

# Revenue Notice # 95-02 Lawful Gambling Tax: Refund on Defective Pull-Tabs or Tipboards

**(Update: Revenue Notice #95-02 has been corrected by Revenue Notice #02-20.)**

This Revenue Notice prescribes the procedures for claiming a refund of lawful gambling taxes paid pursuant to Minn. Stat. § 297E.02, subd. 4, when the pull-tabs or tipboards are subsequently found to be defective.

## **Statutory Authority: Minnesota Statutes § 297E.02, subd. 11, Unplayed or defective pull-tabs or tipboards, provides:**

'If a deal of pull-tabs or tipboards registered with the board or bar coded in accordance with chapter 349 and upon which the tax imposed by subdivision 4 has been paid is returned unplayed to the distributor, the commissioner shall allow a refund of the tax paid.

If a defective deal registered with the board or bar coded in accordance with chapter 349 and upon which the taxes have been paid is returned to the manufacturer, the distributor shall submit to the commissioner of revenue certification from the manufacturer that the deal was returned and in what respect it was defective. The certification must be on a form prescribed by the commissioner and must contain additional information the commissioner requires.

The commissioner may require that no refund under this subdivision be made unless the returned pull-tabs or tipboards have been set aside for inspection by the commissioner's employee.

Reductions in previously paid taxes authorized by this subdivision must be made when and in the manner prescribed by the commissioner.'

## **Defect**

For purposes of this revenue notice, a defect is considered to be any gambling product or gambling equipment not manufactured in accordance with the standards set forth in Minnesota Rules, part 7864.0020.

## **When defect is found before a game is put into play**

Most defects in pull-tabs or tipboards should be discovered before a game is put into play. For purposes of this revenue notice, put into play means when the first ticket of the game is sold by a licensed organization. When a defect is discovered before the game is put into play, the game should be returned to the distributor, who then returns it to the manufacturer. Upon request by the commissioner of revenue, the distributor shall submit certification from the manufacturer that the deal was returned and in what respect it was defective. The commissioner will allow a refund to the distributor of the tax paid under Minn. Stat. § 297E.02, subd. 4.

## **When defect is not discovered until after a game is put into play**

When a defect is discovered after a game is put into play, the game should be set aside by the organization and made available for inspection by the commissioner. Title and ownership of the game will remain with the organization although the organization may provide to the distributor evidence of the defect. The distributor will in turn obtain certification from the manufacturer that there is a defect and on the nature of the defect. A refund to the distributor of the tax paid will be made based upon the number of unsold tickets, multiplied by the stated price of each ticket, multiplied by the tax rate paid under Minn. Stat. § 297E.02, subd. 4. This revenue notice applies when a defect is discovered after a game is put into play and/or when the Gambling Control Board recalls a game after it is put into play.

## **Forms; Credit**

The commissioner of revenue will prescribe forms to be used to report defects, destruction of games and to claim credit. Credit will not be given without certification from the manufacturer substantiating the

defect.

Patricia A. Lien

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Dated: March 27, 1995