

**RULES
OF
TENNESSEE DEPARTMENT OF STATE
DIVISION OF CHARITABLE SOLICITATIONS
CHARITABLE GAMING SECTION**

**CHAPTER 1360-03-03
PROCEDURES FOR OPERATING CHARITABLE GAMING EVENTS**

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1360-03-03-.01 DEFINITIONS.

- (1) “Amended annual event application” means those items of information submitted to the Secretary for the purpose of revising, correcting, adding to, or otherwise supplementing an annual event application in order to meet the requirements of the Tennessee Charitable Gaming Implementation Law.
- (2) “Conformed copy” A conformed copy is a copy that agrees with the original and all amendments to it. If the original document required a signature, the copy shall contain the signatures and dates as shown on the originals. A certificate of incorporation shall be date stamped and show approval by an appropriate state official.
- (3) “Compensation” for purposes of T.C.A. § 3-17-103(a)5(A)(i)(b) means anything of value received as a result of work performed on behalf of a §501(c)(3) organization, including, but not limited to, tips, reductions, and waivers of fees.
- (4) “Directors or officers of the organization” for purposes of T.C.A. §3-17-104 (a)(12) means the entire slate of members of the governing body of an organization. An executive committee or subcommittee of a governing board shall not qualify as the directors or officers of the organization, unless the organization’s by-laws authorize an executive committee to act on behalf of the full board.
- (5) “Fair Market Value” means a price at which an unrelated buyer and seller would agree to a transaction; a valuation that is reasonable to all parties involved in a transaction, none of which are under a compulsion to buy or sell while having a reasonable knowledge of the relevant facts.
- (6) “Games of chance associated with casinos” includes casino night parties (also known as “Vegas Nights”, “Las Vegas Nights”, “Monte Carlo Nights”)
- (7) “Notice”, unless otherwise indicated, shall mean a written communication forwarded by U.S. mail, certified return receipt requested.
- (8) “Operate” means

(Rule 1360-03-03-.01, continued)

- (a) To run or control, directly or indirectly, the functioning of an annual gaming event;
 - (b) To bring about a desired or proper effect including, but not limited to, planning, promoting, advertising, marketing, authorizing or entering into agreements, purchasing supplies, telephone services, gaming records or devices, buying or leasing services, facilities or locations, printing of materials and tickets, shares, chances or similar records and the transporting of such records and other devices;
 - (c) To conduct the affairs of an event including, but not limited to, on-site or off-site management;
- (9) "Organizational document" shall mean the record that establishes the organization as a legal entity and shall include, but not be limited to, a certified copy of the Articles of Incorporation (or charter), constitution, or trust agreement.
- (10) "Physical Presence" means an organization has a tangible office established and located within the state of Tennessee where regular business within the organization's stated mission is transacted. The existence of a post office mailing address or drop box location is not sufficient to create a physical presence.
- (11) "Pull-tab" means gaming pieces used in a game of chance that are made completely of paper or paper products with concealed numbers or symbols which must be exposed by the player to determine wins or losses. Pull tabs may also be known as break-opens, hard cards, banded tickets, jar tickets, pickle cards, Lucky Seven Cards, Nevada Club tickets, instant bingo cards.
- (12) "Secretary" means the Secretary of State or the Secretary's authorized representative.

Authority: T.C.A. §§3-17-102(A), 3-17-102(8)(A), 3-17-103(a)(3)(B)(i), 3-17-103(a)(5)(A)(i)(a), 3-17-103(a)(5)(B)(i), 3-17-103(d)(1)(B), 3-17-104 (a)(12), 3-17-105(d)(2)(B), and 3-17-115(a). **Administrative History:** Original rule filed October 7, 2005; effective February 28, 2006.

1360-03-03-.02 APPLICATION SLIDING FEE SCALE.

An application to hold an annual gaming event shall be submitted with the appropriate filing fee according to the organization's gross revenue for the annual event based on the following scale:

Event Gross Revenue	Filing Fee
\$0.00 to \$5,000.00	\$150.00
\$5001.00 to \$10,000.00	\$300.00
\$10,001.00 to \$20,000.00	\$450.00
over \$20,001.00	\$600.00

Authority: T.C.A. §3-17-115(a) and Chapter 207 § 14 of the Public Acts of 2005. **Administrative History:** Original rule filed October 7, 2005; effective February 28, 2006.

1360-03-03-.03 APPLICATIONS FOR AUTHORIZATION TO HOLD AN ANNUAL GAMING EVENT - TIME TO SUBMIT APPLICATIONS.

- (1) Application Period. An application for authorization to hold an annual gaming event shall be submitted beginning July 1 and ending December 31 of each year.
- (2) Last Date to File. When the first or last day to file an application is a non-business day (e.g., weekend, holiday), the first or last day to file is the first business day immediately following

(Rule 1360-03-03-.03, continued)

the date established by statute. (Example: July 1, the first day to file an application, is a Sunday. The first filing day is the first business day following Sunday.)

- (3) Timely Filing. The postmark date on the annual event application shall determine whether an amendment is timely filed. An application submitted beyond the time set forth in the Act shall be automatically rejected.
- (4) Incomplete application. An application that does not comply with the provisions of the Act shall be rejected. The Secretary shall notify the applicant of the reasons for rejection of the application. Corrections to a deficient application shall be submitted no later than 12:00 noon, February 1 in the year subsequent to the filing of the application. If this date falls on a non-business day, the last day to file an amendment shall be 12:00 noon the last business day preceding the deadline date.

Authority: T.C.A. §§ 3-17-103 (a)(1)(c), 3-17-105(a)(1), 3-17-105(d)(2)(B), 3-17-115(a), and Chapter 207 §§ 3 and 9 of the Public Acts of 2005. **Administrative History:** Original rule filed October 7, 2005; effective February 28, 2006. Amendment to rule filed January 14, 2009; effective May 29, 2009.

1360-03-03-.04 PROOF OF ACTIVE AND CONTINUOUS EXISTENCE.

- (1) Acceptable Proof. In addition to the requirements set out in Public Chapter 476, as amended, §3-17-101 et. seq., an organization may submit as proof of its continuous and active existence, including, but not limited to, the following types of information:
 - (a) A copy of the last five (5) annual Forms 990, 990-EZ, or 990-PF filed with the Internal Revenue Service for the five (5) year period immediately preceding the date of application;
 - (b) If the organization is a corporation, a copy of the last five (5) annual reports filed with the Secretary's Business Services Division for the five (5) year period immediately preceding the date of application;
 - (c) Copies of the organization's written authorization to conduct charitable solicitation for the five (5) year period under consideration and which covers the five (5) year period immediately preceding the date of application.
 - (d) Copies of published annual reports of the organization for the five (5) year period under consideration and which covers the five (5) year period immediately preceding the date of application;
 - (e) Copies of audited financial statements prepared by an independent certified public accountant and which covers the five (5) year period immediately preceding the date of application;
 - (f) Copies of minutes of annual meetings duly recorded and attested to by the secretary of the organization and which covers the five (5) year period immediately preceding the date of application;
 - (g) Copies of grant approval and continuation notices received by the organization and which covers the five (5) year period immediately preceding the date of application; and/or
 - (h) Copies of printed advertisements for the organization showing the date of publication of the advertisement and which covers the five (5) year period immediately preceding the date of application.

(Rule 1360-03-03-.04, continued)

- (2) **Multiple Forms of Proof.** An organization may submit copies of documents from two or more types as indicated above, so long as documents cover the five (5) year period immediately preceding the date of application. (Example: Organized in 1995, organization was not required to file IRS Form 990 until Year 2001. An annual event application is filed July 1, 2004. It may submit Forms 990 for years 2001, 2002, 2003 and annual reports filed with Business Services Division for years 1999 and 2000.
- (3) **Authentic Documents.** Acceptable documents must be authentic, genuine or bona fide documents. Copies of documents must be conformed copies.

Authority: T.C.A. § 3-17-104(a)(6) and 3-17-115(a). **Administrative History:** Original rule filed October 7, 2005; effective February 28, 2006.

1360-03-03-.05 PROOF OF 501(C)(3) TAX EXEMPT STATUS AND PURPOSE(S).

- (1) **Chapters or Affiliates.** An organization which is a chapter or affiliate operating under a Section 501(c)(3) group exemption must have its own federal employer identification number and shall submit the following documents in support of its tax exempt status:
 - (a) The Letter of Determination of the parent organization assigned by the Internal Revenue Service which includes the group's 4-digit tax exemption number;
 - (b) A list of all chapters and affiliates under the group exemption as submitted by the parent organization to the Internal Revenue Service, including the federal tax identification number and physical address of each chapter or affiliate;
 - (c) A written statement from the parent organization that the applicant is in good standing with the parent organization;
 - (d) A properly executed Affidavit of the organization's 501(c)(3) status [Secretary of State Form SS-6060]; and,
 - (e) A copy of the organizational document.
- (2) **Recognition Prior to 1969.** An organization recognized as exempt from federal income taxation by the Internal Revenue Service prior to October 9, 1969, that would otherwise qualify as a 501(c)(3) organization shall, in addition to the requirements of T.C.A. §3-17-103, submit the following documents in lieu of IRS form 1023 in support of its tax exempt status/purpose(s):
 - (a) A detailed narrative of all of the activities of the organization. List each activity in order of importance based on the relative time and resources devoted to the activity. Indicate the percentage of time for each activity; and
 - (b) A Statement of Revenue and Expenses for the five (5) years immediately preceding the period under consideration.

Authority: T.C.A. § 3-17-102(1), 3-17-104(a)(6), and 3-17-115(a); and Internal Revenue Code § 501. **Administrative History:** Original rule filed October 7, 2005; effective February 28, 2006. Amendment filed January 14, 2009; effective May 29, 2009.

1360-03-03-.06 ACTION BY BOARD OF DIRECTORS.

- (1) Executive Committee Vote. If the organization's by-laws do not authorize an executive committee to act, the minutes shall reflect approval in accordance with the charter or by-laws.
- (2) Affidavit in Lieu of Minutes. In lieu of regular or special minutes of the board of directors, an organization shall submit an affidavit (Secretary of State Form SS-6062) indicating the date of the meeting, the total number of directors or trustees present, and the number casting an affirmative vote to operate a gaming event. The affidavit must bear the notarized signatures of all members of the governing body, whether or not a member attended the meeting or voted in the affirmative to operate an event.

Authority: T.C.A. §§ 3-17-104(a)(10), 3-17-104(a)(12), 3-17-104(a)(12)(A) and (B), 3-17-115(a) , and Chapter 207 § 10 of the Public Acts of 2005. **Administrative History:** Original rule filed October 7, 2005; effective February 28, 2006. Amendment filed January 14, 2009; effective May 29, 2009.

1360-03-03-.07 APPLICATION CORRECTION AND AMENDMENT PROCESS.

- (1) Application Correction. The division will notify each organization of any deficiencies in the application. The organization must correct any deficiencies in or make any changes to the application by February 1. Pursuant to T.C.A. § 3-17-105(b)(2), the Secretary does not have authority to accept an annual event application change after February 1 of the annual event period.
- (2) Amendment Process. After February 1 of each year, the organization may amend its application in the following manner and circumstances.
 - (a) Date Changes. To change an annual event date, the organization must file an Amendment Form, SS-6065, with the Division requesting the new date of the annual event. Pursuant to T.C.A. § 3-17-103(d)(1)(A), the new date must be within twenty-eight (28) days of the original date listed on the application. The twenty-eight (28) day period may be counted prior to or after the event date listed in the approved application.
 - (b) Location Changes. If an organization's approved location listed in the event application becomes unavailable on the event date, the organization may change the location of the event by filing an Amendment Form, SS-6065, with the Division stating the reason for unavailability and the address of the new location.
 - (c) Notifying Law Enforcement. The organization must notify the Tennessee Bureau of Investigation, and the district attorney general for the judicial district in which the event is conducted. The organization must also provide sufficient public notice in accordance with T.C.A. § 3-17-103(B)(ii).

Authority: T.C.A. § 3-17-103(a)(3)(B)(i) and (iii), 3-17-103(d)(1)(B), 3-17-105(b)(1) and (2), 3-17-105(d)(2)(B), 3-17-103(a)(3)(C)(i)-(iii), 3-17-103(d)(A) and (B)(i)-(ix), and 3-17-115(a); and Chapter 207 § 15 of the Public Acts of 2005. **Administrative History:** Original rule filed October 7, 2005; effective February 28, 2006. Amendment filed January 14, 2009; effective May 29, 2009.

1360-03-03-.08 CONDUCT OF THE GAMES.

- (1) Advertising. Nothing in the act shall be construed as prohibiting an organization from accepting donations of advertising services. For purposes of the Act and these rules, however, granting permission to post flyers for an event on the premises of a vendor shall not be construed as donating advertising services.

(Rule 1360-03-03-.08, continued)

- (2) **Ticket Sales and Sale of Similar Records.** Persons under the age of eighteen (18) are prohibited from selling or purchasing tickets and similar records for charitable gaming activities.
- (3) **Officer(s) Responsible for Gross Receipts.** The authorized organization shall duly designate an officer/officers of said organization to be in full charge and primarily responsible for the proper accounting, use and disposition of all gaming event receipts. The name of each officer shall appear on the list required under T.C.A. § 3-17-104 (a) (20) and (21).
- (4) **Payment of Workers Prohibited.** No commission, salary, compensation, reward, recompense, reimbursement of expenses, or gift or other consideration shall be paid directly or indirectly, to any person for conducting or assisting in the conduct of any annual gaming event except as hereinafter provided for bookkeepers or accountants who assist by rendering their professional services. No tip, gratuity or gift or other consideration shall be given or accepted by any person conducting or assisting in the conduct of an annual gaming event either directly or indirectly.

Authority: T.C.A. §§ 3-17-103(a)(5)(A)(i)(a),(b), 3-17-103(a)(5)(B)(i), 3-17-104(a)(20)-(21), 3-17-115(a), and 39-17-602 through 39-17-603. **Administrative History:** Original rule filed October 7, 2005; effective February 28, 2006. Amendment filed January 14, 2009; effective May 29, 2009.

1360-03-03-.09 CRIMINAL BACKGROUND CHECKS.

- (1) **Effective Date.** Beginning July 1, 2005, criminal background checks conducted by the TBI may be required by the Secretary.
- (2) **Persons Subject to Criminal Background Checks.** Fingerprint-based criminal background checks may be required of officers, directors, trustees, staff and any person operating an annual event on behalf of a 501(c)(3) organization. Persons who do not receive any compensation for their duties associated with the 501(c)(3) organization shall not be subject to criminal background checks.
- (3) **Criteria for requiring Criminal Background Checks.** Upon a determination by the Secretary that a criminal background check is required of a person in connection with an annual gaming event held by a 501 (c) (3) organization, the application of such organization shall not be considered until such background check has been completed and the results of the background check are received in the office of the Secretary of state. In the event that information is revealed in the background check which would be a violation of a provision of the Act, the Secretary shall give notice to the affected organization and allow them an opportunity to cure the disqualifying situation by disassociating such person or persons from taking any action on behalf of such organization. The organization shall submit to the Secretary, an affidavit, signed by the chief operating officer and the treasurer of the organization, setting forth what action has been undertaken by the organization to disassociate the individual/ individuals.
- (4) **Procedure for Obtaining Criminal Background Checks.** Upon notification by the Secretary that a criminal background check is required, the person notified shall take immediate steps to secure the background check. Persons who receive a request from the Secretary to submit to a criminal background check shall contact the then current state of Tennessee fingerprinting service to obtain information on the proper location and procedure for having the background check run. The current vendor for the state of Tennessee is Sylvan Identix Fingerprinting Centers. The toll free number is 1-866-226-2937. Persons must provide identifying information, the reason for being printed and name of the "Division of Charitable Solicitations, Charitable Gaming Section" as the entity for whom the prints are requested.

(Rule 1360-03-03-.09, continued)

Background checks will include data from a dual TBI & FBI search. At the time of the printing, the person must provide identification to verify his/her identity. A driver's license, passport, military ID or similar identification should be provided. The applicant shall be responsible for paying all costs associated with obtaining a criminal history background check.

The results of the background search will be provided directly to the Secretary of State's Division of Charitable Solicitations, Charitable Gaming Section. Results of background checks may be challenged by contacting the TBI. A form is available for download from the TBI web site at www.tbi.state.tn.us or by contacting the TBI directly.

- (5) Information from Law Enforcement Agency. The Secretary may require a criminal background check on any person based upon information received from a local, state or federal law enforcement agency indicating a violation of the law involving theft, misappropriation of funds, or any matter which would impact the legitimate operation of an annual gaming event. For purposes of this provision, law enforcement agency shall include the Internal Revenue Service.
- (6) Denial of Application to Conduct Annual Gaming Event. The Secretary may deny an application to operate an annual gaming event based upon the results of a criminal background check. In addition, the Secretary may impose a civil penalty if the background check shows a violation of the Charitable Gaming Implementation Law.

Penalties shall be determined based upon the rules for disqualification located below at section 1360-03-03-.14.

Authority: T.C.A. § 3-17-114(a)-(c), 3-17-114(e)(1)-(2), and 3-17-115(a). **Administrative History:** Original rule filed October 7, 2005; effective February 28, 2006.

1360-03-03-.10 ACCOUNTING PROCEDURES.

- (1) Records:
 - (a) Record Keeping. Accurate records shall be kept by each authorized organization in a manner which shows in detail the amount and source of gross receipts, the expenses incurred and the name and address of each person receiving a prize over fifty (\$50.00) dollars and the value of the prize. Prize information shall be reported on the Acknowledgement of Prize Winner form (SOS Form SS 3037).
 - (b) Access to Records. The Secretary of State, the Attorney General and Reporter and the Tennessee Bureau of Investigation or their authorized agents or representatives shall at all times have access to all books and records of any authorized organization for the purpose of examining and checking them.
 - (c) Period of Retention of Records. All records, books of account, bank statements and all other papers related to the operation of an annual gaming event shall be retained and available for inspection by the Secretary of State and the Tennessee Bureau of Investigation or their authorized agents or representatives for a period of at least five (5) years after the date of the annual gaming event to which they relate.
 - (d) Payment of Allowable Expenses. Money for reasonable and necessary expenses may be paid from gross receipts only by checks having preprinted consecutive numbers drawn on the organization's account. Said checks must be made payable to the specific person providing the goods or rendering the service which gives rise to the expense item and at no time may checks be payable to "cash" or "bearer".

(Rule 1360-03-03-.10, continued)

- (e) Prizes, Donated Prizes, Goods, or Services. The organization shall disclose the fair market value of all prizes, goods and services as revenue (cash or in-kind) on the Financial Accounting form (SOS Form SS-6066).
- (2) Reporting. All organizations must file a financial report with the Division on forms approved by the Division. If the organization grosses more than fifty thousand dollars (\$50,000) in revenue, the organization must also complete an audit of the annual event in accordance with T.C.A. § 3-17-106(c).

Authority: T.C.A. § 3-17-103(a)(5)(B)(i), 3-17-106(a), 3-17-106(b)(1)-(4), 3-17-106(c)(1)-(4), 3-17-108(a)(1)-(2), and 3-17-115(a). **Administrative History:** Original rule filed October 7, 2005; effective February 28, 2006. Amendment filed January 14, 2009; effective May 29, 2009.

1360-03-03-.11 PROOF THAT EVENT PROCEEDS WERE USED FOR A CHARITABLE PURPOSE.

Documentation to prove that event proceeds were used for a charitable purpose may include:

- (1) Cancelled checks which state the purpose of the payment and which are endorsed by and identify the payee shall be one form of acceptable documentation;
- (2) Signed and attested board minutes.
- (3) A copy of the organization's balance sheets and monthly statements should be provided to substantiate that funds have been earmarked.

Authority: T.C.A. § 3-17-104(a)(19), 3-17-106(c)(2), and 3-17-115(a). **Administrative History:** Original rule filed October 7, 2005; effective February 28, 2006. Amendment filed January 14, 2009; effective May 29, 2009.

1360-03-03-.12 DISQUALIFICATIONS/CIVIL PENALTIES.

- (1) Any violation of the Tennessee Charitable Gaming Implementation Law shall be a basis for disqualification or the imposition of civil penalties. Civil penalties may be assessed for the violation of either civil or criminal provisions of the Act.
- (2) Upon concluding that an organization violated any provision of T.C.A. § 3-17-101 et seq., pursuant to T.C.A. § 3-17-113(a), the Secretary of State shall notify the registrant of his intent to disqualify the organization or assess a civil penalty. The notification shall contain the reasons for the action and shall inform the organization of its right to request an administrative hearing within thirty (30) days of receipt of the notification. The disqualification or penalty shall become effective thirty (30) days after receipt of the notification unless a request for an administrative hearing is received by the Secretary of State before the expiration of the thirty (30) days. If a hearing is requested and the disqualification or penalty is upheld, the action shall become effective upon the service of the final administrative decision on the organization.
- (3) The hearing shall be held before an administrative law judge from the Administrative Procedures Division of the Tennessee Department of State and conducted pursuant to the Uniform Administrative Procedures Act, T.C.A. § 4-5-101 et seq. and Rule 1360-04-01-.14, Uniform Rules of Procedure for Contested Cases of State Agencies.

(Rule 1360-03-03-.12, continued)

- (4) An organization that loses its tax exempt status shall be ineligible to hold an annual gaming event. The years for which the tax exempt status was not in effect shall not be countable as part of the period of active and continuous operation. If the Internal Revenue Service revokes an organization's tax exempt status and the revocation is made retroactive, the period of retroactivity will not be countable as part of the period of active and continuous operation.
- (5) A period of disqualification shall run from the date of application, the date of discovery of the violation or the date of imposition of the disqualification, whichever is later.

Authority: T.C.A. § 3-17-111(a)-(b), 3-17-111, 3-17-113(a), and 3-17-115(a). **Administrative History:** Original rule filed October 7, 2005; effective February 28, 2006. Amendment filed January 14, 2009; effective May 29, 2009.

1360-03-03-.13 CO-OPERATION WITH OTHER STATE AGENCIES.

- (1) All information submitted to the Division of Charitable Solicitations, Charitable Gaming Section shall be available to federal, state or local agencies for the purpose of assisting in carrying out the provisions of T.C.A. 3-17-102 et. seq. and T.C.A. 39-16-702 and T.C.A. 39-16-703 and T.C.A. title 39, chapter 17 Parts 5 and 6, T.C.A. § 39-17-502(b), T.C.A. § 39-17-505, T.C.A. § 39-17-506(a), T.C.A. § 39-17-601, T.C.A. § 39-17-651 et. seq. and Title 3, Chapter 15, or any provision of federal law.
- (2) The Secretary shall assist and co-operate with the Tennessee Bureau of Investigation and/or the Internal Revenue Service in the conduct of any investigation.

Authority: T.C.A. § 3-17-113(a)-(b), 3-17-111 and 3-17-115(a). **Administrative History:** Original rule filed October 7, 2005; effective February 28, 2006.