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Bill Analysis
Legislative Service Commission

H.B. 513
127th General Assembly
(As Introduced)

Reps. Huffman, Zehringer, Yuko

BILL SUMMARY

- Allows a community development corporation to qualify to be issued bingo licenses to conduct regular bingo and instant bingo.

CONTENT AND OPERATION

Definition of a community development corporation

The bill adds a community development corporation to the list of various organizations that, under current law, are defined as a "charitable organization" (see **COMMENT 1**) and qualify to be issued a license to conduct regular bingo games and instant bingo (see **COMMENT 2**) if certain continuous existence and tax-exempt status requirements are satisfied (R.C. 2915.01(H)). The bill defines "community development corporation" to mean a not-for-profit organization incorporated to provide programs, offer services, and engage in other activities to support a community including, but not limited to, serving low-income residents or struggling neighborhoods of the community, developing affordable housing in the community, creating jobs for community residents through lending or commercial development projects, and encouraging economic development and education in the community (R.C. 2915.01(GGG)). A community development corporation must be, and must have received from the Internal Revenue Service a determination letter that currently is in effect stating that it is, exempt from federal income taxation 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) (see **COMMENT 1**) of the Internal Revenue Code (R.C. 2915.01(H)).

COMMENT

1. 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 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).)

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.

2. Under the Charitable Bingo Law, only subsection 501(c)(3) charitable organizations are allowed to distribute all of the net profit of regular bingo and instant bingo they conduct to themselves and use that net profit for their own

purposes (R.C. 2915.01(Z)(1), 2915.09(A)(3), and 2915.101(B)). Generally, under the Law, the various categories of charitable organizations, such as fraternal, sporting, and veteran's organizations, must distribute the net profit of regular bingo and instant bingo they conduct (a) to specified governmental units or subsection 501(c)(3) organizations, or to certain veteran's, fraternal, or volunteer firefighter's organizations, in the case of regular bingo, and (b) in specified percentages to specified governmental units or departments or agencies of the federal government, the state, or any political subdivision or subsection 501(c)(3) organizations, in the case of instant bingo. But, with respect to instant bingo, the Law specifically allows a veteran's, fraternal, or sporting organization to keep specified percentages of specified portions of its net profit (a) for reimbursement of or for its expenses in conducting an instant bingo game and (b) for distribution for its own charitable purposes or to a community action agency. (R.C. 2915.01(Z)(1), (2), (3), and (4), 2915.09(A)(3), and 2915.101, not in the bill.)

HISTORY

ACTION	DATE
Introduced	03-25-08

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