

# Department of Liquor Control (DRAFT) Break-Open Ticket Proposal 1/14/2013

## History & Rationale

### History

- Definition: Break-open-ticket- means a lottery utilizing a card or ticket of the so called pickle card, jar ticket or break open variety commonly bearing the name "Lucky 7, "Nevada Club," Victory Bar," "Texas Poker," "Triple Bingo," or any other name.
- Who Regulates- Tax Department
- Who sells: Manufacturer, Wholesaler,
- Who Buys: Non Profit, Retailer, End User
- Legislative Attempts at Change: 1985 to move tickets under Lottery Commission

### Rationale

- Untapped Revenue Source
- Limited regulation and enforcement
- Win-win for non profits
- Easy transition to Liquor Control-licensing, regulation, enforcement.
- DLC currently licenses all of these organizations-liquor licenses.

## PROBLEMS

### Problems

- Manufacturers not required to report.
- Distributors inconsistent/limited reporting.
- Distributors are inconsistent collecting sales tax.
- Distributors have no restrictions on employing felons.
- Distributors are not required to furnish proof of non-profit status at time of sale.
- Distributors are not required to report purchases from manufacturers.
- Resources - tax department has limited resources to monitor the program and only monitors for the quarterly wholesaler invoices compliance.
- No rules governing break-open tickets have been adopted by the Tax Department (amended 1992).

- Fraud – without regulations/enforcement easy to money launder and falsify non-profit beneficiary – leaving the non-profit victimized and loss of a funding source.
- Clubs prohibited from using money (must be paid out to charities, religious, civic, educational).
- Revenue is sub par compared to nearby states.
- Enforcement difficult – under current law the tax department gathers the data and is limited on the information that can be shared. This makes it difficult to have any flags that quickly identify wrongdoers.

## Proposal

### Proposal

- Licensing, Regulation, and Enforcement be moved to Department of Liquor Control after passage of proposed legislation.
- Licensing fees be increased for manufacturer and distributor to cover costs of regulation and enforcement. New Investigator position to funded out of these fees with enforcement duties focused on games of chance only.
- Per-ticket fee structure as new revenue source. A 10% surcharge on each ticket sold to be paid by the end user.
- Revenue stream of potentially \$17million or more.
- Consistent collection of new revenue.
- Standardized reporting of both manufacturers and distributors.
- Allow Clubs/non-profits to use funds in the day to day operation of the organization.
- Allow bars that sell tickets for non profits to receive a percentage of the profits from the non profit for selling the tickets.
- Establish regulations/controls as used successfully in neighboring states.
- Following what other states are doing by using these monies to fund state level programs.



Michael J. Hogan  
Commissioner of Liquor Control  
01/14/2013