

(P. 392) 2/23/94 Senate - State Gov.
(P. 809) 3/23/94 Senate - Do Pass
(P. 843) 3/28/94 Senate - Refers to W.A.M.
(P. 923) 3/30/94 Senate - Do Pass

HOUSE FILE 2192

BY COMMITTEE ON STATE GOVERNMENT

FEB 2 1994
Place On Calendar

(SUCCESSOR TO HSB 584)

Passed House, Date ^(P. 312) 2/21/94 Passed Senate, Date ^(P. 961) 3/31/94
Vote: Ayes 61 Nays 31 Vote: Ayes 48 Nays 1
Approved April 12, 1994

A BILL FOR

1 An Act relating to the regulation of bingo, imposing license
2 fees, and subjecting violators to existing penalties.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2192

1 Section 1. Section 99B.1, subsection 21, Code 1993, is
2 amended to read as follows:

3 21. "Qualified organization" means any licensed person-who
4 organization which dedicates the net receipts of a game of
5 skill, game of chance or raffle as provided in section 99B.7
6 and meets the requirements of section 99B.7, subsection 1,
7 paragraph "m".

8 Sec. 2. Section 99B.2, subsection 2, Code 1993, is amended
9 to read as follows:

10 2. A licensee other than one issued a license pursuant to
11 section 99B.3, 99B.6, 99B.7A, or 99B.9 shall maintain proper
12 books of account and records showing in addition to any other
13 information required by the department, gross receipts and the
14 amount of the gross receipts taxes collected or accrued with
15 respect to gambling activities, all expenses, charges, fees
16 and other deductions, and the cash amounts, or the cost to the
17 licensee of goods or other noncash valuables, distributed to
18 participants in the licensed activity. If the licensee is a
19 qualified organization, the amounts dedicated and the date and
20 name and address of each person to whom distributed also shall
21 be kept in the books and records. The books of account and
22 records shall be made available to the department or a law
23 enforcement agency for inspection at reasonable times, with or
24 without notice. A failure to permit inspection is a serious
25 misdemeanor.

26 Sec. 3. Section 99B.7, subsection 1, paragraph c,
27 unnumbered paragraph 1, Code 1993, is amended to read as
28 follows:

29 Cash or merchandise prizes may be awarded in the game of
30 bingo and, except as otherwise provided in this paragraph,
31 shall not exceed one hundred dollars. Merchandise prizes may
32 be awarded in the game of bingo, but the actual retail value
33 of the prize, or if the prize consists of more than one item,
34 unit or part, the aggregate retail value of all items, units
35 or parts, shall not exceed the maximum provided by this

1 paragraph. A jackpot bingo game may be conducted once during
2 any twenty-four hour period in which the prize may begin at
3 not more than three hundred dollars in cash or actual retail
4 value of merchandise prizes and may be increased by not more
5 than one hundred dollars after each bingo occasion. However,
6 the cost of play in a jackpot bingo game shall not be
7 increased and the jackpot shall not amount to more than eight
8 hundred dollars in cash or actual retail value of merchandise
9 prizes. A jackpot bingo game is not prohibited by paragraph
10 "h". A bingo occasion shall not last for longer than four
11 consecutive hours. A qualified organization shall not hold
12 more than fourteen bingo occasions per month. Bingo occasions
13 held under a limited license shall not be counted in
14 determining whether a qualified organization has conducted
15 more than fourteen bingo occasions per month, nor shall bingo
16 occasions held under a limited license be limited to four
17 consecutive hours. With the exception of a limited license
18 bingo, no more than three bingo occasions per week shall be
19 held within a structure or building and only one person
20 licensed to conduct games under this section may hold bingo
21 occasions within a structure or building. A licensed
22 qualified organization shall not conduct free games.

23 Sec. 4. Section 99B.7, subsection 1, paragraph m, Code
24 1993, is amended by striking the paragraph and inserting in
25 lieu thereof the following:

26 m. The organization conducting the game can show to the
27 satisfaction of the department that all of the following
28 requirements are met:

29 (1) The organization is eligible for exemption from
30 federal income taxes under section 501(c)(3), 501(c)(4),
31 501(c)(5), 501(c)(6), 501(c)(7), 501(c)(8), 501(c)(10), or
32 501(c)(19) of the Internal Revenue Code as defined in section
33 422.3.

34 (2) The organization has an active membership of not less
35 than twelve persons.

1 (3) The organization does not have a self-perpetuating
2 governing body and officers.

3 This lettered paragraph "m" does not apply to a political
4 party, as defined in section 43.2, to a nonparty political
5 organization that has qualified to place a candidate as its
6 nominee for statewide office pursuant to chapter 44, or to a
7 candidate's committee as defined in section 56.2.

8 Sec. 5. Section 99B.7, Code 1993, is amended by adding the
9 following new subsection:

10 NEW SUBSECTION. 7. A qualified organization licensed
11 under this section shall purchase bingo equipment and supplies
12 only from a manufacturer or a distributor licensed by the
13 department.

14 Sec. 6. NEW SECTION. 99B.7A MANUFACTURERS AND
15 DISTRIBUTORS OF BINGO EQUIPMENT AND SUPPLIES -- LICENSE.

16 A person shall not engage in business as a manufacturer or
17 a distributor of bingo equipment and supplies in this state
18 without first obtaining a license from the department. Upon
19 receipt of an application and a fee of one thousand dollars
20 for a manufacturer's license or a fee of five hundred dollars
21 for a distributor's license, the department shall issue an
22 annual license as applicable. The application shall be
23 submitted on forms furnished by the department and contain the
24 information required by rule of the department. A license may
25 be renewed annually upon payment of the annual licensee fee
26 and compliance with this chapter.

27 EXPLANATION

28 This bill amends chapter 99B relating to the regulation of
29 bingo games. Section 1 amends the definition of "qualified
30 organization" by changing the word "person" to "organization".
31 The statutory definition of "person" includes an individual
32 who is not eligible to be a qualified organization for the
33 operation of bingo games. The amendment also makes reference
34 to new requirements for a qualified organization.

35 Section 2 adds an internal reference to a new section of

1 the bill which provides for the licensing of manufacturers and
2 distributors of bingo supplies and equipment.

3 Section 3 prohibits the conduct of free bingo games by a
4 licensed qualified organization.

5 Section 4 requires a qualified organization to have a
6 minimum active membership of 12 persons and prohibits self-
7 perpetuating governing bodies and officers for the qualified
8 organizations. The remaining requirements of federal income
9 tax exemption and an exemption for political parties, nonparty
10 political parties with a qualified statewide nominee, or a
11 candidate's committee are current law.

12 Section 5 requires a qualified organization to purchase its
13 bingo equipment and supplies from a licensed distributor or
14 manufacturer.

15 Section 6 provides for the licensing of manufacturers and
16 distributors of bingo equipment and supplies. The license fee
17 is \$1,000 for manufacturers and \$500 for distributors.

18 Failure to allow inspection of bingo receipts and records
19 is a serious misdemeanor punishable by imprisonment for not
20 more than one year or a fine of not more than \$1,000, or both.
21 A number of other penalties for illegal gaming or betting are
22 listed in section 725.7.

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Martin
Larkin
Tyrrell

HSB 584

STATE GOVERNMENT

SENATE/HOUSE FILE 2192
BY (PROPOSED DEPARTMENT OF
INSPECTIONS AND APPEALS
BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the regulation of bingo, imposing license
2 fees, and subjecting violators to existing penalties.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 99B.1, subsection 21, Code 1993, is
2 amended to read as follows:

3 21. "Qualified organization" means any licensed person-who
4 organization which dedicates the net receipts of a game of
5 skill, game of chance or raffle as provided in section 99B.7
6 and meets the requirements of section 99B.7, subsection 1,
7 paragraph "m".

8 Sec. 2. Section 99B.2, subsection 2, Code 1993, is amended
9 to read as follows:

10 2. A licensee other than one issued a license pursuant to
11 section 99B.3, 99B.6, 99B.7A, or 99B.9 shall maintain proper
12 books of account and records showing in addition to any other
13 information required by the department, gross receipts and the
14 amount of the gross receipts taxes collected or accrued with
15 respect to gambling activities, all expenses, charges, fees
16 and other deductions, and the cash amounts, or the cost to the
17 licensee of goods or other noncash valuables, distributed to
18 participants in the licensed activity. If the licensee is a
19 qualified organization, the amounts dedicated and the date and
20 name and address of each person to whom distributed also shall
21 be kept in the books and records. The books of account and
22 records shall be made available to the department or a law
23 enforcement agency for inspection at reasonable times, with or
24 without notice. A failure to permit inspection is a serious
25 misdemeanor.

26 Sec. 3. Section 99B.7, subsection 1, paragraph c,
27 unnumbered paragraph 1, Code 1993, is amended to read as
28 follows:

29 Cash or merchandise prizes may be awarded in the game of
30 bingo and, except as otherwise provided in this paragraph,
31 shall not exceed one hundred dollars. Merchandise prizes may
32 be awarded in the game of bingo, but the actual retail value
33 of the prize, or if the prize consists of more than one item,
34 unit or part, the aggregate retail value of all items, units
35 or parts, shall not exceed the maximum provided by this

1 paragraph. A jackpot bingo game may be conducted once during
2 any twenty-four hour period in which the prize may begin at
3 not more than three hundred dollars in cash or actual retail
4 value of merchandise prizes and may be increased by not more
5 than one hundred dollars after each bingo occasion. However,
6 the cost of play in a jackpot bingo game shall not be
7 increased and the jackpot shall not amount to more than eight
8 hundred dollars in cash or actual retail value of merchandise
9 prizes. A jackpot bingo game is not prohibited by paragraph
10 "h". A bingo occasion shall not last for longer than four
11 consecutive hours. A qualified organization shall not hold
12 more than fourteen bingo occasions per month. Bingo occasions
13 held under a limited license shall not be counted in
14 determining whether a qualified organization has conducted
15 more than fourteen bingo occasions per month, nor shall bingo
16 occasions held under a limited license be limited to four
17 consecutive hours. With the exception of a limited license
18 bingo, no more than three bingo occasions per week shall be
19 held within a structure or building and only one person
20 licensed to conduct games under this section may hold bingo
21 occasions within a structure or building. A licensed
22 qualified organization shall not conduct free games.

23 Sec. 4. Section 99B.7, subsection 1, paragraph m, Code
24 1993, is amended by striking the paragraph and inserting in
25 lieu thereof the following:

26 m. The organization conducting the game can show to the
27 satisfaction of the department that all of the following
28 requirements are met:

29 (1) The organization is eligible for exemption from
30 federal income taxes under section 501(c)(3), 501(c)(4),
31 501(c)(5), 501(c)(6), 501(c)(7), 501(c)(8), 501(c)(10), or
32 501(c)(19) of the Internal Revenue Code as defined in section
33 422.3.

34 (2) The organization has an active membership of not less
35 than fifteen persons.

1 (3) The organization does not have a self-perpetuating
2 governing body and officers.

3 This lettered paragraph "m" does not apply to a political
4 party, as defined in section 43.2, to a nonparty political
5 organization that has qualified to place a candidate as its
6 nominee for statewide office pursuant to chapter 44, or to a
7 candidate's committee as defined in section 56.2.

8 Sec. 5. Section 99B.7, Code 1993, is amended by adding the
9 following new subsection:

10 NEW SUBSECTION. 7. A qualified organization licensed
11 under this section shall purchase bingo equipment and supplies
12 only from a manufacturer or a distributor licensed by the
13 department.

14 Sec. 6. NEW SECTION. 99B.7A MANUFACTURERS AND
15 DISTRIBUTORS OF BINGO EQUIPMENT AND SUPPLIES -- LICENSE.

16 A person shall not engage in business as a manufacturer or
17 a distributor of bingo equipment and supplies in this state
18 without first obtaining a license from the department. Upon
19 receipt of an application and a fee of one thousand dollars
20 for a manufacturer's license or a fee of five hundred dollars
21 for a distributor's license, the department shall issue an
22 annual license as applicable. The application shall be
23 submitted on forms furnished by the department and contain the
24 information required by rule of the department. A license may
25 be renewed annually upon payment of the annual licensee fee
26 and compliance with this chapter.

27 EXPLANATION

28 This bill amends chapter 99B relating to the regulation of
29 bingo games. Section 1 amends the definition of "qualified
30 organization" by changing the word "person" to "organization".
31 The statutory definition of "person" includes an individual
32 who is not eligible to be a qualified organization for the
33 operation of bingo games. The amendment also makes reference
34 to new requirements for a qualified organization.

35 Section 2 adds an internal reference to a new section of

1 the bill which provides for the licensing of manufacturers and
2 distributors of bingo supplies and equipment.

3 Section 3 prohibits the conduct of free bingo games by a
4 licensed qualified organization.

5 Section 4 requires a qualified organization to have a
6 minimum active membership of 15 persons and prohibits self-
7 perpetuating governing bodies and officers for the qualified
8 organizations. The remaining requirements of federal income
9 tax exemption and an exemption for political parties, nonparty
10 political parties with a qualified statewide nominee, or a
11 candidate's committee are current law.

12 Section 5 requires a qualified organization to purchase its
13 bingo equipment and supplies from a licensed distributor or
14 manufacturer.

15 Section 6 provides for the licensing of manufacturers and
16 distributors of bingo equipment and supplies. The license fee
17 is \$1,000 for manufacturers and \$500 for distributors.

18 Failure to allow inspection of bingo receipts and records
19 is a serious misdemeanor punishable by imprisonment for not
20 more than one year or a fine of not more than \$1,000, or both.
21 A number of other penalties for illegal gaming or betting are
22 listed in section 725.7.

23 BACKGROUND STATEMENT

24 SUBMITTED BY THE AGENCY

25 Section 1 is intended to clarify the definition of
26 "qualified organization" for the purposes of licensing under
27 chapter 99B. A "person" such as an "individual" has not been
28 eligible as a qualified organization since 1981, so "person"
29 is being changed to "organization". Language is being added
30 to further define a qualified organization. This legislation
31 is necessary to clearly define a qualified organization for
32 the public and licensees.

33 Section 2 adds a technical internal reference as a result
34 of section 6 of the bill.

35 Section 3 restricts qualified organizations from conducting

1 free games at any time. The recent use of a free bingo game
2 as a promotion prior to, and outside the legal three four-hour
3 occasions allowed by law has necessitated this change.

4 Section 4 adds requirements of qualified organizations for
5 a minimum active membership and a governing body which is not
6 self-perpetuating. This legislation is necessary to ensure
7 that only legitimate organizations are licensed. The current
8 requisites have allowed for the establishment of tax-exempt
9 organizations which are self-perpetuating lifelong boards
10 (small boards of directors who alone vote on who is to be on
11 the board). This legislation would eliminate organizations
12 having self-perpetuating boards of directors.

13 Section 5 adds a new section requiring that bingo equipment
14 and supplies be purchased only from distributors licensed by
15 the state of Iowa. This legislation will provide a mechanism,
16 through verification of purposes, for the state to determine
17 actual gross receipts and will assist in the deterrence of
18 abuse of bingo for personal gain. It will provide
19 accountability of both operators and distributors.

20 Section 6 requires licensure of the manufacturers and
21 distributors who sell bingo supplies and equipment in Iowa.
22 These businesses are currently not licensed in Iowa. The
23 states of Nebraska, South Dakota, and Minnesota require
24 licensure of manufacturers and distributors; Wisconsin and
25 Illinois require licensure of distributors.

26 Sections 5 and 6 will enhance the administrative rules
27 requiring inventory controls and provide a more complete audit
28 trail for determining the actual gross sales of a bingo
29 operation. The actual gross sales is necessary to determine
30 the appropriate amount of dedicated receipts owed to
31 charitable organizations and the appropriate amount of sales
32 tax owed to the state. This legislation would provide greater
33 integrity of bingo in Iowa.

34 Estimated annual general fund revenue for licensing
35 manufacturers and distributors would be \$14,000. The annual

1 license fee for manufacturers would be \$1,000; distributors
2 would be \$500. An estimated 8 manufacturers and 12
3 distributors would be licensed initially.

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HOUSE FILE 2192

AN ACT

RELATING TO THE REGULATION OF BINGO, IMPOSING LICENSE FEES,
AND SUBJECTING VIOLATORS TO EXISTING PENALTIES.

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

Section 1. Section 99B.1, subsection 21, Code 1993, is amended to read as follows:

21. "Qualified organization" means any licensed person-who organization which dedicates the net receipts of a game of skill, game of chance or raffle as provided in section 99B.7 and meets the requirements of section 99B.7, subsection 1, paragraph "m".

Sec. 2. Section 99B.2, subsection 2, Code 1993, is amended to read as follows:

2. A licensee other than one issued a license pursuant to section 99B.3, 99B.6, 99B.7A, or 99B.9 shall maintain proper books of account and records showing in addition to any other information required by the department, gross receipts and the amount of the gross receipts taxes collected or accrued with respect to gambling activities, all expenses, charges, fees and other deductions, and the cash amounts, or the cost to the licensee of goods or other noncash valuables, distributed to participants in the licensed activity. If the licensee is a qualified organization, the amounts dedicated and the date and name and address of each person to whom distributed also shall be kept in the books and records. The books of account and records shall be made available to the department or a law enforcement agency for inspection at reasonable times, with or

without notice. A failure to permit inspection is a serious misdemeanor.

Sec. 3. Section 99B.7, subsection 1, paragraph c, unnumbered paragraph 1, Code 1993, is amended to read as follows:

Cash or merchandise prizes may be awarded in the game of bingo and, except as otherwise provided in this paragraph, shall not exceed one hundred dollars. Merchandise prizes may be awarded in the game of bingo, but the actual retail value of the prize, or if the prize consists of more than one item, unit or part, the aggregate retail value of all items, units or parts, shall not exceed the maximum provided by this paragraph. A jackpot bingo game may be conducted once during any twenty-four hour period in which the prize may begin at not more than three hundred dollars in cash or actual retail value of merchandise prizes and may be increased by not more than one hundred dollars after each bingo occasion. However, the cost of play in a jackpot bingo game shall not be increased and the jackpot shall not amount to more than eight hundred dollars in cash or actual retail value of merchandise prizes. A jackpot bingo game is not prohibited by paragraph "b". A bingo occasion shall not last for longer than four consecutive hours. A qualified organization shall not hold more than fourteen bingo occasions per month. Bingo occasions held under a limited license shall not be counted in determining whether a qualified organization has conducted more than fourteen bingo occasions per month, nor shall bingo occasions held under a limited license be limited to four consecutive hours. With the exception of a limited license bingo, no more than three bingo occasions per week shall be held within a structure or building and only one person licensed to conduct games under this section may hold bingo occasions within a structure or building. A licensed qualified organization shall not conduct free games.

Sec. 4. Section 99B.7, subsection 1, paragraph m, Code 1993, is amended by striking the paragraph and inserting in lieu thereof the following:

m. The organization conducting the game can show to the satisfaction of the department that all of the following requirements are met:

(1) The organization is eligible for exemption from federal income taxes under section 501(c)(3), 501(c)(4), 501(c)(5), 501(c)(6), 501(c)(7), 501(c)(8), 501(c)(10), or 501(c)(19) of the Internal Revenue Code as defined in section 422.3.

(2) The organization has an active membership of not less than twelve persons.

(3) The organization does not have a self-perpetuating governing body and officers.

This lettered paragraph "m" does not apply to a political party, as defined in section 43.2, to a nonparty political organization that has qualified to place a candidate as its nominee for statewide office pursuant to chapter 44, or to a candidate's committee as defined in section 56.2.

Sec. 5. Section 99B.7, Code 1993, is amended by adding the following new subsection:

NEW SUBSECTION. 7. A qualified organization licensed under this section shall purchase bingo equipment and supplies only from a manufacturer or a distributor licensed by the department.

Sec. 6. NEW SECTION. 99B.7A MANUFACTURERS AND DISTRIBUTORS OF BINGO EQUIPMENT AND SUPPLIES -- LICENSE.

A person shall not engage in business as a manufacturer or a distributor of bingo equipment and supplies in this state without first obtaining a license from the department. Upon receipt of an application and a fee of one thousand dollars for a manufacturer's license or a fee of five hundred dollars for a distributor's license, the department shall issue an annual license as applicable. The application shall be

submitted on forms furnished by the department and contain the information required by rule of the department. A license may be renewed annually upon payment of the annual licensee fee and compliance with this chapter.

HAROLD VAN MAANEN
Speaker of the House

LEONARD L. BOSWELL
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2192, Seventy-fifth General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved *April 12*, 1994

TERRY E. BRANSTAD
Governor