



GEORGIA LOTTERY CORPORATION COIN OPERATED AMUSEMENT MACHINE NOTICE

GROSS RETAIL RECEIPTS RULE AND ACCURATE REPORTING

This notice is issued by the Georgia Lottery Corporation (GLC) in the interest of encouraging compliance amongst Class B coin operated amusement machine (COAM) licensees and addressing the prohibition within the COAM Law against a location deriving more than 50% of its gross retail business receipts from COAMs (also known as the gross retail receipts rule).

First, the COAM Law prohibits a COAM location licensee from deriving more than 50% of its business receipts from the operation of COAMs within its location. O.C.G.A. §50-27-84(b)(1). This restriction is one of the most significant COAM laws (as significant as the prohibition against redeeming cash for COAM prizes) as it requires that a location must have a viable and functional business other than the operation of COAMs and COAMs cannot be the primary business purpose of the location. COAM Locations cannot solely be in the business of wagering.

To calculate its business receipts properly and accurately for purposes of the gross retail receipts rule, a location licensee must separate its business receipts from its COAM revenue receipts. Separation of business receipts from COAM revenue includes separation of the location's gross COAM revenue (into the COAMs), as well as, the net COAM revenue (prize credits issued for redemption) from the location licensee's gross retail receipts. Pursuant to the COAM law, in any review of a location licensee's compliance with the gross retail receipts rule, GLC reviews the location licensee's gross retail business sales compared to the location's share of COAM revenue. A location licensee is permitted to add the commission from commission-based goods as part of its gross retail receipts but only the commission (and not the full value of the good). Georgia Lottery tickets are a commission-based product. For a COAM location licensee who is also a Lottery Retailer, GLC adds Lottery ticket sales commissions to the location's business sales figures when GLC calculates the location's compliance with the gross retail receipts rule.

A location licensee is required to retain records of all its COAM transactions for at least the last full five (5) calendar years including up to present day. A location licensee must also maintain separate COAM records, including redemption records. Consequently, COAM revenue and/or redemption figures should not be included in the required monthly sales figures reported to GLC and should be treated separately from non-COAM business revenue. GLC may require additional records from location licensees to separate business receipts from COAM revenue and/or redemptions amounts for purposes of compliance with the COAM Law.

As a reminder, COAM location licensees are responsible for remitting proper sales and use tax to Georgia Department of Revenue.

Lastly, location licensees and location license applicants are strongly encouraged to review the Location License Holder Guide available at gacoam.com under documents for valuable COAM compliance information. Anyone considering applying for a COAM license or any COAM licensees may find it helpful to review administrative orders regarding the gross retail receipts rule that explain such provision of law and demonstrate the importance of the gross retail receipts rule, as well as, the consequences for those that abuse it. Continued enforcement of the COAM Law's gross retail receipts rule is key to advancing compliance amongst COAM locations and to encourage the lawful operation of COAMs.

This notice is intended as a compliance aid but does not cover all aspects of compliance with COAM laws and rules and is not a replacement for reading and understanding COAM laws and rules.

The following examples of executive orders are available upon request:

Executive Order dated September 14, 2017 for citation 2016COAM1626 (Rajun Inc)

Reconsideration Order dated January 4, 2018 for citation 2016COAM1626 (Rajun Inc)

Executive Order dated May 14, 2021 for citation 2020COAM743 (JBRM Inc)

Reconsideration Order dated June 22, 2021 for citation 2020COAM743 (JBRM Inc)

Executive Order dated October 19, 2021 for citation 2021COAM954 (Iva Inc)

Reconsideration Order dated October 26, 2021 for citation 2021COAM954 (Iva Inc)