



Lakeshore Riches contains photographs of some of Michigan's favorite vacation spots taken by Michigan artist John McCormick. It was introduced in May and is quickly finding its niche at veteran and fraternal clubs in Michigan.

Millionaire Party Records

Organizations that conduct a licensed millionaire party (including Texas Hold'em) must retain game records from the event for at least the current year plus three years. To be prepared for a record inspection, please maintain a folder of the information provided below.

Millionaire Party Records Check List:

- Copy of the Application
- Daily Cash Accountability
- Master Control Sheet
- Chip Redemption Sheet
- Tournament Log
- Cash Prizes Log
- House Games Chip Log
- Rake Log
- Workers Service Record
- Financial Statement
- Validated deposit slips showing the deposit of proceeds into organization's bank account.
- Bank statements showing where the money was deposited or transferred.
- Bank statements for the month prior, during, and after the licensed gaming event.
- Images for all checks that have cleared the organization's bank account on the bank statement for the month prior, during and after the licensed gaming event.
- House rules from the organization's gaming event.
- Any invoices or receipts for expenses of the gaming event.
- Rental agreement or contracts.



All inquiries may be directed to:

Michigan Lottery
Charitable Gaming Division
P.O. Box 30023
Lansing, MI 48909
Phone: 517-335-5780
www.michigan.gov/cg

HIGHLIGHTS is an official publication of the Michigan Lottery, Charitable Gaming Division.

Articles from HIGHLIGHTS may be reprinted with prior approval of the Michigan Lottery.

M. Scott Bowen..... Commissioner
Kathie Oviedo Deputy Commissioner
Charitable Gaming
Editor Lorrie Dundon
Contributing Writers Ann White, Ben Bowen,
and Nadia Sierzega

Total copies printed: 4,500; Total cost: \$1,969; Cost per copy: \$0.44.

Why is Bingo No Longer Profitable?

Bingo players are spending twice as much on bingo cards as they did in 1990, yet last fiscal year—for the first time ever—the net profit on bingo statewide was in the RED! If not for the money spent on charity game tickets, only a select few would survive. So how is it that bingo expenses exceed revenue?

Shrinking Attendance:

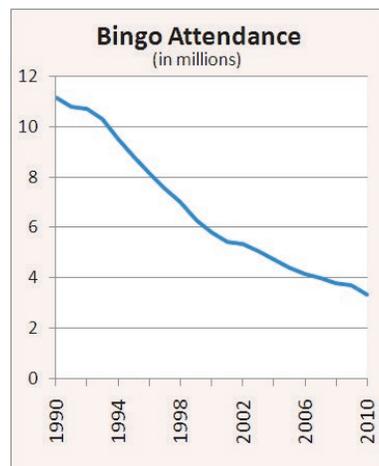
No other factor is as critical to bingo revenue as attendance. Over the last 20 years, attendance at bingo dropped 70%. This nosedive was and continues to be influenced by a variety of factors.

- ◆ **Michigan Casinos**—In the early 1990's, Native Americans began a movement that continues today, investing in their small casinos and building new lavish casinos that include hotels, restaurants, entertainment venues, and bingo. Immediately the attendance at charitable bingos began its decline. Currently 21 Native American casinos span both peninsulas and 3 commercial casinos are in Detroit.

- ◆ **Aging Players**—Back in the 70's, bingo was a favorite way for many housewives to occasionally get out of the home to visit with friends and win a little money. Those players are aging and their attendance is declining.

- ◆ **Poor Economy**—With Michigan's high unemployment rate and the rising cost of fuel, many weekly bingo players have had to severely reduce their frequency or eliminate bingo from their budget altogether.

- ◆ **Smoking Ban**—Since May 2010, smoking is no longer allowed in any public location or private club. The bingo culture has historically been infiltrated with smokers. Many smokers who have not quit are now playing bingo at the casinos where smoking is still legal.



Increasing Expenses:

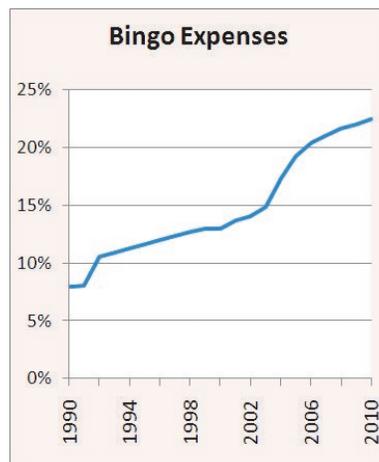
In 1991, bingo prizes were 71% of the revenue and other expenses accounted for about 8%, resulting in a 21% net profit. Today prizes are at 78% of the revenue and other expenses exceed 22%, leaving nothing. How did expenses get out of control?

- ◆ **Bingo Paper**— In 1991 there was a push to go from hard cards to the more flexible and disposable bingo paper. Unfortunately, the rising cost of fuel has brought with it a steady increase in the cost of paper. In fact, paper prices are so high some suppliers sell bingo paper at or below cost to their charity game ticket customers.

- ◆ **Electronic Bingo Cards**—In 2002 electronic bingo cards were introduced, allowing players to play significantly more faces simultaneously. While electronic bingo cards have grown to be a popular option at many locations, the cost associated with the equipment is even higher than the cost of bingo paper.

- ◆ **Increased Worker Pay**—Between 2000 and 2010, the maximum worker pay allowed tripled—from \$10 to \$30. Many licensees believe they must pay the maximum to keep their workers.

- ◆ **Increased Prizes**—Despite resistance from smaller bingos, the Bingo Act was amended in March 2000 to increase the maximum amount of bingo prizes per event from \$2,000 to \$3,500. Many bingo chairpersons at the commercial bingo halls succumbed to pressure from hall managers to pay larger prizes to lure players from another venue. Little to no effort was initiated or reciprocated by bingos within a given area to agree on prize limits.





The New Bingo Player Experience

The answer to rejuvenating bingo has always hinged on the *ability to attract and keep new players*—people who have never played bingo before. Since it takes a lot of effort and sometimes luck to bring in those people, it is extremely important to make their first experience is a positive one. There are various reasons a player might not return. Lets look at the most common discouragements to new players.



- ◆ **Anxious Players**—With prizes as high as they are and the amount of money each player has invested, the average bingo player does not want to miss an opportunity to win so a new player who is talking too loudly during the calling of balls is usually shushed. This creates an embarrassing situation, especially for a new person that might not realize how serious this is to the players.

Recently, a bingo chairperson (who had to close her bingo) reported that when a small crowd of new young players gave her bingo a try, the more aggressive older crowd made them feel unwanted. When a girl from the group squealed over her \$150 winnings, she was shushed by other players. Those potential new players never came back.

Do your bingo workers have a plan in place for identifying new players and introducing them to the game? It's important to free up a worker for a few minutes to help the new players settle in. Be sure to provide a way to get player feedback. A printed survey allows players to give their honest opinion of your event.

- ◆ **Humdrum Callers**—I know two women who sat through a special bingo at the county fair for the first time in years. The crowd consisted of people coming and going and the atmosphere was upbeat and light-hearted. However, the one thing that drove the women crazy was the monotone caller. He could have put them to sleep with his unexpressive, drab voice. Often organizations feel obligated to allow someone to call bingo just because they have been doing it for the last 20 years, regardless of their ability to entertain. It's easier to train a fun, energetic person to call bingo than to train a caller on how to have a fun personality and work the crowd.

- ◆ **Unenthusiastic Workers**—Your workers are your sales force. Workers who don't show enthusiasm and are slow in selling tickets to players make a direct impact on sales, ultimately affecting whether or not your bingo walks away with any profit that day. These are tough economic times and many hard-working, energetic people would be interested in making an extra \$20 or \$30 by working a few hours at bingo. Determining worker pay based on a sales-driven pay scale may bring better results.

Whether you are a bingo chairperson or a hall owner, are you willing to rethink bingo? We know that bingo players of the past are quickly leaving bingo. And we know that while there is an untapped market of young people, they do not mix well with the current bingo crowd. The traditional players still exist, and we do not want to eliminate their bingo options altogether. But too many bingos are fighting over the dwindling pool of the same players. Do you want to continue bingo "as is" or are you willing to join those that will try something new?



Limited-Term Tickets Released

You may have noticed lately that the Charitable Gaming Division has released a lot more tickets that last only a few months and then are gone. These “limited-term” tickets provide you with more variety while generating a sales surge each time a new ticket is introduced to players.

Our goal is to have 50 cent and \$1 limited-term tickets available at any given time. At the same time, we will maintain a core group of tickets that offer variety in denominations and theme. We have always stressed that variety is the key to high ticket sales and we’re confident that the method of mixing core tickets with limited-term tickets will give your organization an opportunity to maximize your ticket sales.

In using the limited-term method, it is easier for us to bring back some of the “oldies but goodies,” such as “America the Beautiful.” Enjoy them while they last!

We appreciate your input. Please feel free to drop us a line (Charitable Gaming, PO Box 30023, Lansing, MI 48933) to let us know how this process is working for you. We hope this new strategy helps your organization during this tough economic time.



Deface and Destroy!

Most losses in charity game tickets are due to the excessive payment of prizes. To prevent redeeming a winning ticket twice, bartenders and those redeeming tickets at bingo should verify high-tier winning tickets against a list of serial numbers of tickets that have been sold the last couple weeks. Deface each ticket immediately at the time of redemption, and the chairperson or recordkeeper should destroy tickets once the bartender or worker has been balanced out.

The defacing should be a permanent and obvious method. (One method that works well is to use a permanent marker to draw a line through the symbols in the winning window, being careful not to cover the winning amount.) After defacing, winning tickets are to be kept in a secure place until they can be verified by someone other than the cashier or person redeeming tickets.

Once the bartender’s cash drawer or bingo worker’s cash is balanced against the redeemed tickets, they are to be destroyed. Before destroying redeemed tickets check the series numbers and look for alterations. Once they are destroyed you will not be able to scrutinize the winning tickets to determine why prizes are excessive. The easiest way to destroy the tickets is to put them in a bucket of water for about 15 minutes before throwing them in the trash.

Your efforts to effectively deface and destroy tickets will help maximize the amount of revenue raised for the lawful purposes of your organization.



A Young Man's Perspective on Bingo

One of our students went out on assignment to a bingo hall to see if he, as a young adult, might be interested in bingo. He thought it would be an exciting time and even brought a friend along. His experience was far from ideal. His experience may or may not reflect what another young person would experience. He reported the following:

My personal experiences with bingo had always been pleasant since I was a young child. In grade school, I used to play for candy prizes quite often, and everyone had an absolute blast, shouting excitedly whenever they produced a winning card. Entering the bingo hall last week as an adult, I didn't know what to expect but hoped my night would consist of the same sort of fun.

From my recent experience, I can tell you two things. First, the game is not at all how I remember it. Instead of one card at a time, players are encouraged to play anywhere from ten to forty cards simultaneously, greatly taking away from the leisurely aspect of bingo. In addition, rather than the supportive company of peers, I found a largely silent, absorbed group of folks concerned only with their own bingo cards. The game I played at the bingo hall might as well have been a different game entirely than the one from my childhood.

Secondly, bingo needs to attract a less serious audience. I can give you a few reasons why I, a young person, would want to attend bingo at these local bingo halls. It was at times exciting—with a \$1,000 jackpot, it's tough not to be carried away by the thought of winning. I can, however, give you more reasons why I would not want to be there. People playing multiple cards are so focused that any talking seemed strictly prohibited. Music was clearly not an option for the same reason.

Bingo draws people with its natural appeal—the exhilaration of hearing your winning number called. What it doesn't do is bring in and keep younger players. Bingo halls and licensees could improve their attraction to the younger community immensely by creating a better atmosphere for the players, and perhaps make it a bit more social.



The Charitable Gaming Division is in need of a new logo to put on promotional material, documents, letters, and our website. Our old logo (pictured below) was relatively satisfactory for letterhead, except the faded bingo card would not copy well. (Yes, that's a bingo card!) Also, due to the fading, the logo was not conducive for embroidering.

The logo must be simple enough to put on letterhead, mugs, t-shirts, or other promotional items. While we would be interested in including the primary types of charitable gaming (bingo, raffles, Texas Hold'em, and charity game tickets), it's important not to have too much detail in the design.



Prize packs will be awarded to the top five entries (a mug, playing cards, pen, flashlight, and tote). If one of the designs is used, the artist will be featured in HIGHLIGHT\$ and in addition to receiving a prize pack, the winner may choose a golf umbrella or fleece blanket.

Entries may be e-mailed to dundonl@michigan.gov or mail to Lorrie Dundon, Charitable Gaming Division, PO Box 30023, Lansing, MI 48913. Entry deadline is August 5, 2011.

Federal Taxes on Charity Game Ticket Sales

Organizations that sell charity game tickets may be subject to Federal taxes. The following was reviewed by the IRS on November 23, 2004.

Unrelated Business Income Tax (UBIT)

1. The intent of UBIT on nonprofit organizations was to eliminate any advantage a nonprofit organization would have over a for-profit organization, unless the activity directly related to their nonprofit purpose.
2. Organizations must pay UBIT where all the following occur:
 - a. The activity is NOT related to the exempt purpose of the organization. The IRS states that the sale of charity game tickets is not related to the exempt purpose of any organization.
 - b. The activity is conducted on a regular basis. A "regular basis" is generally interpreted by the IRS as being more than a few times a year.
 - c. The activity is conducted by workers receiving compensation. This is interpreted by the IRS as anyone receiving something of a fixed value (such as money or a certificate) or receiving compensation for another duty (such as bartending or maintenance) while they are conducting the activity described in item a. Compensation generally does not include a beverage and snack offered for working the event.
3. Standard deductions for UBIT include:
 - a. A specific deduction, currently at \$1,000.
 - b. The cost of charity game ticket prizes.
 - c. The cost of the box of tickets.
 - d. Charitable contributions (up to 10% of taxable income).
4. Additional deductions are typically allocated according to time, space, or occasionally revenue—whichever makes the most business sense. Often agents will base their logic on past practices. Some expenses that may be partially deductible include:
 - a. Rent
 - b. Paid labor (includes compensated volunteers)
 - c. Advertising
 - d. Utilities
 - e. Repairs
5. Check tax form 990-T for the UBIT tax rate schedule.

Excise Tax * (Form 730)

Excise Tax is equal to $\frac{1}{4}$ of 1 percent (.0025) of gross ticket sales. Example: If \$250,000 in charity game tickets were sold, Excise Tax would equal \$625 ($\$250,000 \times .0025$).

Stamp Tax * (Form 11-C)

Stamp Tax is \$50 annually.

* As a rule, the Excise Tax and Stamp Tax generally do not apply to those organizations with a 501(c)3 or 501(c)4 tax exempt status.

Employees of the Michigan Lottery are not agents of the IRS nor are they tax consultants. Each organization should contact a licensed professional or the IRS for more information. To contact the IRS Exempt Organization Unit, call 877-829-5500. To receive a copy of Publication 3079 or other tax publications or forms, call 1-800-829-3676 (FORM) or go to the IRS website at www.irs.gov.



Administrative Action

Right to Obtain Licenses Suspended

Organization Name	City	Effective Dates
DOWNTOWN COACHES CLUB	East Lansing	4/11/11 - 3/31/12

Annual Charity Game Ticket Licenses Suspended

Organization Name	City	Effective Dates
EAGLES 2250	Ypsilanti	1/30/11 - 2/12/11
EAGLES 3666	Muskegon	2/27/11 - 8/27/11
MOOSE 1743	Redford	5/1/11 - 5/28/11

Bingo Licenses Suspended

Organization Name	City	Effective Dates
VFW 1075 (2 Licenses)	Harrison	5/8/11 - 7/2/11

Supplier Licenses Suspended

Organization Name	City	Effective Dates
ADVANCE NOVELTY COMPANY	Livonia	4/3/11 - 4/9/11
AIM HIGH PROCEEDS LLC (DOC'S SPORTS RETREAT LOCATION)	Livonia	6/28/11 - 7/4/11

Millionaire Party Licenses Reduced

Organization Name	Location	Effective Dates
DUNDEE RECREATIONAL BALL LEAGUE	Players Poker Room	3/2/11 - 12/31/11
OLD MILL MUSEUM ASSOCIATION, INC.	Players Poker Room	3/23/11 - 12/31/11
MOOSE 1911	Doc's Sports Retreat	3/29/11 - 12/31/11

Millionaire Party Location Violation Closures

Location Name	Location	Effective Dates
SHARK CLUB	Canton	Permanent



TEXAS HOLD'EM TRAINING MEETINGS

Organizations conducting Texas Hold'em are strongly encouraged to attend one of the sessions below. **Please check our website (www.michigan.gov/cg) for any updates.**

July 12, 2011

6-8 p.m.
VFW 5855
8845 Sprinkle Road
Portage

August 17 2011

1-3 p.m.
American Legion Boat & Canoe Club
401 North Park Street NE
Grand Rapids

September 14, 2011

1-3 p.m.
American Legion 349
1835 E M-35
Little Lake

October 12, 2011

1-3 p.m.
The Big Game Room
1040 E. Sternberg Road
Muskegon

November 30, 2011

6-8 p.m.
VFW 3033
4841 East Pickard Road
Mt Pleasant