

JAN 27 2004  
WAYS AND MEANS

HOUSE FILE 2082  
BY LUKAN

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

**A BILL FOR**

1 An Act exempting the amounts received from bingo games operated  
2 by certain tax-exempt entities from sales and use taxes.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2082

1 Section 1. Section 423.3, as enacted by 2003 Iowa Acts,  
2 First Extraordinary Session, chapter 2, section 96, is amended  
3 by adding the following new subsection:

4 NEW SUBSECTION. 78A. The sales price derived from the  
5 operation of all forms of bingo games, as defined in chapter  
6 99B, operated or conducted within the state by an entity which  
7 is exempt from federal income taxation pursuant to section  
8 501(c)(3) of the Internal Revenue Code where the proceeds are  
9 used for the purposes of the nonprofit entity.

10 This exemption applies to the extent the tax is imposed  
11 under section 423.2, subsection 4, but for this subsection, on  
12 bingo game operations.

13 EXPLANATION

14 This bill exempts the amounts derived from the operation of  
15 bingo games from the sales and use taxes, if the bingo games  
16 are operated by an entity which is exempt from federal income  
17 taxation pursuant to section 501(c)(3) of the Internal Revenue  
18 Code. These entities include educational, religious,  
19 charitable, literary, and scientific organizations.

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

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HF 2082 - Bingo Organization Tax Exemption (LSB 5876 YH)  
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)  
Fiscal Note Version — New

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**Description**

House File 2082 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)(3) of the Internal Revenue Code (religious, charitable, educational, literary, *etc.*, organizations).

**Assumptions**

1. Bingo sales by charitable organizations in Iowa during FY 2003 equaled \$29.0 million and will equal that amount in future fiscal years.
2. The State sales/use tax rate is 5.0% and the average local option sales tax rate is 1.0%.
3. Sales and use tax growth will not exceed 2.0% in FY 2005, but will do so in FY 2006 and future years.
4. The Grow Iowa Values Fund receives all sales and use tax revenue growth in excess of 2.0% for fiscal years 2004 through 2010.

**Fiscal Impact**

The tax exemption in HF 2082 will reduce General Fund revenues by \$1.45 million in FY 2005. The revenue reduction will be similar in future fiscal years, however, the reduction will shift to the Grow Iowa Values Fund for FY 2006 through FY 2010.

House File 2082 will also reduce local option sales tax receipts by \$290,000 per year.

**Source**

Department of Inspections and Appeals

Dennis C Prouty

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February 25, 2004

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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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