

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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HOUSE PRINCIPAL CLERK

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HOUSE DRH40404-STxf-25A (02/01)

Short Title: Comprehensive Gaming Reform. (Public)

Sponsors: Representative Warren.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO ESTABLISH A UNIFIED AND COMPREHENSIVE SYSTEM OF
3 REGULATING GAMING IN NORTH CAROLINA AND TO REGULATE AND TAX
4 ELECTRONIC SWEEPSTAKES.

5 The General Assembly of North Carolina enacts:

6 SECTION 1. The General Statutes are amended by adding a new Chapter to read:

7 "**Chapter 18D.**

8 "**Gaming.**

9 "**Article 1.**

10 "**General Provisions.**

11 "**§ 18D-100. Gaming Commission established.**

12 There is created the North Carolina State Gaming Commission to establish and oversee the
13 operation of gaming in this State. The Commission shall be located in the Department of
14 Commerce for budgetary purposes only; otherwise, the Commission shall be an independent,
15 self-supporting, and revenue-raising agency of the State. The Commission shall reimburse
16 other governmental entities that provide services to the Commission.

17 "**§ 18D-101. Commission membership.**

18 (a) Appointment. – The North Carolina State Gaming Commission shall consist of nine
19 members, appointed by the Governor and the General Assembly. In making appointments to
20 the Commission, the appointing authorities shall consider the composition of the State with
21 regard to geographic representation and gender, ethnic, racial, and age composition. The
22 members shall be appointed as follows:

23 (1) Five members appointed by the Governor. At least one of the members
24 appointed by the Governor shall have a minimum of five years' experience in
25 law enforcement, at least one of the members shall have experience in the
26 gaming industry, and at least one shall have experience in the boxing or
27 martial arts industry.

28 (2) Two members appointed by the General Assembly upon the
29 recommendation of the President Pro Tempore of the Senate. At least one of
30 the members appointed upon the recommendation of the President Pro
31 Tempore of the Senate shall be a certified public accountant.

32 (3) Two members appointed by the General Assembly upon the
33 recommendation of the Speaker of the House of Representatives. At least
34 one member appointed upon the recommendation of the Speaker of the
35 House of Representatives shall have retail sales experience as an owner or
36 manager.



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1 **(b) Terms.** – Members may serve for terms of five years. Members shall not serve for
2 more than two successive terms.

3 **(c) Vacancies; Removal.** – Vacancies shall be filled by the appointing authority. A
4 member of the Commission may be removed by the appointing authority for cause.

5 **"§ 18D-102. Actions that vacate office.**

6 A member of the Commission may not hold an elective office or be a candidate for an
7 elective office. If a member of the Commission takes any of the following actions, the member
8 vacates office as a member of the Commission and the vacancy shall be filled as provided by
9 G.S. 18D-101(c):

10 **(1)** Files a notice of candidacy under G.S. 163-106 or G.S. 163-323 or a petition
11 under G.S. 163-107.1 or G.S. 163-325.

12 **(2)** Is nominated to fill a vacancy among party nominees under G.S. 163-114 or
13 G.S. 163-115.

14 **(3)** Files a petition as an unaffiliated candidate under G.S. 163-122.

15 **(4)** Files a declaration of intent as a write-in candidate under G.S. 163-123.

16 **(5)** Is nominated by party convention under G.S. 163-98.

17 **"§ 18D-103. Meetings; records.**

18 **(a) Meetings.** – Meetings of the Commission shall be subject to Article 33C of Chapter
19 143 of the General Statutes. A majority of the total membership of the Commission shall
20 constitute a quorum. The Governor shall select the chair of the Commission from among its
21 membership, who shall serve as chair at the pleasure of the Governor. The Commission shall
22 meet at least quarterly upon the call of the chair.

23 **(b) Compensation.** – Members of the Commission shall receive one hundred
24 twenty-five thousand dollars (\$125,000) per year for service on the Commission. If a member
25 does not serve a full year, the compensation shall be prorated accordingly.

26 **(c) Records.** – Except as provided in this Chapter, records of the Commission shall be
27 open and available to the public in accordance with Chapter 132 of the General Statutes.
28 Personnel records of the Commission are subject to Article 7 of Chapter 126 of the General
29 Statutes. Only the following information concerning a lottery winner is a public record:

30 **(1)** Name.

31 **(2)** City and state of residence.

32 **(3)** Game played.

33 **(4)** Amount won. For purposes of this subdivision, the amount won means the
34 nominal prize amount, the cash payment if different from the nominal prize
35 amount, and the cash payment after taxes are withheld.

36 **(5)** Date won.

37 **"§ 18D-104. Powers and duties of the Commission.**

38 The Commission shall have the following powers and duties:

39 **(1)** To administer and enforce the provisions of this Chapter.

40 **(2)** To adopt rules to implement this Chapter.

41 **(3)** To conduct a background investigation, including a criminal history record
42 check, of potential electronic sweepstakes operators and electronic
43 sweepstakes vendors under Article 2 of this Chapter, which may include a
44 search of the State and National Repositories of Criminal Histories based on
45 the fingerprints of applicants.

46 **(4)** To charge a fee, not to exceed the cost of the criminal record check, of the
47 potential electronic sweepstakes operators and potential electronic
48 sweepstakes vendors.

49 **(5)** Any other powers necessary for the Commission to carry out its
50 responsibilities under this Chapter.

51 **"§ 18D-105. Reports.**

1 The Commission shall send quarterly and annual reports on the operations of the
2 Commission to the Governor, State Treasurer, and to the General Assembly. The reports shall
3 include complete statements of revenues, prize disbursements, expenses, net revenues, and all
4 other financial transactions involving funds collected or disbursed under this Chapter, including
5 the occurrence of any audit.

6 **"§ 18D-106. Audits.**

7 The State Auditor shall conduct annual audits of all accounts and transactions of the
8 Commission and any other special postaudits the State Auditor considers to be necessary.

9 **"§§ 18D-107 through 18D-199: Reserved.**

10 "Article 2.

11 "Lottery.

12 **"§§ 18D-200 through 18D-299: Reserved.**

13 "Article 3.

14 "Regulation of Electronic Sweepstakes.

15 **"§ 18D-300. Citation.**

16 This Article shall be known and may be cited as the North Carolina Electronic Sweepstakes
17 Act.

18 **"§ 18D-302. Definitions.**

19 The following definitions apply in this Article:

- 20 (1) Commission. – The North Carolina State Gaming Commission created under
21 Article 1 of this Chapter.
- 22 (2) Electronic sweepstakes device. – An energy driven device that is connected
23 to a server through a local network that is capable of displaying sweepstakes
24 results on a screen or other mechanism by a sweepstakes entrant.
- 25 (3) Electronic sweepstakes establishment. – A place of business in which an
26 electronic sweepstakes device is operated.
- 27 (4) Electronic sweepstakes device operator. – A person licensed under this
28 Article to operate or conduct a sweepstakes.
- 29 (5) Electronic sweepstakes device vendor. – A person licensed under this Article
30 to supply sweepstakes software to an electronic sweepstakes device operator.
- 31 (6) Enter or entry. – The act or process by which a person becomes eligible to
32 receive any prize offered in a sweepstakes.
- 33 (7) Prize. – Any gift, award, gratuity, good, service, credit, or anything else of
34 value that may be transferred to a person, whether possession of the prize is
35 actually transferred, or placed on an account or other record as evidence of
36 the intent to transfer the prize.
- 37 (9) Sweepstakes. – Any game, advertising scheme or plan, or other promotion
38 that, with or without the purchase of any good or service and without
39 separate consideration, a person may enter to win or become eligible to
40 receive any prize, the determination of which is based upon chance and in
41 which there is a finite pool of entries.
- 42 (10) Sweepstakes software. – A computer program used by a sweepstakes device
43 operator to conduct a sweepstakes.

44 **"§ 18D-303-309: Reserved.**

45 **"§ 18D-310. Licensure to operate an electronic sweepstakes establishment.**

46 (a) License Required. – No electronic sweepstakes establishment may operate without a
47 valid license issued by the Commission in accordance with this Article. Electronic sweepstakes
48 devices may only be operated in a licensed electronic sweepstakes establishment.

49 (b) Application for License. – To obtain a license required by this Article, an applicant
50 shall do all of the following:

- 1 (1) File an application with the Commission and pay an application fee of two
2 hundred fifty dollars (\$250.00). The application must include the person's
3 full name, address, federal employer identification number, and all other
4 identifying information required by the Commission.
- 5 (2) Applicants shall comply with one of the following, and provide proof of
6 such compliance with the application:
- 7 a. If the applicant for a license is a corporation, the applicant must
8 either be incorporated in this State or be authorized to transact
9 business in this State.
- 10 b. If the applicant for a license is a limited liability company, the
11 applicant must either be organized in this State or be authorized to
12 transact business in this State.
- 13 c. If the applicant for a license is a limited partnership, the applicant
14 must either be formed in this State or be authorized to transact
15 business in this State.
- 16 d. If the applicant for a license is an individual or a general partnership,
17 the applicant must designate an agent for service of process and give
18 the agent's name and address.
- 19 e. If the person is not an individual, the application must also include
20 the name of a registered agent located in North Carolina.
- 21 (3) State the number of electronic sweepstakes devices to be placed into
22 operation at the electronic sweepstakes establishment.
- 23 (4) Attach the certification report from an authorized independent testing
24 laboratory for each electronic sweepstakes device to be placed into operation
25 at the electronic sweepstakes establishment.
- 26 (5) Provide any information required by G.S. 18D-212 for the purpose of a
27 background investigation.
- 28 (6) The name and location of the electronic sweepstakes establishment.
- 29 (c) Issuance of License. – The Commission shall conduct a background investigation of
30 the applicant prior to issuance of a license. The Commission shall deny the application if the
31 Commission determines any of the following:
- 32 (1) The applicant submitted false or misleading information on its application.
33 (2) The applicant previously held a license issued by the Commission that was
34 revoked and has not been restored.
- 35 (3) The applicant has been convicted of a violation of federal gambling laws, or
36 the gambling laws of any state, within five years of the date of the
37 application.
- 38 (4) The applicant's background investigation evidenced a pattern of failure to
39 exhibit good character and good standing in the community.
- 40 (d) Transfer. – A license issued under this Article may not be transferred or assigned.
- 41 (e) Display. – A license issued under this Article must be displayed conspicuously in
42 the electronic sweepstakes establishment where any electronic sweepstakes device is operated.
43 The license must state the number of devices located at the electronic sweepstakes
44 establishment and any further information required by the Commission.
- 45 (f) Amendments. – A licensee may apply to amend the license to add additional devices
46 on a form to be provided by the Commission.
- 47 (g) Annual Renewal. – Any license issued under this section must be renewed on or
48 before July 1 of each year. A renewal application must contain all of the information required
49 for an initial application under subsection (b) of this section and be accompanied by a renewal
50 in an amount equal to the initial application fee.

51 **§ 18D-311: Reserved.**

1 **"§ 18D-312. Investigation of potential electronic sweepstakes device operators.**

2 (a) Investigation. – Potential electronic sweepstakes device operators shall cooperate
3 with the Director in completing any investigation required under G.S. 18D-310(c), including
4 any appropriate investigation authorizations needed to facilitate these investigations.

5 (b) Information. – The Commission shall adopt rules that provide for disclosures of
6 information required to be disclosed under subsection (c) of this section by potential electronic
7 sweepstakes device operators to ensure that the potential electronic sweepstakes device
8 operators provide all the information necessary to allow for a full and complete evaluation by
9 the Director and Commission of the competence, integrity, background, and character of the
10 potential electronic sweepstakes device operators. Information shall be disclosed for the
11 following:

- 12 (1) If the potential electronic sweepstakes device operator is a corporation, the
13 officers, directors, and each stockholder in that corporation; however, in the
14 case of owners of equity securities of a publicly traded corporation, only the
15 names and addresses of those known to the corporation to own beneficially
16 five percent (5%) or more of the securities need be disclosed.
- 17 (2) If the potential electronic sweepstakes device operator is a trust, the trustee
18 and all persons entitled to receive income or benefits from the trust.
- 19 (3) If the potential electronic sweepstakes device operator is an association, the
20 members, officers, and directors.
- 21 (4) If the potential electronic sweepstakes device operator is a partnership or
22 joint venture, all of the general partners, limited partners, or joint venturers.
- 23 (5) For any potential electronic sweepstakes device operator, any person who
24 can exercise control or authority, or both, on behalf of the potential
25 contractor. For any potential contractor, any person who can exercise control
26 or authority, or both, on behalf of the potential electronic sweepstakes device
27 operator.

28 (c) Disclosures. – For purposes of this subsection, the term "potential electronic
29 sweepstakes device operator" shall include the potential electronic sweepstakes device operator
30 and each of the persons applicable under subsection (b) of this section. At a minimum, the
31 potential electronic sweepstakes device operator required to disclose information for a thorough
32 background investigation under G.S. 18C-151 shall do all of the following:

- 33 (1) Disclose the potential electronic sweepstakes device operator's name, phone
34 number, and address.
- 35 (2) Disclose all the states and jurisdictions in which the potential electronic
36 sweepstakes device operator does business and the nature of the business for
37 each state or jurisdiction.
- 38 (3) Disclose all the states and jurisdictions in which the potential electronic
39 sweepstakes device operator has contracts to supply gaming goods or
40 services, including lottery goods and services, and the nature of the goods or
41 services involved for each state or jurisdiction.
- 42 (4) Disclose all the states and jurisdictions in which the potential electronic
43 sweepstakes device operator has applied for, has sought renewal of, has
44 received, has been denied, has pending, or has had revoked a lottery or
45 gaming license or permit of any kind or had fines or penalties assessed on a
46 license, permit, contract, or operation and the disposition of such in each
47 such state or jurisdiction. If any lottery or gaming license, permit, or contract
48 has been revoked or has not been renewed or any lottery or gaming license,
49 permit, or application has been either denied or is pending and has remained
50 pending for more than six months, all of the facts and circumstances
51 underlying the failure to receive that license shall be disclosed.

1 (5) Disclose the details of any finding or plea, conviction, or adjudication of
2 guilt in a state or federal court of the potential electronic sweepstakes device
3 operator for any felony or any other criminal offense other than a minor
4 traffic violation.

5 (6) Disclose the details of any bankruptcy, insolvency, reorganization, or
6 corporate or individual purchase or takeover of another corporation,
7 including bonded indebtedness, or any pending litigation of the potential
8 electronic sweepstakes device operator.

9 (7) Make any additional disclosures and information the Commission
10 determines to be appropriate for the contract involved.

11 (d) Confidential Information. – All documents compiled by the Director in conducting
12 the investigation of the potential electronic sweepstakes device operators shall be held as
13 confidential information under Chapter 132 of the General Statutes.

14 "**§ 18D-313: Reserved.**

15 "**§ 18D-314. Authorized independent testing laboratories.**

16 (a) List of Laboratories. – The Commission must publish and continuously maintain a
17 list of authorized independent testing laboratories. The Commission shall adopt rules to
18 establish a process of becoming an authorized independent testing laboratory.

19 (b) Certification Report. – The authorized independent testing laboratory shall issue a
20 certification report with respect to the electronic sweepstakes devices and all related software
21 and hardware and other systems. The certification report shall contain all of the following
22 information for each electronic sweepstakes device listed in the application:

23 (1) The components of the electronic sweepstakes devices and related systems.

24 (2) The operational characteristics of the electronic sweepstakes devices and
25 related systems.

26 (3) Verification that each sweepstakes proposed to be conducted on each device
27 meets all of the following conditions:

28 a. Selects prizes from a pool of entries where the total number of
29 entries, the number of winning and losing entries, and the number
30 and nature of prizes are finite, predetermined, and established prior to
31 the start of the sweepstakes.

32 b. Predetermines all winning and losing entries prior to the start of the
33 sweepstakes.

34 c. Provides free sweepstakes entries to customers upon purchase of a
35 good or service for which a consideration is paid.

36 d. Provides a method of free entry upon request.

37 e. Does not vary the chance of winning between free entries and entries
38 received as a result of a purchase of a good or service.

39 f. Contains no element of skill so that customer has no ability to alter or
40 affect the outcome or results.

41 (4) Verification that all electronic sweepstakes devices identified in the
42 application are operational and use the same entries for each sweepstakes
43 from a pool of entries hosted on a local server within the electronic
44 sweepstakes establishment.

45 "**§ 18D-315: Reserved.**

46 "**§ 18D-316. Licensure of electronic sweepstakes device vendor.**

47 (a) License Required. – The Commission shall license all electronic sweepstakes device
48 vendors that provide software for electronic sweepstakes devices used in North Carolina. No
49 person, personally or through the person's agent, shall supply sweepstakes software to a
50 sweepstakes device operator without first obtaining a license from the Commission.

1 (b) Application. – The application for the electronic sweepstakes device vendor license
2 shall be on forms prescribed by the Commission and shall contain at least the following
3 information:

- 4 (1) The full legal name of the electronic sweepstakes device vendor.
5 (2) The contact information, including address, telephone number, federal tax
6 identification number, and contact person for the electronic sweepstakes
7 device vendor.
8 (3) A certificate or report that meets the requirements of G.S. 18D-314.
9 (4) Agreement from the applicant, and fingerprints, to submit to a criminal
10 background check.

11 **"§ 18D-317. Regulation of electronic sweepstakes establishments.**

12 (a) Scope. – This Article authorizes only the operation of server-based electronic
13 sweepstakes devices that associate a prize with an entry or entries from a predetermined finite
14 pool of winning and losing entries at the time the sweepstakes is entered.

15 (b) Prohibitions. – A person may not do any the following:

- 16 (1) Intentionally design, promote, or conduct a sweepstakes in which a specific
17 individual, location, or electronic sweepstakes device may be predetermined
18 as a winner or the sweepstakes software may be manipulated or rigged so as
19 to do either of the following:
20 a. Allocate a winning sweepstakes or any portion thereof to certain
21 lessees, agents, or franchisees.
22 b. Allocate a winning sweepstakes or part thereof to a particular period
23 of the sweepstakes or to a particular geographic area.
24 (2) Willfully remove, disqualify, disallow, modify, or reject any entry other than
25 for failure by the entrant to comply with the rules of the sweepstakes.
26 (3) Willfully fail to award prizes offered other than for failure by the entrant to
27 comply with the rules of the sweepstakes or award or advertise prizes other
28 than those which have been properly announced under this section.
29 (4) Willfully print, publish, or circulate literature or advertisements for a
30 sweepstakes that is false, intentionally deceptive, or intentionally
31 misleading.
32 (5) Knowingly require the participant in a sweepstakes to pay more than fair
33 market value for the item, product, or service which entitles a participant to
34 enter a sweepstakes.
35 (6) Operate a sweepstakes game which does not have a finite number of entries.
36 (7) Fail to offer and provide a free method of entry for any sweepstakes for
37 which the chance of winning is the same as other entries received with the
38 purchase of a product or service.
39 (8) Fail to display the license required under this Article and the sweepstakes
40 software certification in a public and conspicuous place at the location in
41 which the sweepstakes takes place.

42 (c) Signage Requirements. – A licensed electronic sweepstakes device operator must
43 comply with all of the following requirements:

- 44 (1) Exterior of premises. – Exterior signage shall be limited to the advertisement
45 of the consumer product or consumer service, or both, sold on the premises
46 and that a sweepstakes promotion is offered. No signs shall be posted on the
47 exterior of the premises that suggest gambling takes place on the premises or
48 that display any image commonly associated with slot machines.
49 (2) Interior premises. – The electronic sweepstakes device operator shall
50 conspicuously post in the interior of the premises the following:

- 1 a. All consumer products or consumer services offered for sale shall be
2 identified by the description and price by conspicuous posting.
- 3 b. Complete rules for all sweepstakes promotions shall be posted at the
4 premises' front or main counter, and a complete copy of the rules,
5 prize tables, and odds of winning shall be made available upon
6 request without cost.
- 7 (3) Before a consumer may reveal an entry with the use of a sweepstakes
8 gaming device, an electronic sweepstakes device operator shall cause to be
9 displayed on the sweepstakes gaming device in at least a font size of 14 the
10 following which shall be affirmatively acknowledged by the consumer:
11 "YOU HAVE ENTERED A SWEEPSTAKES GAME THAT IS
12 PREDETERMINED. YOU CANNOT CHANGE THE OUTCOME BY
13 PLAYING THE GAMES. THIS IS NOT GAMBLING. SWEEPSTAKES
14 ENTRIES CAN BE OPENED IN ANY OF THE GAMES."
- 15 (4) Advertisement. – Any advertising by the electronic sweepstakes device
16 operator shall comply with the following:
- 17 a. All advertising shall include resources for responsible gaming
18 information.
- 19 b. No advertising may intentionally target specific groups or economic
20 classes.
- 21 c. No advertising may be misleading, deceptive, or present any lottery
22 game as a means of relieving any person's financial or personal
23 difficulties.
- 24 d. No advertising may have the primary purpose of inducing persons to
25 participate in the gambling.
- 26 (d) Limitations. – An electronic sweepstakes device operator may not do any of the
27 following:
- 28 (1) Be issued an ABC permit that authorizes the retail sale of alcoholic
29 beverages for consumption on the premises of any location in which a
30 sweepstakes licensed under this Article takes place.
- 31 (2) Permit an individual under 18 years of age to enter or be employed at a
32 facility operated by the sweepstakes gaming device operator for
33 sweepstakes.
- 34 (3) Offer or pay out a single prize with a value of more than ten thousand dollars
35 (\$10,000).
- 36 (4) Cause the sweepstakes results to be located other than on a server that is at
37 the location in which the sweepstakes takes place.
- 38 (e) Supply List of Winners. – Within 60 days after the winners have been determined,
39 an electronic sweepstakes device operator shall provide the Commission with a certified list of
40 the names and addresses of all persons who have won prizes with a value of more than six
41 hundred dollars (\$600), the value of the prizes, and the dates the prizes were paid to the winner.
42 "§ 18D-318: Reserved.
43 "§ 18D-319. Revocation or suspension of license.
- 44 (a) Reasons. – The Commission may revoke or suspend a license issued under this
45 Article for any of the following reasons:
- 46 (1) The licensee requests the cancellation in writing.
- 47 (2) The Commission finds that the licensee has committed one or more of the
48 following acts:
- 49 a. Made a false statement in an application required by this Article.
- 50 b. Willfully failed to file a tax return required by Article 2E of Chapter
51 105 of the General Statutes.

- 1 c. Willfully failed to pay a tax when due under Article 2E of Chapter
2 105 of the General Statutes.
3 d. Willfully violated any requirement of this Article.
4 e. Is convicted of any criminal violation of Article 37 of Chapter 14 of
5 the General Statutes.
6 f. Is convicted of a violation of federal gaming laws.

7 (b) Procedure. – The Commission shall follow the administrative hearings process of
8 Article 3 of Chapter 150B of the General Statutes when revoking or suspending a license issued
9 under this Article.

10 **"§ 18D-320. Enforcement; penalties.**

11 (a) Enforcement. – The Commission and its law enforcement agents may investigate
12 and inspect sweepstakes operations in this State and take any other necessary and reasonable
13 action to determine if a violation of any provision of this Article has occurred.

14 (b) Penalty. – Unless a greater penalty is otherwise provided by law for conduct that is
15 also a violation of this Article, the following penalties apply:

- 16 (1) A person operating an electronic sweepstakes without a license is guilty of a
17 Class 2 misdemeanor, is subject to a minimum fine of twenty-five thousand
18 dollars (\$25,000) and a maximum fine of one hundred thousand dollars
19 (\$100,000), and is barred from obtaining a license under this Article.
20 (2) A person who willfully violates any other provision of this Article is subject
21 to a civil penalty with a minimum fine of five hundred dollars (\$500.00) and
22 a maximum fine of ten thousand dollars (\$10,000).

23 "Article 4.

24 "Bingo and Raffles.

25 **"§§ 18D-400 through 18D-499: Reserved.**

26 "Article 5.

27 "Regulation of Boxing.

28 **"§§ 18D-500 through 18D-599: Reserved.**

29 SECTION 2.(a) Chapter 105 of the General Statutes is amended by adding a new
30 article to read:

31 "Article 2E.

32 "Electronic Sweepstakes.

33 **"§ 105-113.120. Purpose; definitions.**

34 The taxes imposed in this Article provide revenue for law enforcement and for the use of
35 the State government. The definitions in G.S. 18D-302 apply in this Article.

36 **"§ 105-113.121. Excise tax on electronic sweepstakes establishments and devices.**

37 (a) Excise Tax. – An excise tax is levied on each electronic sweepstakes establishment
38 operating in this State as follows:

- 39 (1) A rate per electronic sweepstakes establishment.
40 (2) A rate per electronic sweepstakes device.
41 (3) A rate on gross receipts.

42 (b) Rate Per Establishment. – An annual excise tax at the rate of two thousand dollars
43 (\$2,000) is levied on an electronic sweepstakes establishment. The amount due is payable by
44 January 1 of each year. The full amount of the tax applies to an establishment that operates
45 during any portion of a calendar year.

46 (c) Rate Per Device. – An annual excise tax at the rate of one thousand dollars (\$1,000)
47 is levied on each electronic sweepstakes device operated in an electronic sweepstakes
48 establishment. The amount due is payable by January 1 of each year. The full amount of tax
49 applies to an electronic sweepstakes device that operates during any portion of a calendar year.
50 The Secretary must issue stamps to affix to each electronic sweepstakes device to indicate
51 payment as required by this Article. The stamp must be displayed conspicuously on the

1 electronic sweepstakes device, and it must clearly indicate the year for which the tax is paid.
2 Upon payment of the tax, the Secretary shall issue a stamp for each electronic sweepstakes
3 device for which payment is received.

4 (d) Gross Receipts. – An annual excise tax of four percent (4%) of the taxable gross
5 receipts from operating an electronic sweepstakes device is levied on each electronic
6 sweepstakes establishment. The amount due is payable quarterly or monthly in accordance with
7 the schedule and requirements that apply to payments of sales and use tax under
8 G.S. 105-164.16. A return is due quarterly. A quarterly return covers a calendar quarter and is
9 due by the last day of the month that follows the quarter covered by the return. For purposes of
10 this subsection, taxable gross receipts are the gross receipts derived by the establishment that
11 result in a person's eligibility to operate a sweepstakes device at the establishment to determine
12 whether the person has won a sweepstakes prize, less the amount of any prizes transferred to a
13 sweepstakes entrant. The return must include the taxpayer's gross receipts from operating one
14 or more electronic sweepstakes devices during the reporting period and the prizes awarded
15 during this period to a sweepstakes entrant.

16 (e) Report and Payment. – A person who operates an electronic sweepstakes
17 establishment must report the taxes payable under this section in the form required by the
18 Secretary. The return must include the address where the electronic sweepstakes devices are
19 located and whether the location is within the corporate limits of a municipality.
20 Notwithstanding any other provision of law, the person is not required to give identifying
21 information on the return, and the return is not required to be verified by oath or affirmation.
22 The tax is due when the return is filed. Taxes may be paid and stamps may be issued either by
23 mail or in person.

24 **"§ 105-113.122. Local tax.**

25 (a) Authorization. – A county or city may, by resolution or ordinance respectively,
26 impose an excise tax as allowed under this section on each electronic sweepstakes
27 establishment located in that county or city. A county or city may not impose an excise tax or a
28 license, franchise, or privilege tax on a person operating an electronic sweepstakes
29 establishment except as provided in this section. A tax imposed under this section is limited as
30 provided in subsection (b) of this section.

31 (b) Limitation. – An excise tax allowed under this section may be levied by the county
32 or by the city but not by both the county and the city.

33 (c) Rate Per Establishment. – A county or city may impose an annual excise tax at the
34 rate of one thousand dollars (\$1,000) on each electronic sweepstakes establishment located in
35 that jurisdiction. The amount due is payable by January 1 of each year. The full amount of tax
36 applies to an establishment that operates during any portion of a calendar year.

37 (d) Rate Per Device. – A county or city may impose an annual excise tax at the rate of
38 five hundred dollars (\$500.00) on each electronic sweepstakes device operated in an electronic
39 sweepstakes establishment located in that jurisdiction. The amount due is payable by January 1
40 of each year. The full amount of tax applies to an electronic sweepstakes device operated
41 during any portion of the calendar year.

42 (e) Administration. – Upon adoption of a resolution or ordinance levying the taxes
43 allowed under this section, the governing body of the county or city must immediately deliver a
44 certified copy of the resolution or ordinance to the Secretary. Upon receipt of the document, the
45 Secretary shall collect and administer the tax in the same manner as the taxes imposed under
46 G.S. 105-113.121. The Secretary must distribute the local revenues collected to the county or
47 city for which the taxes are collected by March 31 of each year.

48 (f) Use of Funds. – At least three percent (3%) of the net revenues collected under this
49 section must be distributed to the county sheriff's department or the municipal police
50 department of the taxing jurisdiction. The remainder may be used for any public purpose.

1 (g) Penalty and Collection. – The penalty and collection provisions allowed under
2 Article 9 of this Chapter apply to taxes levied under the authority of this section in the same
3 manner and to the same extent as they apply to taxes levied by the State under this Article.

4 (h) Nature. – The General Assembly finds that the revenue distributed under this
5 section is local revenue, not a State expenditure, for the purpose of Section 5(3) of Article III of
6 the North Carolina Constitution and may not be reduced or withheld by the Governor.

7 **"§ 105-113.123. Use of proceeds.**

8 (a) Distribution. – The Secretary shall distribute the net tax proceeds collected under
9 this Article as provided in this section. The Department may retain six percent (6%) of the net
10 proceeds for its administrative expenses.

11 (b) Law Enforcement. – The Secretary must distribute nine percent (9%) of the net
12 proceeds collected under this Article to various law enforcement agencies, as provided in this
13 subsection. The remaining proceeds collected under this Article may be used for any public
14 purpose.

15 The monies distributed under this subsection are provided as additional funding for the
16 purposes for which they are distributed and are not intended to supplant existing funding.

17 (1) Three percent (3%) must be distributed to the county sheriff's departments
18 on a per capita basis according to the most recent annual population
19 estimates certified to the Secretary by the State Budget Officer.

20 (2) Three percent (3%) must be distributed to the municipal police departments
21 on a per capita basis according to the most recent annual population
22 estimates certified to the Secretary by the State Budget Officer.

23 (3) Three percent (3%) must be credited to the General Fund and appropriated
24 by the General Assembly in the Current Operations Appropriations Act for
25 the fiscal year that begins the following July 1 to the Department of Public
26 Safety for the support and operation of the Alcohol Law Enforcement
27 Section.

28 (c) Local Tax. – If a county or city imposes an excise tax under G.S. 105-113.122, the
29 amount that would be distributed to the county sheriff's department or the municipal police
30 department of the taxing jurisdiction under subsection (b) of this section is waived. This
31 amount reverts to the General Fund and may be used for any public purpose.

32 **"§ 105-113.124. Applicability; illegal activity.**

33 This Article is applicable to any electronic sweepstakes device without regard to any of the
34 following:

35 (1) How the device is activated.

36 (2) How the device is programmed for operation.

37 (3) How the device determines and associates the prize with an entry or entries
38 at the time the sweepstakes is entered."

39 **SECTION 2.(b)** G.S. 153A-146, as amended by S.L. 2015-6, reads as rewritten:

40 "(b) Prohibition. – A county may not impose a license, franchise, or privilege tax on a
41 person engaged in any of the businesses listed in this subsection:

42 (1) Supplying piped natural gas.

43 (2) Providing telecommunications service taxed under G.S. 105-164.4(a)(4c).

44 (3) Providing video programming taxed under G.S. 105-164.4(a)(6).

45 (4) Providing electricity.

46 (5) Operating an electronic sweepstakes establishment under Chapter 18D of the
47 General Statutes except as authorized under G.S. 105-113.124."

48 **SECTION 3.(a)** Article 1 of Chapter 18C of the General Statutes is recodified as
49 Part 1 of Article 2 of Chapter 18D of the General Statutes, as enacted by Section 1 of this act.

50 **SECTION 3.(b)** Article 2 of Chapter 18C of the General Statutes is repealed.

1 **SECTION 3.(c)** Article 3 of Chapter 18C of the General Statutes is recodified as
2 Part 2 of Article 2 of Chapter 18D of the General Statutes, as enacted by Section 1 of this act.

3 **SECTION 3.(d)** Article 4 of Chapter 18C of the General Statutes is recodified as
4 Part 3 of Article 2 of Chapter 18D of the General Statutes, as enacted by Section 1 of this act.

5 **SECTION 3.(e)** Article 5 of Chapter 18C of the General Statutes is recodified as
6 Part 4 of Article 2 of Chapter 18D of the General Statutes, as enacted by Section 1 of this act.

7 **SECTION 3.(f)** Article 6 of Chapter 18C of the General Statutes is recodified as
8 Part 5 of Article 2 of Chapter 18D of the General Statutes, as enacted by Section 1 of this act.

9 **SECTION 3.(g)** Article 1 of Chapter 18C of the General Statutes is recodified as
10 Part 6 of Article 2 of Chapter 18D of the General Statutes, as enacted by Section 7 of this act.

11 **SECTION 3.(h)** Article 8 of Chapter 18C of the General Statutes is recodified as
12 Part 7 of Article 2 of Chapter 18D of the General Statutes, as enacted by Section 1 of this act.

13 **SECTION 4.(a)** Part 2 of Article 37 of Chapter 14 of the General Statutes is
14 recodified as Article 4 of Chapter 18D of the General Statutes, as enacted by Section 1 of this
15 act.

16 **SECTION 4.(b)** The Revisor of Statutes shall delete the phrase "Department of
17 Public Safety" and "Department" and substitute "Commission" wherever it appears in Article 4
18 of Chapter 18D of the General Statutes, as recodified by this section.

19 **SECTION 5.(a)** G.S. 143-652.2 is repealed.

20 **SECTION 5.(b)** Except for G.S. 143-652.2, Article 68 of Chapter 143 of the
21 General Statutes is recodified as Article 5 of Chapter 18D of the General Statutes, as enacted
22 by Section 1 of this act.

23 **SECTION 6.** The Revisor of Statutes shall replace all of the following terms in
24 Article 5 of Chapter 18D of the General Statutes, as recodified by this section, with
25 "Commission":

26 (1) Alcohol Law Enforcement Branch of the Department of Public Safety.

27 (2) Branch.

28 (3) Secretary of Public Safety.

29 **SECTION 7.(a)** G.S. 14-306.4 is repealed.

30 **SECTION 7.(b)** G.S. 14-298 reads as rewritten:

31 **"§ 14-298. Seizure of illegal gaming items.**

32 Upon a determination that probable cause exists to believe that any gaming table prohibited
33 to be used by G.S. 14-289 through G.S. 14-300, any illegal punchboard or illegal slot machine,
34 any video game machine prohibited to be used by G.S. 14-306 or G.S. 14-306.1A, or any game
35 terminal described in G.S. 14-306.3(b), or any electronic machine or device using an
36 entertaining display in violation of G.S. 14-306.4G.S. 14-306.3(b) is in the illegal possession or
37 use of any person within the limits of their jurisdiction, all sheriffs and law enforcement
38 officers are authorized to seize the items in accordance with applicable State law. Any law
39 enforcement agency in possession of that item shall retain the item pending a disposition order
40 from a district or superior court judge. Upon application by the law enforcement agency,
41 district attorney, or owner, and after notice and opportunity to be heard by all parties, if the
42 court determines that the item is unlawful to possess, it shall enter an order releasing the item to
43 the law enforcement agency for destruction or for training purposes. If the court determines that
44 the item is not unlawful to possess and will not be used in violation of the law, the item shall be
45 ordered released to its owner upon satisfactory proof of ownership. The foregoing procedures
46 for release shall not apply, however, with respect to an item seized for use as evidence in any
47 criminal action or proceeding until after entry of final judgment."

48 **SECTION 8.** G.S. 143B-947 reads as rewritten:

49 **"§ 143B-947. Criminal record checks for the North Carolina State Lottery Commission**
50 **and its Director.**

1 The Department of Public Safety may provide to the North Carolina ~~State Lottery~~ Gaming
2 Commission and to its Director from the State and National Repositories of Criminal Histories
3 the criminal history of any prospective employee of the Commission and any potential
4 ~~contractor, contractor or licensee.~~ The North Carolina ~~State Lottery~~ Gaming Commission or its
5 Director shall provide to the Department of Public Safety, along with the request, the
6 fingerprints of the prospective employee of the Commission, or of the potential contractor, a
7 form signed by the prospective employee of the Commission, or of the potential contractor
8 consenting to the criminal record check and use of fingerprints and other identifying
9 information required by the State and National Repositories, and any additional information
10 required by the Department of Public Safety. The fingerprints of the prospective employee of
11 the Commission, or potential contractor, shall be forwarded to the State Bureau of Investigation
12 for a search of the State's criminal history record file, and the State Bureau of Investigation
13 shall forward a set of fingerprints to the Federal Bureau of Investigation for a national criminal
14 history record check. The North Carolina ~~State Lottery~~ Gaming Commission and its Director
15 shall remit any fingerprint information retained by the Commission to alcohol law enforcement
16 agents appointed under Article 5 of Chapter 18B of the General Statutes and shall keep all
17 information obtained pursuant to this section confidential. The Department of Public Safety
18 shall charge a reasonable fee only for conducting the checks of the criminal history records
19 authorized by this section."

20 **SECTION 9.** G.S. 18B-500 reads as rewritten:

21 "**§ 18B-500. Alcohol law-enforcement agents.**

22 (a) Appointment. – The Director of the State Bureau of Investigation shall appoint
23 alcohol law-enforcement agents and other enforcement personnel. The Director may also
24 appoint regular employees of the Commission as alcohol law-enforcement agents. Alcohol
25 law-enforcement agents shall be designated as "alcohol law-enforcement agents". Persons
26 serving as reserve alcohol law-enforcement agents are considered employees of the Alcohol
27 Law Enforcement Branch for workers' compensation purposes while performing duties
28 assigned or approved by the Head of the Alcohol Law Enforcement Branch or the Head's
29 designee.

30 (b) Subject Matter Jurisdiction. – After taking the oath prescribed for a peace officer, an
31 alcohol law-enforcement agent shall have authority to arrest and take other investigatory and
32 enforcement actions for any criminal offense. The primary responsibility of an agent shall be
33 enforcement of the ~~ABC-ABC, sweepstakes,~~ and lottery laws.

34 (c) Territorial Jurisdiction. – An alcohol law-enforcement agent is a State officer with
35 jurisdiction throughout the State.

36 (d) Service of Commission Orders. – Alcohol law-enforcement agents may serve and
37 execute notices, orders, or demands issued by the Alcoholic Beverage Control Commission or
38 the North Carolina ~~State Lottery~~ Gaming Commission for the surrender of permits or relating to
39 any administrative proceeding. While serving and executing such notices, orders, or demands,
40 alcohol law-enforcement agents shall have all the power and authority possessed by
41 law-enforcement officers when executing an arrest warrant.

42 (e) Discharge. – Alcohol law-enforcement agents are subject to the discharge
43 provisions of G.S. 18B-202.

44 (f) Repealed by Session Laws 1995, c. 507, s. 6.2(a).

45 (g) Shifting of Personnel From One District to Another. – The Head of the Alcohol Law
46 Enforcement Branch, under rules adopted by the Department of Public Safety may, from time
47 to time, shift the forces from one district to another or consolidate more than one district force
48 at any point for special purposes. Whenever an agent of the Alcohol Law Enforcement Section
49 is transferred from one district to another for the convenience of the State or for reasons other
50 than the request of the agent, the Department shall be responsible for transporting the

1 household goods, furniture, and personal apparel of the agent and members of the agent's
2 household."

3 **SECTION 10.** Notwithstanding G.S. 18D-101, as enacted by Section 1 of this act,
4 the initial appointments to the North Carolina State Gaming Commission are as follows:

5 (1) Of the initial appointees of the Governor, three members shall serve a term
6 of one year, one member shall serve a term of two years, and one member
7 shall serve a term of three years.

8 (2) Of the initial appointees of the General Assembly upon the recommendation
9 of the President Pro Tempore of the Senate, one member shall serve a term
10 of two years, and one member shall serve a term of three years.

11 (3) Of the initial appointees of the General Assembly upon the recommendation
12 of the Speaker of the House of Representatives, one member shall serve a
13 term of two years, and one member shall serve a term of three years.

14 **SECTION 11.** The provisions of Article 3 of Chapter 18D of the General Statutes,
15 as enacted by Section 1 of this act, become effective January 1, 2016, and the Commission
16 shall adopt temporary rules and procedures to implement the licensure processes no later than
17 September 1, 2015. G.S. 105-113.125, as enacted by Section 2(a) of this act, becomes effective
18 January 1, 2016, and applies to an electronic sweepstakes establishment and to an electronic
19 sweepstakes device operated in this State on or after that date. Section 7 of this act becomes
20 effective January 1, 2016. The remainder of this act is effective when it becomes law.