



North Dakota Legislative Council

Prepared for the Judiciary Committee
LC# 27.9182.01000
April 2026

OWNERSHIP OF ALCOHOLIC BEVERAGE ESTABLISHMENTS BY CHARITABLE GAMING ORGANIZATIONS STUDY - BACKGROUND MEMORANDUM

Section 2 of Senate Bill No. 2334 (2025) ([appendix](#)) directs the Legislative Management to study the ownership of alcoholic beverage establishments by licensed charitable gaming organizations. The study must include a review of the:

- Prevalence of the ownership of alcoholic beverage establishments by licensed charitable gaming organizations;
- Process of obtaining ownership of alcoholic beverage establishments, including the use of subsidiaries, partnerships, and organizations;
- Benefits and detriments of licensed charitable gaming organizations owning alcoholic beverage establishments; and
- Interaction between gaming manufacturers and distributors and licensed charitable gaming organizations.

BACKGROUND

Senate Bill No. 2334, as introduced, amended the definition of an alcoholic beverage establishment, for purposes of gaming, to include establishments licensed as a brewer taproom. The bill was amended in the House to include a study of the ownership of alcoholic beverage establishments by charitable gaming organizations. The standing committee discussed the increasing prevalence of charities owning an alcoholic beverage establishment either directly or through a subsidiary or affiliate. The committee expressed interest in studying the revenue gaming manufacturers and distributors receive from charitable gaming organizations, along with the incentives gaming manufacturers and distributors may offer to charitable gaming organizations to use their devices.

STATE LAW

Charitable Organizations and Gaming Licenses

Section 25 of Article XI of the Constitution of North Dakota allows the Legislative Assembly to authorize bona fide nonprofit veterans', charitable, educational, religious, or fraternal organizations, civic and service clubs, or other public-spirited organizations to conduct games of chance when the entire net proceeds of the games are devoted to educational, charitable, patriotic, fraternal, religious, or other public-spirited uses.

The Attorney General is responsible for determining whether an organization applying for a license is eligible to conduct gaming and issuing gaming licenses. North Dakota Century Code (NDCC) Section 53-06.1-01(9) defines an "eligible organization" in part as:

[A] veterans, charitable, educational, religious, fraternal, civic and service, public safety, or public-spirited organization domiciled in North Dakota or authorized by the secretary of state as a foreign corporation under chapter 10-33, incorporated as a nonprofit organization, and which has been regularly and actively fulfilling its primary purpose within this state during the two immediately preceding years.

The section also prohibits an eligible organization from having a primary purpose that involves conducting games of chance.

North Dakota Century Code Section 53-06.1-01 further defines each of the organizations referenced in the definition of an eligible organization. Although a "public-spirited organization" is a defined term for purposes of obtaining a license, a nonprofit organization recognized as a public-spirited organization by the governing body of a city or county for purposes of obtaining a permit does not need to meet the statutory definition.

In addition to meeting the definition of eligible organization, NDCC Section 53-06.1-03(2)(b) requires each organization applying for an annual license from the Attorney General to pay a fee of \$175 to the Attorney General for each city or county in which a gaming site is authorized. According to the most recent site license list published by the Attorney General's office on February 27, 2026, there were 940 active sites and 603 licenses issued. State law does not prohibit an eligible organization, its affiliates, or a closely related organization from owning, leasing, or operating an alcoholic beverage establishment.

Site Authorization

Before applying for a gaming license, an organization must obtain site authorization from the governing body of the city or county in which the proposed site is located. North Dakota Century Code Section 53-06.1-03(2) provides authority to the governing body of a city or county to approve the location of gaming sites. The governing body of a city or county may charge a fee of up to \$100 for a site authorization. The section allows a governing body to deny a site authorization for just cause or in accordance with an ordinance or a written policy, which may be more stringent than state law.

North Dakota Century Code Section 53-06.1-03(3) limits an organization to 10 electronic pull-tab devices at each site. The section also limits an eligible organization to operating a maximum of 15 sites, unless the organization was operating more than 15 sites before January 1, 2023.

Alcoholic Beverage Establishment

North Dakota Administrative Code (NDAC) Section 99-01.3-02-01(3) defines a bar as a retail alcoholic beverage establishment where alcoholic beverages are dispensed and consumed. The definition also provides a bar:

[D]oes not include off-sale liquor stores or gas stations, grocery, or convenience stores. A bar must be licensed under North Dakota Century Code chapter 5-02 and is devoted to the serving of alcoholic beverages for consumption by guests on the premises. The term includes a bar located within a hotel, bowling center, or restaurant.

The definition impacts the governance of electronic pull-tab devices because, under NDCC Section 53-06.1-06(1), the Attorney General may allow an employee of an alcoholic beverage establishment to provide limited assistance to an organization. Under NDAC Section 99-01.3-02-01(4), a "bar employee" is a person, employed by a bar that is not operated by an organization, who redeems credit ticket vouchers from an electronic pull-tab device. Without this authority, an organization's employee would have to be present to redeem credit ticket vouchers.

The Legislative Assembly enacted Senate Bill No. 2304 (2023), now codified in NDCC Section 53-06.1-01, which provides the definition for "alcoholic beverage establishment." The section defines an "alcoholic beverage establishment" as an establishment licensed under NDCC Section 5-01-21 or Chapter 5-02 where alcoholic beverages are sold, dispensed, and consumed by guests on the premises. The statute specifically excludes liquor stores, gas stations, grocery stores, and convenience stores from the definition of alcoholic beverage establishments.

North Dakota Century Code Section 53-06.1-03(3)(g) provides a grandfather clause allowing an organization to continue conducting gaming at a site, including with the assistance of a bar employee, if it was operating gaming at that site on January 1, 2023, regardless of whether the site meets the definition

of "alcoholic beverage establishment" under NDCC Section 53-06.1-01(2). State law does not prohibit a licensed organization or its affiliate from owning an alcoholic beverage establishment.

Gross Proceeds, Allowable Expenses, and Gaming Tax

There are three primary defined terms in NDCC Section 53-06.1-01 related to gaming revenue: gross proceeds, adjusted gross proceeds, and net proceeds.

- "Gross proceeds" means all cash and checks received from conducting games.
- "Adjusted gross proceeds" means gross proceeds less cash prizes, cost of merchandise prizes, gaming tax, and federal excise tax imposed under the Internal Revenue Code.
- "Net proceeds" means adjusted gross proceeds less allowable expenses and state gaming tax.

North Dakota Century Code Section 53-06.1-11 allows an amount equal to 60 percent of the adjusted gross proceeds per quarter to be deducted from the adjusted gross proceeds as allowable expenses. The allowable expense amount may be used for any purpose that does not violate gaming laws or rules. Allowable expenses do not include the state gaming tax, which is deducted separately.

Section 25 of Article XI of the Constitution of North Dakota requires the entire net proceeds of games of chance to be devoted to educational, charitable, patriotic, fraternal, religious, or other public-spirited uses. Net proceeds, which are 40 percent of the adjusted gross proceeds, may be used only as provided under NDCC Section 53-06.1-11.1 and the Administrative Code. Organizations are prohibited, under NDCC Section 53-06.1-11.1(3), from using net proceeds for the "erection, acquisition, property taxes, special assessments, improvement, maintenance, or repair of real property owned or leased by an organization unless the real property is used exclusively for an eligible use, by a fraternal or veterans organization, or for office or storage space." North Dakota Century Code Section 53-06.1-11(1) requires the disbursement of net proceeds to be reported quarterly to the Attorney General.

North Dakota Century Code Section 53-06.1-12 imposes a gaming tax on adjusted gross proceeds. The tax is 1 percent of adjusted gross proceeds of \$50,000 or less and \$500 plus 12 percent of adjusted gross proceeds exceeding \$50,000. The tax is remitted to the Attorney General for deposit in the Charitable Gaming Operating Fund.

Pull Tabs and Proceeds

North Dakota Century Code Section 53-06.1-01(22) defines a pull tab as "a folded or banded ticket or jar ticket, a pull tab card with break-open tabs, or an electronic pull tab displaying concealed numbers or symbols or combinations of concealed numbers and symbols which are exposed by a player to determine the outcome." In 2017, the Legislative Assembly enacted House Bill No. 1216, which added electronic pull-tab devices to the permissible games of chance that may be conducted by eligible charitable organizations. In the year prior to electronic pull tabs being authorized as a permissible game of chance, paper pull tabs generated \$156,066,959 in gross proceeds and \$33,637,571 in adjusted gross proceeds.¹ In the most recently reported year, 2025, electronic pull tabs generated \$2,312,210,717 in gross proceeds and \$243,684,014 in adjusted gross proceeds.² The following chart provides the annual amount of electronic pull tab gross proceeds and adjusted gross proceeds since the Legislative Assembly approved electronic pull-tab devices.³

¹ State of North Dakota Office of the Attorney General, *North Dakota Games of Chance Report of Activities Previous Annual Fiscal Year Reports 2015-2024* (2025).

² State of North Dakota Office of the Attorney General, *North Dakota Games of Chance Report of Activities Fiscal Year Ended June 2025* (2025).

³ State of North Dakota Office of the Attorney General, *North Dakota Games of Chance Report of Activities Previous Annual Fiscal Year Reports 2015-2024* (2025).

Year	Gross Proceeds	Adjusted Gross Proceeds
2025	\$2,312,210,717	\$243,684,014
2024	\$2,160,858,514	\$226,783,403
2023	\$1,962,626,556	\$205,162,771
2022	\$1,736,790,916	\$181,199,695
2021	\$1,355,306,571	\$140,859,797
2020	\$711,223,072	\$73,089,864
2019	\$349,653,609	\$35,853,184
2018	Not reported	Not reported

Rent Limits

North Dakota Century Code Section 53-06.1-11 limits the amount of rent an authorized site may charge to a licensed organization to house electronic pull-tab devices. The statute limits the monthly rent an authorized site may charge an organization to \$75 per machine for up to five machines at the same site. For each additional machine, the site may charge an additional \$75 but may not charge more than \$1,250 per month for all electronic pull-tab devices at a site. State law does not prohibit a licensed organization from paying rent to an authorized site the organization owns or is affiliated with.

Distributors and Manufacturers

The Attorney General licenses manufacturers and distributors of electronic pull tabs. North Dakota Century Code Section 53-06.1-14 requires a manufacturer of electronic pull-tab systems and devices to apply annually for a license and pay a fee of \$10,000. The section requires a distributor of electronic pull-tab systems and devices to apply annually for a license and pay a fee of \$2,000.

North Dakota Century Code Section 53-06.1-14 restricts a distributor from selling gaming equipment to an entity that is not a licensed organization or an organization that has a permit. The section also prohibits a licensed distributor from conducting gaming, being a licensed manufacturer or stockholder of a manufacturer, or being a wholesaler of liquor or alcoholic beverages. In addition to the statutory restrictions, the Administrative Code further restricts distributors and manufacturers. North Dakota Administrative Code Section 99-01.3-15-02 provides restrictions specific to distributors, including:

- Giving a gift, trip, prize, or other gratuity with a value of more than \$100 per employee per year to a licensed or permitted organization.
- Offering or providing anything of value to a licensed organization or gaming location site, lessor, agent, or representative as an incentive or inducement to locate, keep, or maintain any gaming equipment at the gaming site.
- Providing a discount or incentive to a licensed organization or gaming location site, lessor, agent, or representative for any nongaming item.
- Influencing a lessor's charitable gaming organization.
- Agreeing with another distributor to restrict the sales to a specific geographic area.

North Dakota Administrative Code Section 99-01.3-16-03 provides restrictions specific to manufacturers, including:

- Interfering with a lessor's relationship with an organization involved in a lease agreement or interfering with an organization's management practices.
- Giving a gift, trip, prize, or other gratuity valued singly or in the aggregate in excess of \$100 per employee per calendar year related to a licensed distributor or organization.
- Offering or providing anything of value to a licensed organization or gaming location site, lessor, agent, or representative as an incentive or inducement to locate, keep, or maintain any gaming equipment at the gaming site.

RECENT CHARITABLE GAMING ESTABLISHMENT LEGISLATION

The 69th Legislative Assembly passed several bills that impacted charitable gaming sites, most notably:

- Senate Bill No. 2288 (2025), which allows a veterans organization to use up to 20 percent of net proceeds per quarter for the costs of food and beverages incurred operating the veterans organization's club and allows a veteran's organization to operate one club in one location.
- Senate Bill No. 2334 (2025), which includes an establishment licensed as a brewer taproom in the definition of "alcohol beverage establishment," allowing an employee of the establishment to assist a licensed organization in conducting gaming.

PREVIOUS LEGISLATIVE STUDIES

2023-24 Interim

The 2023-24 interim Judiciary Committee studied charitable gaming in the state. The study considered the economic impact of charitable gaming on the state in urban and rural areas, the civic benefit of charitable gaming to the communities most closely related to the gaming sites, the manner in which site authorization is approved and renewed, and site locations where gaming is taking place. The study also reviewed charitable gaming proceeds and the eligible uses of gaming proceeds, the categories of organizations that are allowed to conduct charitable gaming, the location of gaming within a gaming site, and the rental rate paid by organizations to alcoholic beverage establishments. The committee recommended Senate Bill No. 2035 (2025) relating to the definition of a public-spirited organization, which was introduced but failed to pass.

STUDY APPROACH

In conducting its study of the ownership of alcoholic beverage establishments by charitable gaming organizations, the committee may wish to receive testimony from representatives of:

- The Attorney General's office;
- The North Dakota Association of Counties;
- The North Dakota League of Cities;
- Municipal licensing authorities;
- Charitable organizations; and
- Gaming manufacturers and distributors.

ATTACH:1