Phil Mullin *Legislative Service Commission*

H.B. 134

125th General Assembly
(As Introduced)

Rep. Seaver

BILL SUMMARY

- Removes the procedure governing the distribution of the net profit from the proceeds of instant bingo conducted by a veteran's or fraternal organization that will take effect July 1, 2003, under the provisions of Am. Sub. H.B. 512 of the 124th General Assembly.
- Declares an emergency.

CONTENT AND OPERATION

Distribution of instant bingo net profit under Am. Sub. H.B. 512

Am. Sub. H.B. 512 of the 124th General Assembly, effective July 1, 2003, establishes a procedure for a charitable organization (see **COMMENT**) to follow in distributing the net profit from the proceeds of the sale of instant bingo. If the charitable organization is a veteran's or fraternal organization, (1) a minimum of 50% of the net profit *must be* distributed to (a) an organization that is described in certain Internal Revenue Code provisions and is either a governmental unit or an organization that is tax exempt under subsection 501(a) and described in subsection 501(c)(3) of the Internal Revenue Code (see **COMMENT**) or (b) a department or agency of the federal government, the state, or any political subdivision, (2) 15% of the net profit *may be* distributed for the organization's own charitable purposes, and (3) 35% *may be* deducted and retained by the organization for its expenses in conducting the instant bingo game; a veteran's or fraternal organization is not required to itemize its expenses. If it does not distribute the full percentages specified in items (2) and (3) above for the purposes specified, the "caveat" is that it must distribute the balance of the net profit not distributed for those purposes to an organization that is tax exempt under subsection 501(a) and described in subsection 501(c)(3) of the Internal Revenue Code. (R.C. 2915.101(A).)

Any charitable organization *other than* a veteran's or a fraternal organization will be required, effective July 1, 2003, to follow a distinct procedure for distributing the net profit from the proceeds of the sale of instant bingo. These organizations *must* distribute a minimum of 70% of the net profit to an entity listed in (1)(a) or (b) above and *may* deduct and retain 30% of the net profit for its expenses in conducting the instant bingo game (subject to a "caveat" similar to that described above). (R.C. 2915.101(B).)

Changes proposed by the bill

The bill eliminates the procedure described in the first paragraph above that governs the distribution of the net profit from the proceeds of instant bingo conducted by a veteran's or fraternal organization (current R.C. 2915.101(A)). The bill, however, does not require a veteran's or fraternal organization to follow the procedure that governs the distribution of the net profit from the proceeds of instant bingo that Am. Sub. H.B. 512 mandates for charitable organizations other than veteran's and fraternal organizations, as described in the second paragraph above (proposed R.C. 2915.101(A) and (B)). Thus, the bill allows a veteran's or fraternal organization to keep, or otherwise use as it sees fit, the net profit it derives from the proceeds of instant bingo.

COMMENT

Under the Charitable Gambling Law, "charitable organization" means any tax-exempt religious, educational, veteran's, fraternal, service, nonprofit medical, volunteer rescue service, volunteer firefighter's, senior citizen's, amateur athletic, youth athletic, or youth athletic park organization. A charitable organization must be tax exempt under subsection 501(a) and be described in subsection 501(c)(3), 501(c)(4), 501(c)(8), 501(c)(10), or 501(c)(19) of the Internal Revenue Code. (Sec. 2915.01(H)--not in the bill.)

The following are descriptions of relevant subsections of the Internal Revenue Code:

Subsection 501(c)(3) concerns corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes or for the prevention of cruelty to children or animals.

Subsection 501(c)(4) describes civic leagues composed of employees of a municipality that devote their net earnings exclusively to charitable, recreational, or educational purposes. Subsection 501(c)(8) describes fraternal organizations that provide payment of life, sick, accident, or other benefits to their members, and subsection 501(c)(10) describes domestic fraternal organizations that devote

earnings exclusively to religious, charitable, scientific, educational, and fraternal purposes other than the payment of life, sick, accident, or other benefits to their members. Subsection 501(c)(19) describes certain war veteran organizations and their auxiliaries.

HISTORY

ACTION	DATE	JOURNAL ENTRY
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