



Phil Mullin

Bill Analysis

Legislative Service Commission

H.B. 513

126th General Assembly
(As Introduced)

Reps. Williams, Cassell, Carano, Strahorn, Yuko, Seitz

BILL SUMMARY

- Allows certain charitable organizations to conduct games of chance and raffles three times per year at certain food service facilities.

CONTENT AND OPERATION

Conduct of games of chance at certain events

Current law

Current law generally prohibits establishing, promoting, or operating, or knowingly engaging in conduct that facilitates, any game of chance conducted for profit (R.C. 2915.02(A)(2))¹. Current law, however, carves exceptions to this prohibition by allowing games of chance to be conducted for profit if all of the following apply (R.C. 2915.02(D)(1)):

- The games of chance are not craps for money or roulette for money.
- The games of chance are conducted by a charitable organization (see **COMMENT**) that is tax exempt, that has received a determination letter currently in effect from the Internal Revenue Service that confirms its tax exempt status, and that is described in subsection 501(c)(3) of the Internal Revenue Code (see **COMMENT**).

¹ "Game of chance" means poker, craps, roulette, or another game in which a player gives anything of value in the hope of gain, the outcome of which is determined largely by chance, but does not include bingo; and "game of chance conducted for profit" means any game of chance designed to produce income for the person who conducts or operates the game of chance, but does not include bingo (R.C. 2915.01(D) and (E))--not in the bill.

- The games of chance are conducted *at festivals* of the charitable organization that are conducted (1) for either a period of four consecutive days or less and not more than twice a year or for a period of five consecutive days and not more than once a year and (2) on premises owned by the charitable organization for a period of not less than one year immediately preceding the conducting of the games of chance, on premises leased from a governmental unit, or on premises that are leased from a veteran's or fraternal organization and that have been owned by that organization for a period of not less than one year immediately preceding the conducting of the games of chance. If the charitable organization leases such a premises from a veteran's or fraternal organization, it cannot pay a rental rate that exceeds the rental rate per bingo session that the Charitable Bingo Law authorizes a charitable organization to pay when it leases premises from another charitable organization to conduct bingo games. This rental rate is \$600 or 45% of the bingo session's gross receipts, whichever is less (R.C. 2915.09(B)(1)--not in the bill).
- All of the money or assets received from the games of chance, after the deduction only of prizes paid out during their conduct, are used by, or are given, donated, or otherwise transferred to, any organization that is described in any of certain subsections of the Internal Revenue Code (specifying organizations that are not "private foundations") and that is either a governmental unit or an organization that is tax exempt and described in subsection 501(c)(3) of the Internal Revenue Code.
- The games of chance are not conducted during, or within ten hours, of, a bingo game conducted for amusement purposes only as authorized by the Charitable Gambling Law.
- No person receives any commission, wage, salary, reward, tip, donation, gratuity, or other form of compensation, directly or indirectly, for operating or assisting in the operation of any game of chance.

Changes made by the bill

The bill adds another exception to the general prohibition against conducting games of chance for profit that is very similar to the exception for their conduct at festivals as discussed above. Specifically, it allows the conduct of games of chance for profit if all of the following apply (R.C. 2915.02(D)(4)):

- The games of chance are not craps for money or roulette for money.
- The games of chance are conducted by a charitable organization that is tax exempt, that has received a determination letter currently in effect from the Internal Revenue Service that confirms its tax exempt status, and that is described in subsection 501(c)(3) of the Internal Revenue Code.
- The charitable organization conducts the games of chance on the premises of a *restaurant* or on the premises of a *business whose primary purpose is catering and food service* for not more than 500 people per room on the premises, the charitable organization leases premises of that type no more than three times a year for that purpose and for a period of one day each time it leases the premises, and the restaurant or business has been owned by the person who enters into the lease with the charitable organization for a period of not less than six months immediately preceding the conducting of the games of chance under the lease. If the charitable organization leases such a premises, it must not pay a rental rate that exceeds the rental rate per bingo session that the Charitable Bingo Law authorizes a charitable organization to pay when it leases premises from another charitable organization to conduct bingo games (see above).
- All of the money or assets received from the games of chance, after the deduction only of prizes paid out during their conduct, are used by, or are given, donated, or otherwise transferred to, any organization that is described in any of certain subsections of the Internal Revenue Code (specifying organizations that are not "private foundations") and that is either a governmental unit or an organization that is tax exempt and described in subsection 501(c)(3) of the Internal Revenue Code.
- The games of chance are not conducted during, or within ten hours of, a bingo game conducted for amusement purposes only as authorized by the Charitable Gambling Law.
- No person receives any commission, wage, salary, reward, tip, donation, gratuity, or other form of compensation, directly or indirectly, for operating or assisting in the operation of any game of chance.

Conduct of raffles

Current law

Current law authorizes a charitable organization that is tax exempt under federal law and that is described in subsection 501(c)(3), 501(c)(4), 501(c)(7), 501(c)(8), 501(c)(10), or 501(c)(19) of the Internal Revenue Code (see **COMMENT**) to conduct a raffle to raise money for the organization. It does not need a bingo license to conduct the raffle--if the drawing is not for profit. (R.C. 2915.092(A)(1) and (B).)²

Changes made by the bill

The bill authorizes a charitable organization that is exempt from federal income taxation and described in subsection 501(c)(3) of the Internal Revenue Code to conduct a raffle to raise money for the organization, or a raffle drawing that is not for profit, on the premises of a *restaurant* or on the premises of a *business whose primary purpose is catering and food service* for not more than 500 people per room on the premises. The charitable organization may lease premises of that type no more than three times a year for that purpose and for a period of one day each time it leases the premises. The restaurant or business must have been owned by the person who enters into the lease with the charitable organization for a period of not less than six months immediately preceding the conducting of the raffle drawing "for profit" or "not for profit" under the lease. (R.C. 2915.092(C).)

If the charitable organization leases such a premises, it must not pay a rental rate that exceeds the rental rate per bingo session that the Charitable Bingo Law authorizes a charitable organization to pay when it leases premises from another charitable organization to conduct bingo games (see above) (R.C. 2915.092(C)).

COMMENT

Under the Charitable Gambling Law, "charitable organization" means any tax-exempt religious, educational, veteran's, fraternal, sporting, service, nonprofit medical, volunteer rescue service, volunteer firefighter's, senior citizen's, historic

² "Raffle" means a form of bingo in which the one or more prizes are won by one or more persons who have purchased a raffle ticket and in which the winners are determined by drawing a ticket stub or other detachable section from a receptacle containing ticket stubs or detachable sections corresponding to all tickets sold for the raffle (R.C. 2915.01(HH)--not in the bill).

railroad educational, 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)(7), 501(c)(8), 501(c)(10), or 501(c)(19) of the Internal Revenue Code. (R.C. 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 to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation, and which does not participate in, or intervene in, any political campaign on behalf of or in opposition to any candidate for public office.

Subsection 501(c)(4) describes civic leagues or organizations not organized for profit, but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes.

Subsection 501(c)(7) describes clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for these purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Subsection 501(c)(8) describes fraternal organizations operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, that provide payment of life, sick, accident, or other benefits to their members and their members' dependents, and subsection 501(c)(10) describes domestic fraternal organizations operating under the lodge system that devote their net earnings exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes and do not provide for the payment of life, sick, accident, or other benefits.

Subsection 501(c)(19) describes certain veteran organizations and their auxiliaries.

HISTORY

ACTION

DATE

Introduced

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