

# HOUSE RESEARCH

## Bill Summary

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**Subject:** Video Lottery Terminals

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### Overview

Authorizes the State Lottery to install and operate video lottery terminals (VLTs) in Minnesota bars.

#### Section

- 1 Lottery gaming machines; in-lieu tax.** Exempts net terminal income from the in-lieu of sales tax that other lottery games are subject to. Requires 33 percent of net terminal income to be deposited each month in the state treasury, to be credited as specified in a later section of the bill.
- 2 Deposit of revenues.** Requires the 33 percent of revenues from net terminal income to be deposited in the general fund.
- 3 Imposition.** Imposes the gross receipts tax on all forms of lawful gambling.
- 4 Lottery.** Requires the director of Public Safety to create a separate account for funds received from the State Lottery for background checks related to video terminal ownership or operation.
- 5 Exclusions.** Allows the State Lottery to possess video terminals.
- 6 Restrictions.** Allows manufacturers to sell video lottery terminals to the Lottery.
- 7 Gambling prohibited.** Allows gambling devices to be operated and permitted by the State Lottery.
- 8 Expenditure restrictions.** Allows money received by lawful gambling organizations from net video lottery terminal income to be expended only for lawful purposes.
- 9 Lottery game.** Defines lottery game to be any game operated by the lottery where the prize is determined primarily by chance.

- 10      **Lottery procurement contract.** Amends existing law, allowing contracts related to operation of video lottery terminals.
- 11      **Lottery retailer.** Expands the current definition, to allow lottery retailers to include those with a video lottery terminal contract.
- 12      **Lottery ticket or ticket.** Clarifies that a lottery ticket does not include a video lottery game.
- 13      **Net terminal income.** Defines net terminal income to be the sum of all money spent for plays, less the value of credit receipts.
- 14      **Video lottery credit.** This is the basic unit of play for a video lottery terminal.
- 15      **Video lottery credit receipt.** A receipt generated through play that gives evidence of cash payment from the VLT.
- 16      **Video lottery game.** A game played on a VLT. Includes video poker, keno, and pull-tab's.
- 17      **Video lottery terminal.** The machine or system for play.
- 18      **Video lottery terminal play.** An electronic record of participation.
- 19      **Win percentage.** The portion available for prizes from play.
- 20      **Lottery game procedures.** Amends existing law to add VLTs.
- 21      **Contracts.** Incorporates VLT into current contracting powers of the Lottery Director.
- 22      **Restrictions on lottery retailers.** Incorporates VLTs in current restrictions on retailers.
- 23      **Restrictions on lottery retailers; video lottery terminals.** States conditions on the placement of VLTs. Included: contracts for VLTs may only be placed with retailers licensed to sell alcoholic beverages on an on-sale basis. This excludes retailers who have temporary on-sale or 3.2 licenses. Requires retailers to have an existing lawful gambling organization conducting lawful gambling on the premises. Prevents cancellation or refusal to renew a lease for a lawful gambling organization for three years following the effective date, unless the organization fails to comply with the lease. Allows up to five VLTs per premise. Prevents use of the word casino in ads or signage. Allows the Lottery to inspect terminals at any time during on-sale hours, without notice.
- 24      **Retention by retailers; video lottery terminals.** Allows lottery retailers to retain 31 percent of net terminal income as a commission on terminals located on their premises. Requires 29 percent of this 31 percent commission to be given to lawful gambling organizations conducting such gambling on the premises; requires pro rata allocation if there are multiple organizations.
- 25      **Proceeds of sales.** Amends existing language to add VLTs.
- 26      **Local licenses.** Amends existing prohibition of local control to include prohibiting local control of whether VLTs may be used.
- 27      **Video Lottery Terminals.**

**Subd. 1. Operation.** Requires all VLTs to be operated and controlled by the Director. VLTs must be owned or leased by the Director. Requires the Director to maintain VLTs, or contract with a Minnesota vendor to do so. Requires a central communications system, for control of VLTs. Specifies requirements for security and records for VLTS.

**Subd. 2. Testing and examination of machines.** Allows for testing and examination of different models of machines by the lottery director.

**Subd. 3. Deactivation of terminal.** Allows deactivation of machines without notice if retailers have violated any provision of this chapter.

- 28 Agreement by players.** Amends existing laws to clarify that a player is bound by the rules of the game if they play.
- 29 Payment; unclaimed prizes.** Requires requests for payment to be presented within 60 days of the date the receipt was printed. After this period, receipts are deemed unclaimed prizes, and further claims are moot.
- 30 Withholding of delinquent state taxes or other debts.** Adds VLT prizes over \$1,200 to this statute.
- 31 Odds; required information.** Requires odds for winning to be displayed on VLT screens or faces.
- 32 Prize fund.** Sets the winning percentage for VLTs at 80 to 95 percent.
- 33 Lottery operations.** Allows 12 percent of net terminal income to be used for lottery operations.
- 34 Deposit of receipts.** Adds VLTs to this statute.
- 35 Budget; plans.** Adds VLTs to the budget statute for the lottery budget.
- 36 Lottery ticket; retailer.** Adds VLTs.
- 37 Purchase by minors.** States that persons under age 21 may not play a VLT.
- 38 Sale to minors.** Sets the age of play at 21 for VLTs.
- 39 Restrictions.** Technical.
- 40 Recovery of money lost.** Adds VLTs.
- 41 Commitments for gambling debt void.** Adds VLTs.
- 42 Fraud.** Adds in counterfeiting VLT receipts as a fraud.
- 43 What are not bets.** Adds VLTs to existing criminal language.
- 44 Gambling device.** Excludes VLTs from prohibition on gambling devices.
- 45 State lottery.** Exempts VLTs from criminal prohibitions.

- 46      **Lottery budget; lottery video terminals.** Allows budgeting for operation of VLTs to proceed; clarifies budget submissions for this start-up.
- 47      **Repealer.** Repeals existing pull-tab and tipboard taxes; technical language.
- 48      **Effective date.** Makes this effective the day following final enactment.