



Ninety-Eighth Legislature - First Session - 2003
Introducer's Statement of Intent
LB 782

Chairperson: Ray Janssen
Committee: General Affairs
Date of Hearing: March 10, 2003

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB 782 changes the name of the Nebraska Lottery and Raffle Act to the Nebraska Raffle Act. It repeals the Small Lottery and Raffle Act and incorporates licensing of small lotteries and raffles into the Nebraska Raffle Act. In general, the bill restructures raffle licenses by changing how licensing is determined, providing for two classes of licenses and exempting certain raffles from being licensed or paying taxes. It also makes other changes to the act including; determining qualified applicants, removing the requirement of a utilization of funds member, removing payout restrictions, and exempting the first \$5,000 of gross proceeds from taxes. The bill includes an operative date of October 1, 2003.

Specifically, LB 782 removes the distinctions between lotteries and raffles, currently raffles have 80% merchandise prizes and lotteries are primarily cash prizes. The bill removes these distinctions and refers to them all as raffles. In other words, a “raffle” could award either cash OR merchandise prizes. Nebraska is currently the only state that makes these distinctions between charitable “raffles” and “lotteries”.

Exempt raffles would not require a license, not be subject to taxation, and would not be required to be reported. Exempt raffles would be conducted by nonprofit organizations and would have to meet certain criteria.

A Class I license allows an organization to conduct up to three raffles per year for a fee of \$15. They can pay \$5 for each additional raffle conducted that year. It allows the organization to conduct a raffle where the tickets are not more than two dollars, no single prize is more than \$500, and the aggregate value of all prizes does not exceed \$5,000 per raffle. A Class II license allows an organization to conduct one raffle for a fee of \$35. The license allows the organization to conduct a raffle where the raffle ticket price exceeds \$2 per ticket, a single prize offered is more than \$500 in value, or the aggregate value of all prizes exceeds \$5,000. Raffle licenses will be event based and not be renewable. The eighteen years of age participation restriction applies to Class II licenses except they can continue to receive a special permit to exempt them from this requirement.

LB 782 removes the requirement that an organization designate a utilization of funds member and pay for a license for them. The utilization of fund member is replaced with a raffle chairperson who is responsible for overseeing the raffle. There is not a cost or license for a raffle chairperson.

The bill broadens the eligibility criteria to be a qualified applicant. It removes the requirement that they have 10 members in good standing and instead requires that they have a “bona fide” membership actively engaged in furthering a lawful purpose or have a board of directors authorized by its constitution, articles, charter or bylaws to conduct the affairs of the organization. It goes on to state that a society defined in section 21-608 may qualify even though they are not incorporated in this state. The bill changes the requirements of the application to include the new licensing changes.

LB 782 clarifies the allowable expenses by adding that expenses must be in connection with the raffle. It removes the requirement that not less than 65% of gross proceeds of a raffle must be used for awarding prizes. It requires Class II licensees to use not more than 10% of gross proceeds to pay the allowable expenses of the raffle, but license and permit fees, the tax on gross proceeds, and the costs of prizes are not included when determining compliance with the limitation on expenses.

It changes the tax on gross proceeds so that it does not apply to the first \$5,000 in proceeds and that the tax will be collected within 30 days of the end of the month in which the winners for the raffle are determined rather than requiring organizations to fill out quarterly returns. It eliminates the authority for local municipalities to tax, regulate, or control raffles.

The bill removes the restriction on the number of special permits that an organization can receive. The special permit will allow an organization to conduct a raffle without meeting the age requirements, therefore it is only needed by Class II licensees.

LB 782 no longer requires a licensed organization to obtain a special permit to conduct a duck race (alternative method of winner determination). The bill allows the department the authority to approve alternative methods of winner determination so long as the method incorporates the selling of sequentially numbered tickets to participants and random selection of winners.

Finally, the bill creates a penalty for a second offense of conducting a raffle without a license under 9-422, so it would be a Class I misdemeanor for a second or subsequent offense.

Principal Introducer:

_____ **Senator Ray Janssen**