

MAR 9 2005  
WAYS AND MEANS

HOUSE FILE 663  
BY LUKAN

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to a sales tax exemption for bingo operations run  
2 by certain charitable organizations.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 663

1 Section 1. Section 423.2, subsection 4, unnumbered  
2 paragraph 1, Code 2005, is amended to read as follows:

3 A Except as provided in section 423.3, subsection 78A, a  
4 tax of five percent is imposed upon the sales price derived  
5 from the operation of all forms of amusement devices and games  
6 of skill, games of chance, raffles, and bingo games as defined  
7 in chapter 99B, operated or conducted within the state, the  
8 tax to be collected from the operator in the same manner as  
9 for the collection of taxes upon the sales price of tickets or  
10 admission as provided in this section. Nothing in this  
11 subsection shall legalize any games of skill or chance or  
12 slot-operated devices which are now prohibited by law.

13 Sec. 2. Section 423.3, Code 2005, is amended by adding the  
14 following new subsection:

15 NEW SUBSECTION. 78A. Sales price from sales and services  
16 derived from bingo games as defined in chapter 99B and  
17 conducted by a qualified organization as defined in section  
18 99B.1.

19 EXPLANATION

20 This bill exempts gross receipts derived from bingo games  
21 that are conducted by a licensed qualified organization from  
22 sales tax. A qualified organization is one that is exempt  
23 from federal income tax under section 501(c) of the Internal  
24 Revenue Code and uses the proceeds for educational, civic,  
25 public, charitable, patriotic, or religious uses.

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**Fiscal Services Division  
Legislative Services Agency  
Fiscal Note**

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HF 663 - Bingo Organization Tax Exemption (LSB 2264 HH)  
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)  
Fiscal Note Version - New  
Requested by Representative Steve Lukan

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**Description**

House File 663 exempts proceeds derived from bingo sales from the State sales and use tax if the sale is made by an organization exempt from federal taxation under Section 501(c) of the Internal Revenue Code (religious, charitable, educational, literary, *etc.*, organizations).

**Assumptions**

4. Bingo sales by charitable organizations in Iowa during FY 2003 equaled \$29.0 million and will equal that amount in future fiscal years.
5. The State sales/use tax rate is 5.0%, and the average local option sales tax rate is 1.0%.

**Fiscal Impact**

The tax exemption in HF 663 will reduce General Fund revenues by \$1.45 million in FY 2006 and future fiscal years.

House File 663 will also reduce local option sales tax receipts by \$290,000 per year.

**Source**

Department of Inspections and Appeals

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/s/ Holly M. Lyons

April 11, 2005

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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