

SECTION III - REGISTERED DISTRIBUTORS

Registration Requirements and Process

A business is required to register as a Bingo Distributor with the Kansas Department of Revenue if it sells or distributes disposable paper bingo cards (faces) or instant bingo tickets (pull-tabs) to organizations in Kansas which are licensed to conduct bingo games. [K.S.A. 79-4712a(a)]

A registration certificate will not be issued if any person who is an owner, manager or employee has, within five (5) years prior to application, been convicted of any felony or illegal gambling activity. [K.S.A. 79-4712a(c)]

The following steps are required to register as a bingo supplies distributor:

- Obtain an Application for Initial Registration of Bingo Distributor (Form BI-158) and instructions from the Bingo Administrator.
- Complete and submit the Application.
- Pay an application fee of \$500.00 by check or money order. [K.S.A. 79-4712a(b)]
- Pay a tax bond of \$1,000 by separate check or money order. [K.S.A. 79-4704(d)]

Upon approval, each distributor will be assigned a registration number and issued a Kansas Bingo Distributor Registration Certificate.

Registration certificates expire on June 30 of each year and must be renewed annually. [K.S.A. 79-4712a(b)] Renewal applications are mailed out each May and should be completed and returned to the Kansas Department of Revenue by early June to assure processing and approval prior to June 30.

Instant Bingo Ticket (Pull-tab) Requirements

All instant bingo tickets must be sold in boxes which are sealed by the manufacturer. The manufacturer may be a distributor which opens the box, adds some printing to each ticket, and re-seals the box. Each game of instant bingo tickets must have a unique serial number stamped or printed on each ticket in the game. Each serial number cannot be repeated on the same manufacturer's form number less than once every three years. Each game must pay out prizes of at least 60% of the total retail sales price of the tickets in that game. [K.S.A. 79-4706(x)]

Each game of instant bingo tickets sold or distributed to licensees must be accompanied by a flare which contains the following information

- Name of the game
- Manufacturer's name or logo
- Game form number
- Number of tickets in the box
- Prize structure for the game (number of winners and the winning symbol or number combination)
- Cost per ticket
- Game serial number
- A list of the winning numbers or symbols for the top three tiers set out in such a manner that each prize may be marked off as the prize is won and awarded
- Business name of the distributor
- Kansas license number of the licensee to which it is sold [K.S.A. 79-4706(y)]

Record Keeping Requirements

Distributors are required to maintain for a period of at least three years all records of bingo cards, faces, and instant bingo tickets (pull-tabs) sold to licensed organizations. These records must be made available for inspection by any authorized representative of the Bingo Administrator. [K.S.A. 79-4712a(d)]

Regulation

Regulation of bingo is accomplished by the Kansas Department of Revenue in several ways. All are intended to make certain that the bingo supplies sold meet the requirements in the bingo statutes and regulations. They also are intended to make certain that each is paying their fair share of taxes. Regulation includes:

- Providing educational materials such as this handbook
- Conducting educational workshops
- Audits by department auditors

Compliance reviews may be conducted by Compliance Field Agents. Their primary responsibility is to assist you in becoming or remaining compliant with regulations and tax obligations. During a review, the field agent will do the following, as applicable:

- Answer your questions
- Determine if all state taxes are current
- Request a refund of state taxes if you have submitted too much
- Discuss payment arrangements if you have an outstanding tax liability
- Make certain you are calculating your taxes correctly and paying the correct amount
- Identify areas where you are not compliant
- Solicit a plan of action for coming into compliance, if required
- Determine an appropriate period of time to institute the plan of action
- Complete a report which is maintained as part of your record
- Provide you with a copy of the report

The Kansas Department of Revenue may periodically audit a distributor's records and returns filed to assure that all taxes are being properly collected and remitted as required by law. An audit generally covers the previous three years unless extended by written agreement between the distributor and the department. Prior to an audit, a distributor will receive a letter from the department indicating that the distributor has been selected for an audit. The Auditor will make an appointment to begin the audit. During the first meeting, the auditor will review the distributor's business practices, the accounting system used, and other related matters. The auditor will make every effort to minimize the disruption of the distributor's business activities.

Legal Consequences of Violations

A distributor registration may be revoked or suspended and/or a fine imposed for the following reasons:

- Giving false information when obtaining the license or registration certificate.
- Violation of provisions of the bingo act or rules and regulations relating to bingo. [K.S.A. 79-4707(a)]

A revocation or suspension and/or fine is imposed after notice is given to the registrant and the opportunity for a hearing is provided as specified in the Kansas Administrative Procedures Act. Revocations may be imposed for a minimum of six months and a maximum of twelve months. Suspensions may be imposed for up to twelve months. [K.S.A. 79-4707(a) and (b)] The maximum fine for each violation is \$500. [K.S.A. 79-4713(a)]

Collection and Payment of Bingo Enforcement Taxes with Monthly Returns

Each distributor is required to collect the bingo enforcement taxes on all disposable paper faces and instant bingo tickets sold to licensees within Kansas. [K.S.A. 79-4704(b) and (c)]

The tax on disposable paper faces is \$.002 per face sold to the licensed organization. Thus, if a case of paper containing 18,000 faces is sold, the enforcement tax on that case is \$36.00. The tax must be listed as a separate item for each series or case of paper faces listed on the invoice when the licensee is billed by the distributor. [K.S.A. 79-4704(b)]

The tax on instant bingo tickets is 1% of the total face amount of the tickets in each game sold to the licensed organization. Thus, if a game of instant bingo tickets contains 900 tickets which are to be sold for 50 cents each, then the tickets will be sold to the public for a total of \$450. The enforcement tax on that game 1% of \$450 or \$4.50. The tax must be listed as a separate item for game of instant bingo listed on the invoice when the licensee is billed by the distributor. [K.S.A. 79-4704(c)]

The Department will mail a tax return form (Form BI-4) to each registered distributor at the end of each month. The return and the taxes due must be remitted to the Kansas Department of Revenue by the 25th day of the month following the month when the call bingo faces or instant bingo tickets (pull-tabs) were sold to licensed organizations.