

APR 10 1995

STATE GOVERNMENT

HOUSE FILE 561

BY SIEGRIST and SCHRADER

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to the qualifications of a qualifying  
2 organization which are necessary to conduct pari-mutuel  
3 wagering at racetracks or gambling games on excursion gambling  
4 boats and providing effective and applicability dates.

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

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HF 561

1 Section 1. Section 99D.8, unnumbered paragraphs 1 and 2,  
2 Code 1995, are amended to read as follows:

3 A qualifying organization, as defined in section  
4 513(d)(2)(C) of the Internal Revenue Code, as defined in  
5 section 422.3, exempt from federal income taxation under  
6 sections 501(c)(3), 501(c)(4), or 501(c)(5) of the Internal  
7 Revenue Code or a nonprofit corporation organized under the  
8 laws of this state, whether or not it is exempt from federal  
9 income taxation, which is organized to promote those purposes  
10 enumerated in section 99B.7, subsection 3, paragraph "b", and  
11 which regularly conducts ~~as one of its substantial exempt~~  
12 ~~purposes~~, an agricultural and educational fair or exposition  
13 for the promotion of the horse, dog, or other livestock  
14 breeding industries of the state, or an agency,  
15 instrumentality, or political subdivision of the state, may  
16 apply to the commission for a license to conduct horse or dog  
17 racing. The application shall be filed with the administrator  
18 of the commission at least sixty days before the first day of  
19 the horse race or dog race meeting which the organization  
20 proposes to conduct, shall specify the day or days when and  
21 the exact location where it proposes to conduct racing, and  
22 shall be in a form and contain information as the commission  
23 prescribes.

24 If any part of the net income of a licensee is determined  
25 to be unrelated business taxable income as defined in sections  
26 511 through 514 of the Internal Revenue Code, or is otherwise  
27 taxable, the ~~qualifying-organization licensee~~ shall be  
28 required to distribute the such amount of ~~net-unrelated~~  
29 ~~business-taxable-income~~ to political subdivisions in the state  
30 and organizations described in section 501(c)(3) of the  
31 Internal Revenue Code in the county in which it the licensee  
32 operates. ~~Distributions-to-these-organizations-made-during~~  
33 ~~the-year-in-which-the-unrelated-business-income-was-earned~~  
34 ~~shall-be-treated-as-included-in-the-required-distributions-for~~  
35 ~~this-purpose.~~

1     Sec. 2. Section 99F.1, subsection 14, Code 1995, is  
2 amended to read as follows:

3     14. "Qualified sponsoring organization" means a nonprofit  
4 corporation organized under the laws of this state, whether or  
5 not it is exempt from federal income taxation, or a person or  
6 association that can show to the satisfaction of the  
7 commission that the person or association is eligible for  
8 exemption from federal income taxation under section  
9 501(c)(3), 501(c)(4), 501(c)(5), 501(c)(6), 501(c)(7),  
10 501(c)(8), 501(c)(10), or 501(c)(19) of the Internal Revenue  
11 Code as defined in section 422.3.

12     Sec. 3. Section 99F.6, subsection 4, paragraph a, Code  
13 1995, is amended to read as follows:

14     a. Before a license is granted, the division of criminal  
15 investigation of the department of public safety shall conduct  
16 a thorough background investigation of the applicant for a  
17 license to operate a gambling game operation on an excursion  
18 gambling boat. The applicant shall provide information on a  
19 form as required by the division of criminal investigation.  
20 ~~Before-a~~ A qualified sponsoring organization ~~is~~ licensed to  
21 operate gambling games under this chapter, ~~the-qualified~~  
22 ~~sponsoring-organization~~ shall ~~certify-that~~ distribute the  
23 receipts of all gambling games, less reasonable expenses,  
24 charges, taxes, fees, and deductions allowed under this  
25 chapter, ~~will-be-distributed~~ as winnings to players or  
26 participants or ~~will-be-distributed~~ shall distribute the  
27 receipts for educational, civic, public, charitable,  
28 patriotic, or religious uses as defined in section 99B.7,  
29 subsection 3, paragraph "b". However, if a licensee who is  
30 also licensed to conduct pari-mutuel wagering at a horse  
31 racetrack has unpaid debt from the pari-mutuel racetrack  
32 operations, the first receipts of the gambling games operated  
33 within the racetrack enclosure less reasonable operating  
34 expenses, taxes, and fees allowed under this chapter shall be  
35 first used to pay the annual indebtedness. The commission

1 shall authorize, subject to the debt payments for horse  
2 racetracks and the provisions of paragraph "b" for dog  
3 racetracks, a licensee who is also licensed to conduct pari-  
4 mutuel dog or horse racing to use receipts from gambling games  
5 within the racetrack enclosure to supplement purses for races  
6 particularly for Iowa-bred horses pursuant to an agreement  
7 which shall be negotiated between the licensee and  
8 representatives of the dog or horse owners. A qualified  
9 sponsoring organization shall not make a contribution to a  
10 candidate, political committee, candidate's committee, state  
11 statutory political committee, county statutory political  
12 committee, national political party, or fund-raising event as  
13 these terms are defined in section 56.2. The membership of  
14 the board of directors of a qualified sponsoring organization  
15 shall represent a broad interest of the communities.

16 Sec. 4. EFFECTIVE AND APPLICABILITY DATES. This Act,  
17 being deemed of immediate importance, takes effect upon  
18 enactment and applies retroactively to January 1, 1995.

19 EXPLANATION

20 This bill provides that a qualified sponsoring  
21 organization, in lieu of being eligible for an exemption from  
22 federal income taxation, may show that it is an Iowa nonprofit  
23 corporation, whether tax-exempt or not, for the purposes of  
24 qualifying to be a licensee to conduct pari-mutuel wagering at  
25 racetracks or to conduct gambling games on excursion gambling  
26 boats. However, unrelated business taxable income of a  
27 licensee must be distributed to political subdivisions of the  
28 state and organizations described in section 501(c)(3) of the  
29 Internal Revenue Code, such as educational, testing for public  
30 safety, literary, charitable, patriotic, or religious  
31 organizations.

32 This bill takes effect upon enactment and applies  
33 retroactively to January 1, 1995.

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