



Ohio Legislative Service Commission

Bill Analysis

Amber Hardesty

H.B. 455

128th General Assembly
(As Introduced)

Reps. Goodwin and Lundy, Mecklenborg, Newcomb, Evans, Domenick, Stebelton, Grossman, Zehringer, Sayre, Harwood

BILL SUMMARY

- Authorizes a charitable organization licensed to conduct instant bingo to purchase, lease, and use instant bingo ticket dispensers.
- Specifies that instant bingo ticket dispensers are not slot machines.
- Allows a charitable organization to spend a reasonable amount of its gross profit to pay property taxes and assessments on the premises where the organization conducts bingo.
- Modifies the definitions of veteran's and fraternal organizations by removing time-in-existence-in-Ohio requirements.
- Increases, from four to twelve, the number of times a veteran's or fraternal organization may lease premises in a year to charitable organizations for festivals at which games of chance are conducted.
- Adjusts the threshold amount governing the distribution of instant bingo net profit by a veteran's, fraternal, or sporting organization.

CONTENT AND OPERATION

Instant bingo

Current law authorizes a charitable organization as defined in the Charitable Gambling Law (see "**What is a "charitable organization"?**" below in **COMMENT**) to obtain a license to conduct instant bingo (1) at a bingo session where regular bingo games are conducted or (2) at other than a bingo session (R.C. 2915.08, not in the bill). "Instant bingo" means a form of bingo that uses folded or banded tickets or paper cards

with perforated break-open tabs, a face of which is covered or otherwise hidden from view to conceal a number, letter, or symbol, or set of numbers, letters, or symbols, some of which have been designated in advance as prize winners (R.C. 2915.01(FF)).

Current law prohibits a charitable organization that conducts instant bingo from purchasing, leasing, or using instant bingo ticket dispensers to sell instant bingo tickets or cards (R.C. 2915.091(A)(16)). "Instant bingo ticket dispenser" means a mechanical device that dispenses an instant bingo ticket or card as the sole item of value dispensed and that has the following characteristics: (1) is activated upon the insertion of United States currency, (2) performs no gaming functions, (3) does not contain a video display monitor or generate noise, (4) is not capable of displaying any numbers, letters, symbols, or characters in winning or losing combinations, (5) does not simulate or display rolling or spinning wheels, (6) is incapable of determining whether a dispensed bingo ticket or card is a winning or nonwinning ticket or card and requires a winning ticket or card to be paid by a bingo game operator, (7) may provide accounting and security features to aid in accounting for instant bingo tickets or cards it dispenses, and (8) is not part of an electronic network and is not interactive (R.C. 2915.01(SS)).

The bill eliminates the prohibition against a charitable organization purchasing, leasing, or using instant bingo ticket dispensers and explicitly authorizes a charitable organization to do so (R.C. 2915.091(A)(16) and (B)(2)). The bill also specifies that a slot machine does not include an instant bingo ticket dispenser. (R.C. 2915.01(VV)(2)).

Definitions of veteran's and fraternal organizations

(R.C. 2915.01(K) and (M))

Under current law, the definition of veteran's organization means any individual post or state headquarters of a national veteran's association or an auxiliary unit of any individual post of a national veteran's association, which has been in continuous existence in Ohio for at least two years and is incorporated as a nonprofit corporation and either has received a letter from the state headquarters of the national association indicating the individual post or auxiliary unit is in good standing with the national association or has received a letter from the national association indicating the state headquarters is in good standing with the national veteran's association. The bill removes the continuous existence requirement and retains all other existing requirements.

Similarly, under existing law, the definition of a fraternal organization includes a requirement for continuous existence in Ohio for a period of five years for any society, order, state headquarters, or association, except a college or high school fraternity, that is not organized for profit, that is a branch, lodge, or chapter of a national or state

organization, that exists exclusively for the common business or sodality of its members. The bill removes the continuous existence requirement for fraternal organizations.

Leasing premises from veteran's or fraternal organizations for charitable festivals

(R.C. 2915.02(D)(1)(c))

Under current law, charitable organizations may conduct games of chance at festivals conducted by the charitable organization for limited periods of time on premises owned by the charitable organization or on premises leased from a governmental unit or from a veteran's or fraternal organization. If premises are leased from a veteran's or fraternal organization, current law states that a charitable organization cannot lease the premises to conduct such a festival if the veteran's or fraternal organization has already leased the premises four times during the preceding year to charitable organizations for that purpose. The bill increases this number to twelve times in the preceding year.

Property taxes and assessments as allowable expenses

Under current law "net profit" means gross profit minus expenses. "Expenses" means the reasonable amount of gross profit actually expended for the following: the purchase or lease of bingo supplies, the annual charitable bingo license fee, bank fees and service charges for a bingo session or game account, audits and accounting services, safes, cash registers, hiring security personnel, advertising bingo, renting premises in which to conduct a bingo session, tables and chairs, expenses for maintaining and operating a charitable organization's facilities, and any other product or service directly related to the conduct of bingo that is authorized in rules adopted by the Attorney General. By including the payment of real property taxes and assessments that are levied on a premises on which bingo is conducted as an allowable expense, the bill allows a charitable organization to spend a reasonable amount of its gross profit to pay property taxes and assessments. (R.C. 2915.01(LL)(12).)

Distribution of instant bingo net profit for veteran's organization, fraternal organization, or sporting organization

(R.C. 2915.101(A))

Current law requires a veteran's organization, a fraternal organization, or a sporting organization¹ that conducts instant bingo, to distribute the net profit from the proceeds of the sale of instant bingo, as follows:

(1) For the first \$150,000, or a greater amount prescribed by the Attorney General to adjust for changes in prices as measured by the Consumer Price Index² and other factors affecting the organization's expenses, or less of net profit from the proceeds of the sale of instant bingo generated in a calendar year:

--At least 25% must be distributed to an organization that is described in subsection 509(a)(1), 509(a)(2), or 509(a)(3) of the Internal Revenue Code³ 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 or to a department or agency of the federal government, the state, or any political subdivision.

--Not more than 75% can be deducted and retained by the organization for reimbursement of or for the organization's expenses in conducting the instant bingo game.

(2) For any net profit from the proceeds of the sale of instant bingo of more than \$150,000 or an adjusted amount generated in a calendar year:

--A minimum of 50% must be distributed to an organization that is described in subsection 509(a)(1), 509(a)(2), or 509(a)(3) of the Internal Revenue Code 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 or to a department or agency of the federal government, the state, or any political subdivision.

¹ "Sporting organization" means a hunting, fishing, or trapping organization, other than a college or high school fraternity or sorority, that is not organized for profit, that is affiliated with a state or national sporting organization . . . and that has been in continuous existence in Ohio for three years (R.C. 2915.01(EEE)).

² "Consumer Price Index" means the consumer price index prepared by the United States Bureau of Labor Statistics (U.S. city average for urban wage earners and clerical workers: all items, 1982-1984=100) or, if that index is no longer published, a generally available comparable index.

³ These subsections describe publicly supported charities, tax exempt purpose activity-supported charities, and organizations that support either of the foregoing charities.

--5% can be distributed for the organization's own charitable purposes or to a community action agency.

--45% can be deducted and retained by the organization for reimbursement of or for the organization's expenses in conducting the instant bingo game.

The bill increases the \$150,000 threshold amounts described above to \$300,000.

COMMENT

What is a "charitable organization"?

Under the Charitable Gambling Law, a "charitable organization" is 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).)

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	02-22-10

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