

April 22, 2009

**H 1537. VIDEO GAMING ENTERTAINMENT ACT.** Filed 4/22/09. *TO ALLOW VIDEO GAMING FOR THE PURPOSE OF PROFIT SHARING WITH THE STATE OF NORTH CAROLINA.*

Enacts new GS Chapter 18D, the *Video Gaming Entertainment Act*. Defines a *video gaming machine* as it is defined in GS 14-306.1A. Provides definitions for additional terms as they apply in the proposed Chapter.

Directs the Department of Revenue (Department) to make a video gaming permit available and requires the permit to be affixed to all approved video gaming machines in a location and in a manner prescribed by the Department. Provides that the placement of the video gaming permit on the machine indicates that the machine has been registered, inspected, and approved for operation in North Carolina. Requires that the permit be issued annually. Prohibits anyone other than authorized Department personnel and the licensed operator from affixing or removing the permit. Requires manufacturers and licensed operators to make video gaming machines and associated equipment available for inspection by the Department. Prohibits transporting a video gaming machine out of the state until the permit has been removed.

Directs the Department to issue an operator's license to an individual, group of individuals, corporation, partnership, or association whom the Department determines is qualified to receive a license under this Chapter. Prohibits the Department from approving a license if the applicant: (1) has not been a resident of the state for at least three years immediately preceding the application, (2) has been convicted of a felony or gambling offense in federal or state court within 10 years of entering into the contract or employs officers and directors convicted of a felony or gambling offense, (3) is less than 21-years-old, (4) has falsified the application, (5) is not current in filing all tax returns to the state and in payment of any tax liability owed to the state, and (6) is a permit holder or an employee of a licensed establishment. Requires the applicant to furnish all information and materials required or requested by the Department prior to determining the applicant's qualification for an operator's license. Requires the applicant and any partner, director, officer, and all stockholders to submit to a background investigation that includes a criminal record check and to pay any required fees for the criminal record check. Prohibits a licensed operator from having a total of more than 500 video gaming machines in the state to be played or operated at any one time.

Provides restrictions on the licensing of establishments for video gaming based on the applicant's meeting certain prescribed qualifications. Provides that the Department may not license any establishment in which the applicant's establishment would be engaged exclusively in the business of housing video gaming machines. Prohibits there being more than one licensed establishment per single roofline.

Requires each applicant for an operator's license to pay a \$5,000 fee for an operator's license, valid for 10 years, and renewable in the ninth year. Directs the Department to charge a licensed operator an annual fee of \$200 per video gaming machine. Provides that failure to pay the fee is grounds to revoke an operator's license. Provides that the fees collected are to be used by the Department for the application and enforcement of this Chapter.

Allows a maximum of 10 video gaming machines to be located in any licensed establishment. Only allows machines with a video gaming permit to be placed in a licensed establishment. Prohibits persons less than 18 years of age from playing video gaming machines. Provides additional guidelines regarding temporary replacement of video gaming machines for servicing and repair and conducting of security assessments.

Restricts a single wager on a video gaming machine with a permit to no more than \$5.

Directs the Department to develop a model contract to be used between licensed operators and licensed establishments and provides that the contracts are to address IRS report requirements. Provides additional guidelines regarding: (1) the transportation of video gaming machines between licensed establishments in the state and (2) manufacturers and licensing, fees, and restrictions. Requires a licensed operator to pay 20% of the gross income from each video gaming machine issued a permit under this Chapter to the Department. Provides additional guidelines for the distribution of the remainder of the gross income, reporting requirements, and penalties for failure to make payments. Provides that the Unauthorized Substance Division of the Department is to have sole enforcement authority of this Chapter. Authorizes the Department to

inspect a licensed establishment or licensed manufacturer at any time during normal business hours.

Makes conforming changes to GS 14-292, 14-293, 14-296, 14-299, 14-301, 14-302, 14-304, 14-305, 14-306, and 14-306.1A.

Enacts new GS 114-19.26 authorizing the Department of Justice to provide any required information regarding the criminal history of any applicant for an operator's license or a licensed establishment. Provides for confidentiality of information and the charging of a background check fee.

Effective December 1, 2009.

**Intro. by Jones.**

GS 14, 18D, 114