

Sixty-first
Legislative Assembly
of North Dakota

SENATE BILL NO.

Introduced by

Senator Nething

1 A BILL for an Act to amend and reenact section 53-06.1-01, subsection 2 of section 53-06.1-12,
2 and section 53-06.1-12.3 of the North Dakota Century Code, relating to the definition of games
3 of chance, excise tax on licensed organizations, and interest penalty and estimated taxes on
4 licensed organizations.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1. AMENDMENT.** Section 53-06.1-01 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **53-06.1-01. Definitions.** As used in this chapter:

- 9 1. "Adjusted gross proceeds" means gross proceeds less cash prizes, cost of
10 merchandise prizes, bingo cards excise tax, pull tab excise tax, and federal excise
11 tax imposed under section 4401 of the Internal Revenue Code [26 U.S.C. 4401].
- 12 2. "Charitable organization" means an organization whose primary purpose is for
13 relief of poor, distressed, underprivileged, diseased, elderly, or abused persons,
14 prevention of cruelty to children or animals, or similar condition of public concern.
- 15 3. "Civic and service organization" means an organization whose primary purpose is
16 to promote the common good and social welfare of a community as a sertoma,
17 lion, rotary, jaycee, kiwanis, or similar organization.
- 18 4. "Closely related organization" means an organization that controls, is controlled by,
19 or is under common control with another organization. Control exists when an
20 organization has the authority or ability to elect, appoint, or remove a majority of
21 the officers or directors of another organization or, by policy, contract, or otherwise,
22 has the authority or ability to directly or indirectly direct or cause the direction of the
23 management or policies of another organization.

- 1 5. "Distributor" means a person that sells, markets, or distributes equipment designed
- 2 for use in the conduct of games.
- 3 6. "Educational organization" means a nonprofit public or private elementary or
- 4 secondary school, two-year or four-year college, or university.
- 5 7. "Eligible organization" means a veterans, charitable, educational, religious,
- 6 fraternal, civic and service, public safety, or public-spirited organization domiciled
- 7 in North Dakota, incorporated as a nonprofit organization, and which has been
- 8 regularly and actively fulfilling its primary purpose within this state during the two
- 9 immediately preceding years. However, an educational organization does not
- 10 need to be incorporated or be in existence for two years. An organization's primary
- 11 purpose may not involve the conduct of games. The organization may be issued a
- 12 license by the attorney general.
- 13 8. "Fraternal organization" means an organization, except a school fraternity, which is
- 14 a branch, lodge, or chapter of a national or state organization and exists for the
- 15 common business, brotherhood, or other interests of its members. The
- 16 organization must have qualified for exemption from federal income tax under
- 17 section 501(c)(8) or 501(c)(10) of the Internal Revenue Code.
- 18 9. "Games" means games of chance.
- 19 10. "Gross proceeds" means all cash and checks received from conducting games.
- 20 11. "Licensed organization" means an eligible organization licensed by the attorney
- 21 general.
- 22 12. "Manufacturer" means, for a pull tab or bingo card, a person who designs, prints,
- 23 assembles, or produces the product. For a pull tab or bingo card dispensing
- 24 device or bingo card marking device, a manufacturer means the person who
- 25 directly controls and manages development of and owns the rights to the
- 26 proprietary software encoded on a processing chip that enables the device to
- 27 operate.
- 28 13. "Net income" means gross proceeds less cash prizes, cost of merchandise prizes,
- 29 and expenses to conduct the gaming activity.
- 30 14. "Net proceeds" means adjusted gross proceeds less allowable expenses and gaming
- 31 tax.

1 ~~44.~~ 15. "Permit" means a local permit or charity local permit issued by a governing body of
2 a city or county to a nonprofit organization or group of people domiciled in North
3 Dakota.

4 ~~45.~~ 16. "Person" means any person, partnership, corporation, limited liability company,
5 association, or organization.

6 ~~46.~~ 17. "Prize board" means a board used with pull tabs to award cash or merchandise
7 prizes.

8 ~~47.~~ 18. "Public safety organization" means an organization whose primary purpose is to
9 provide firefighting, ambulance service, crime prevention, or similar emergency
10 assistance.

11 ~~48.~~ 19. "Public-spirited organization" means an organization whose primary purpose is for
12 scientific research, amateur sports competition, safety, literary, arts, preservation of
13 cultural heritage, educational activities, educational public service, youth, economic
14 development, tourism, community medical care, community recreation, or similar
15 organization, which does not meet the definition of any other type of eligible
16 organization. However, a nonprofit organization or a group of people recognized
17 as a public-spirited organization by a governing body of a city or county for
18 obtaining a permit does not need to meet this definition.

19 ~~49.~~ 20. "Religious organization" means a church, body of communicants, or group
20 gathered in common membership whose primary purpose is for advancement of
21 religion, mutual support and edification in piety, worship, and religious
22 observances.

23 ~~20.~~ 21. "Veterans organization" means any congressionally chartered post organization, or
24 any branch or lodge or chapter of a nonprofit national or state organization whose
25 membership consists of individuals who are or were members of the armed
26 services or forces of the United States. The organization must have qualified for
27 exemption from federal income tax under section 501(c)(19) of the Internal
28 Revenue Code.

29 **SECTION 2. AMENDMENT.** Subsection 2 of section 53-06.1-12 of the North Dakota
30 Century Code is amended and reenacted as follows:

2. Except as provided in subsection 3, in addition to any other tax provided by law and in place of sales or use taxes, there is imposed on a licensed organization an excise tax of four and one-half percent on the gross proceeds from the sale at retail of pull tabs and three percent on the gross proceeds from the sale at retail of bingo cards to final users. This includes pull tabs or bingo cards provided to a player in exchange for redeemed winning pull tabs or bingo cards. The tax must be paid to the attorney general when tax returns are filed.

SECTION 3. AMENDMENT. Section 53-06.1-12.3 of the North Dakota Century Code is amended and reenacted as follows:

53-06.1-12.3. Interest, penalty, and estimated tax.

1. Assessment of interest. ~~If an~~ a licensed organization does not pay tax due by the original date of a tax return, or if additional tax is due based on an audit or math verification of the return and it is not paid by the original due date of the return, the organization shall pay interest on the tax at the rate of twelve percent per annum computed from the original due date of the return through the date the tax is paid.
2. Assessment of penalty. ~~If an~~ a licensed organization does not pay tax due on a tax return by the original or extended due date of the return, or if additional tax is due based on an audit or math verification of the return and it is not paid by the original or extended due date of the return, the organization shall pay a penalty of five percent of the tax, or twenty-five dollars, whichever is greater. If an organization does not file a tax return by the original or extended due date of the return, the organization shall pay a penalty of five percent of the tax, or twenty-five dollars, whichever is greater, for each month or fraction of a month during which the return is not filed, not exceeding a total of twenty-five percent.
3. The attorney general may require a licensed organization to make monthly estimated gaming and excise tax payments if the attorney general determines that the organization is in poor financial condition. If an organization fails to pay any tax or estimated tax, interest, or penalty by the original due date or date set by the attorney general, the attorney general may bring court action to collect it and may suspend the organization's license. The attorney general may for good cause waive all or part of any interest or penalty and may waive any minimal tax.

- 1 4. If ~~an~~ a licensed organization has failed to file a tax return, has been notified by the
2 attorney general of the delinquency, and refuses or neglects within thirty days after
3 the notice to file a proper return, the attorney general shall determine the adjusted
4 gross proceeds and gaming and excise taxes due according to the best information
5 available and assess the taxes at not more than double the amount. Interest and
6 penalty also must be assessed.
- 7 5. The attorney general may authorize ~~an~~ a licensed organization to pay any
8 delinquent tax, interest, or penalty on an installment plan and may set any
9 qualifying conditions.