals for profit, prevent commercialized gambling, prevent the disguise of casino
2 nights and other game forms or promotional schemes, prevent participation by criminal and
3 other undesirable elements, and prevent the diversion of funds for the purpose herein
4 authorized.

5 (b) It is lawful for an exempt organization to conduct casino nights in accordance with
6 the provisions of this Part. Any licensed exempt organization who conducts a casino night in
7 violation of any provision of this Part shall be guilty of a Class 1 misdemeanor. Upon
8 conviction such person shall not conduct a casino night for a period of one year. It is lawful to
9 participate in a casino night conducted pursuant to this Part. It shall be a Class I felony for any
10 person (i) to operate a casino night without a license; (ii) to operate a casino night while license
11 is suspended or revoked; (iii) to willfully misuse or misapply any moneys received in
12 connection with any casino night; (iv) allow a game of bingo to be played during the casino
13 night, (v) to allow the operation of or the possession of a slot machine as defined in
14 G.S. 14-306; or (vi) to contract with or provide consulting services to any licensee. It shall not
15 constitute a violation of any State law to advertise a casino night conducted in accordance with
16 this Part.

17 **"§ 14-309.16B. Licensing procedure.**

18 (a) An exempt organization may not operate a casino night at a location without a
19 license. Application for a casino night license shall be made to the Department of Crime
20 Control and Public Safety on a form prescribed by the Department. The Department shall
21 charge an annual application fee of four hundred dollars (\$400.00) to defray the cost of issuing
22 casino night licenses and handling casino night audit reports. The fees collected shall be
23 deposited in the General Fund of the State. This license shall expire one year after the granting
24 of the license. This license may be renewed yearly, if the applicant pays the application fee and
25 files an audit with the Department pursuant to G.S. 14-309.16F. A copy of the application and
26 license shall be furnished to the local law enforcement agency in the county or municipality in
27 which the licensee intends to operate before a casino night is conducted by the licensee.

28 (b) Each application and renewal application shall contain the following information:

29 (1) The name and address of the applicant and if the applicant is a corporation,
30 association, or other similar legal entity, the name and home address of each
31 of the officers of the organization as well as the name and address of the
32 directors, or other persons similarly situated, of the organization.

33 (2) The name and home address of each of the members of the special
34 committee established pursuant to G.S. 14-309.16E.

35 (3) A copy of the application for recognition of exemptions and a determination
36 letter from the Internal Revenue Service and the Department of Revenue that
37 indicates that the organization is an exempt organization and stating the
38 section under which that exemption is granted; except that if the
39 organization is a State or local branch, lodge, post, or chapter of a national
40 organization, a copy of the determination letter of the national organization
41 satisfies this requirement.

42 (4) The location at which the applicant will conduct the casino nights and if the
43 premises are leased, a copy of the lease or rental agreement.

44 (c) In order for an exempt organization to have a member familiar with the operation of
45 a casino night present on the premises at all times when casino games are being played and for
46 this member to be responsible for the receiving, reporting, and depositing of all revenues
47 received, the exempt organization may pay one member for conducting a casino night. Such
48 pay shall be on an hourly basis only for the time casino games are actually being played and
49 shall not exceed one and one-half times the existing minimum wage in North Carolina. The
50 member paid under this provision shall be a member in good standing of the exempt
51 organization for at least one year and shall not be the lessor or an employee or agent of the

1 lessor. No other person may be compensated for conducting a casino night from funds derived
2 from any activities occurring in, or simultaneously with, the playing of casino games, including
3 funds derived from concessions. An exempt organization shall not contract with any person for
4 the purpose of conducting a casino night. Except as provided in subsection (e) of this section,
5 an exempt organization may hold a casino night only in or on property owned (either legally or
6 equitably and the buildings must be of a permanent nature with approved plumbing for
7 bathrooms and not movable or of a temporary nature such as a tent or lean-to) or leased by the
8 organization from the owner or bona fide property management agent (no subleasing is
9 permitted) at a total monthly rental in an amount not to exceed one and one-fourth percent (1
10 1/4%) of the total assessed ad valorem tax value of the portion of the building actually used for
11 the casino night and the land value on which the building is located (not to exceed two acres)
12 for all activities conducted therein, including the playing of casino games for a period of not
13 less than one year and actually occupied and used by that organization on a regular basis for
14 purposes other than casino nights for at least six months before the game; and all equipment
15 used by the exempt organization in conducting the casino games must be owned by the
16 organization. Unless the exempt organization leases the property in accordance with this
17 subsection, an exempt organization may conduct a casino night only in or on property that is
18 exempt from property taxes levied under Subchapter II of Chapter 105 of the General Statutes,
19 or that is classified and not subject to any property taxes levied under Subchapter II of Chapter
20 105 of the General Statutes.

21 (d) Conduct of a casino night under this Part on such property shall not operate to
22 defeat an exemption or classification under Subchapter II of Chapter 105 of the General
23 Statutes.

24 (e) An exempt organization that wants to conduct only an annual or semiannual casino
25 night may apply to the Department of Crime Control and Public Safety for a limited occasion
26 permit. The Department of Crime Control and Public Safety may require such information as is
27 reasonable and necessary to determine that the casino games are conducted in accordance with
28 the provisions of this Part but may not require more information than previously specified in
29 this section for application of a regular license. The application shall be made to the
30 Department on prescribed forms at least 30 days prior to the scheduled date of the casino night.
31 In lieu of the reporting requirements of G.S. 14-309.16F(b), the exempt organization shall file
32 with the licensing agency and local law enforcement a report on prescribed forms no later than
33 30 days following the conduct of the casino night for which the permit was obtained. Such
34 report may require such information as is reasonable and necessary to determine that the casino
35 night was conducted in accordance with the provisions of this Part but may not require more
36 information than specified in G.S. 14-309.16F(b). Any licensed exempt organization may
37 donate or loan its equipment or use of its premises to an exempt organization which has secured
38 a limited occasion permit provided such arrangement is disclosed in the limited occasion permit
39 application and is approved by the Department of Crime Control and Public Safety. Except as
40 stated above, all provisions of this Part shall apply to any exempt organization operating a
41 casino night under this provision.

42 **"§ 14-309.16C. Limit on sessions.**

43 The number of sessions of casino nights conducted or sponsored by an exempt organization
44 shall be limited to four sessions per year, and such sessions must not exceed a period of five
45 hours each per session. No more than one session of a casino night may be held in any quarter
46 of a calendar year that begins January 1. No more than two sessions of a casino night shall be
47 operated or conducted in any one building, hall, or structure during any one calendar week, and
48 if two sessions are held, they must be held by different exempt organizations on different nights
49 of the week. There shall be no operation of a casino night between the hours of 2:00A.M. and
50 12:00 Noon Monday through Saturday. There shall be no casino nights held on any Sunday.

51 **"§ 14-309.16D. Casino night prizes.**

1 The maximum prize in merchandise that may be offered or paid for any one casino game
2 winner is five hundred dollars (\$500.00). The maximum aggregate amount of prizes, in
3 merchandise, that may be offered or paid at any one session is one thousand five hundred
4 dollars (\$1,500).

5 **"§ 14-309.16E. Operation of casino nights.**

6 The operation of the casino night and the casino games shall be the direct responsibility of,
7 and controlled by, a special committee selected by the governing body of the exempt
8 organization in the manner provided by the rules of the exempt organization. The following
9 games are the only games that may be played at a casino night:

- 10 (1) Roulette.
- 11 (2) Blackjack.
- 12 (3) Poker.
- 13 (4) Pull tabs.
- 14 (5) Craps.
- 15 (6) Chuck-a-luck.
- 16 (7) Keno.
- 17 (8) Merchandise wheel of fortune.

18 **"§ 14-309.16F. Accounting and use of proceeds.**

19 (a) All funds received in connection with a casino night shall be placed in a separate
20 bank account. No funds may be disbursed from this account except the exempt organization
21 may expend proceeds for prizes, advertising, utilities, and the purchase of supplies and
22 equipment used in conducting the casino games, taxes and license fees related to the casino
23 night and the payment of compensation as authorized by G.S. 14-309.16B(c) and for the
24 purposes set forth below for the remaining proceeds. Such payments shall be made by
25 consecutively numbered checks. Any proceeds available in the account after payment of the
26 above expenses shall inure to the exempt organization to be used for religious, charitable, civic,
27 scientific, testing, public safety, literary, or educational purposes or for purchasing,
28 constructing, maintaining, operating or using equipment or land or a building or improvements
29 thereto owned by and for the exempt organization and used for civic purposes or made
30 available by the exempt organization for use by the general public from time to time, or for
31 fostering amateur sports competition, or for preventing cruelty to children or animals, provided
32 that no proceeds shall be used or expended for social functions for the members of the exempt
33 organization.

34 (b) An audit of the account required by subsection (a) of this section shall be prepared
35 annually for the period of January 1 through December 31 or otherwise as directed by the
36 Department of Crime Control and Public Safety and shall be filed with the Department of
37 Crime Control and Public Safety and the local law enforcement agency at a time directed by the
38 Department of Crime Control and Public Safety. The audit shall be prepared on a form
39 approved by the Department of Crime Control and Public Safety and shall include the
40 following information:

- 41 (1) The number of casino nights conducted or sponsored by the exempt
42 organization;
- 43 (2) The location and date at which each casino night was conducted and the
44 prize awarded;
- 45 (3) The gross receipts of each casino night;
- 46 (4) The cost or amount of any prize given at each casino night;
- 47 (5) The amount paid in prizes at each session;
- 48 (6) The net return to the exempt organization; and
- 49 (7) The disbursements from the separate account and the purpose of those
50 disbursements, including the date of each transaction and the name and
51 address of each payee.

1 (c) Any person who shall willfully furnish, supply, or otherwise give false information
2 in any audit or statement filed pursuant to this section shall be guilty of a Class 1 misdemeanor.

3 (d) All books, papers, records, and documents relevant to determining whether an
4 organization has acted or is acting in compliance with this section shall be open to inspection
5 by the law enforcement agency or its designee, or the district attorney or his designee, or the
6 Department of Crime Control and Public Safety at reasonable times and during reasonable
7 hours.

8 **"§ 14-309.16G. Violation is gambling.**

9 A casino night conducted other than in accordance with the provisions of this Part is
10 "gambling" within the meaning of G.S. 14-292 and G.S. 19-1, et seq., and proceedings against
11 such casino night may be instituted as provided for in Chapter 19 of the General Statutes.

12 **"§ 14-309.16H. Regulation and licensing of gaming table dealers.**

13 (a) It shall be unlawful for any person who is not a licensed Gaming Table Dealer to
14 possess, keep, store, operate, offer for sale, sell, rent, or lease any gaming tables or casino
15 games except for the purpose of selling such games to a nonprofit organization purchasing such
16 games to own for use at a casino night authorized by G.S. 14-309.16A. These games may only
17 be sold by a person that holds a valid license from the Department of Crime Control and Public
18 Safety and may only be sold to a nonprofit organization that is licensed to hold casino nights
19 from the Department of Crime Control and Public Safety. A violation of this section is
20 punishable as a Class I felony.

21 (b) Application for a Gaming Table Dealer's License shall be made to the Department
22 of Crime Control and Public Safety on a form prescribed by the Department. The Department
23 shall charge an annual application fee of one thousand dollars (\$1,000) to defray the cost of
24 issuing Gaming Table Dealer's Licenses and handling dealer audit reports. The fees collected
25 shall be deposited in the General Fund of the State. This license shall expire one year after the
26 granting of the license. This license may be renewed yearly, if the applicant pays the
27 application fee and files an audit with the Department pursuant to G.S. 14-309.16F. A copy of
28 the application and license shall be furnished to the local law enforcement agency in the county
29 or municipality in which the licensee intends to operate before any sale is conducted by the
30 licensee.

31 (c) Each application and renewal application shall contain the following information:

32 (1) The name and address of the applicant and if the applicant is a corporation,
33 association, or other similar legal entity, the name and home address of each
34 of the officers of the organization as well as the name and address of the
35 directors, or other persons similarly situated, of the organization.

36 (2) A copy of the application for recognition of exemptions and a determination
37 letter from the Internal Revenue Service and the Department of Revenue that
38 indicates that the organization is an exempt organization and stating the
39 section under which that exemption is granted; except that if the
40 organization is a State or local branch, lodge, post, or chapter of a national
41 organization, a copy of the determination letter of the national organization
42 satisfies this requirement.

43 (3) The location at which the applicant will conduct the gaming tables sales and
44 if the premises are leased, a copy of the lease or rental agreement."

45 **SECTION 2.** Chapter 18B of the General Statutes is amended by adding a new
46 section to read:

47 **"§ 18B-1002.1. Special one-time permits for casino nights.**

48 (a) Casino Night Special One-Time Permit. – A Special One-Time permit may be
49 issued to a licensed exempt organization as defined in G.S. 14-309.16A(6) to allow the retail
50 sale, possession, or consumption of malt beverages, unfortified wine, fortified wine, or mixed
51 beverages, at a single casino night fund-raising event of that organization pursuant to

1 G.S. 14-309.16. A permit for this purpose shall not be issued for the sale, possession, or
2 consumption of any kind of alcoholic beverage in a jurisdiction where the sale of that alcoholic
3 beverage is not lawful. The fee for this permit is five hundred dollars (\$500.00). The
4 application shall require documentation from the applicant that the organization is a licensed
5 exempt organization pursuant to G.S. 14-309.16(4). An application for this permit shall be
6 made for each casino night event being held by a licensed exempt organization that seeks to
7 allow the retail sale, possession, or consumption of alcoholic beverages at a casino night.

8 (b) Intent. – Permits under this section are to be issued only for the limited
9 circumstances listed in subsection (a) of this section and not as substitutes for other permits
10 required by this Chapter.

11 (c) Conditions of Permit. – A permit issued under this section shall be valid only for the
12 single transaction or the kind of activity specified in the permit and shall be subject to any
13 conditions the Commission may impose as to the time, place, and manner of the authorized
14 activity.

15 (d) Administrative Procedure. – Denial or revocation of a permit under this section shall
16 not entitle the applicant or permittee to a hearing under Chapter 150B.

17 (e) Violations. – Any administrative action by the Commission for any violation of the
18 provisions of this Chapter that occur during an event held under this permit automatically
19 disqualifies the licensed exempt organization from applying for or receiving another permit
20 under this section for a period of one year."

21 **SECTION 3.** This act becomes effective July 1, 2012.