

# Senate File 218 - Introduced

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

## A BILL FOR

1 An Act concerning the licensure, operation, and taxation of card  
2 game tournaments by organizations representing veterans and  
3 allowable prizes at annual game nights.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
5 TLSB 1815XS 82  
6 ec/es/88

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1 1 Section 1. NEW SECTION. 99B.7B CARD GAME TOURNAMENTS  
1 2 CONDUCTED BY QUALIFIED ORGANIZATIONS REPRESENTING VETERANS.  
1 3 1. As used in this section, unless the context otherwise  
1 4 requires:  
1 5 a. "Card game" means only poker, pinochle, pitch, gin  
1 6 rummy, bridge, euchre, hearts, or cribbage.  
1 7 b. "Qualified organization representing veterans" means  
1 8 any licensed organization representing veterans, which is a  
1 9 post, branch, or chapter of a national association of veterans  
1 10 of the armed forces of the United States which is a federally  
1 11 chartered corporation, dedicates the net receipts of a game of  
1 12 skill, game of chance, or raffle as provided in section 99B.7,  
1 13 is exempt from federal income taxes under section 501(c)(19)  
1 14 of the Internal Revenue Code as defined in section 422.3, has  
1 15 an active membership of not less than twelve persons, and does  
1 16 not have a self-perpetuating governing body and officers.  
1 17 2. Notwithstanding any provision of this chapter to the  
1 18 contrary, card game tournaments lawfully may be conducted by a  
1 19 qualified organization representing veterans if all of the  
1 20 following are complied with:  
1 21 a. The organization conducting the card game tournament  
1 22 has been issued a license pursuant to subsection 4 and  
1 23 prominently displays that license in the playing area of the  
1 24 card game tournament.  
1 25 b. The card games to be conducted during a card game  
1 26 tournament, including the rules of each card game and how  
1 27 winners are determined, shall be displayed prominently in the  
1 28 playing area of the card game tournament. Each card game  
1 29 shall be conducted in a fair and honest manner and shall not  
1 30 be operated on a build-up or pyramid basis. Every participant  
1 31 in a card game tournament must be given the same chances of  
1 32 winning the tournament and shall not be allowed any second  
1 33 chance entries or multiple entries in the card game  
1 34 tournament.  
1 35 c. Participation in a card game tournament conducted by a  
2 1 qualified organization representing veterans shall only be  
2 2 open to members of the qualified organization representing  
2 3 veterans and guests of members of the qualified organization  
2 4 participating in the tournament. The cost to participate in a  
2 5 card game tournament shall be limited to one hundred dollars  
2 6 and shall be the same for every participant in the card game  
2 7 tournament. Participants in a card game tournament shall be  
2 8 at least twenty-one years of age.  
2 9 d. Cash or merchandise prizes may be awarded during a card  
2 10 game tournament and shall not exceed one thousand dollars and  
2 11 no participant shall win more than a total of five hundred

2 12 dollars. A qualified organization representing veterans shall  
2 13 distribute amounts awarded as prizes on the day they are won  
2 14 and merchandise prizes shall not be repurchased. An  
2 15 organization conducting a card game tournament shall only  
2 16 display prizes in the playing area of the card game tournament  
2 17 that can be won.

2 18 e. The qualified organization representing veterans shall  
2 19 conduct each card game tournament and any card game conducted  
2 20 during the tournament and shall not contract with or permit  
2 21 another person to conduct the card game tournament or any card  
2 22 game during the tournament.

2 23 f. No person receives or has any fixed or contingent right  
2 24 to receive, directly or indirectly, any profit, remuneration,  
2 25 or compensation from or related to a game in a card game  
2 26 tournament, except any amount which the person may win as a  
2 27 participant on the same basis as the other participants.

2 28 g. A qualified organization representing veterans licensed  
2 29 under this section shall not hold more than one card game  
2 30 tournament per week. Card game tournaments held under an  
2 31 annual game night license shall not count toward the limit of  
2 32 one card game tournament per week for a license holder. A  
2 33 qualified organization representing veterans shall be allowed  
2 34 to hold only one card game tournament during any  
2 35 twenty-four-hour period.

3 1 h. At the conclusion of each card game tournament, the  
3 2 person conducting the card game tournament shall announce the  
3 3 gross receipts received, the total amount of money withheld  
3 4 for expenses, and the amount withheld for state taxes.

3 5 i. The person conducting the card game tournament does  
3 6 none of the following:

3 7 (1) Hold, currently, another license issued under this  
3 8 section.

3 9 (2) Own or control, directly or indirectly, any class of  
3 10 stock of another person who has been issued a license to  
3 11 conduct games under this section.

3 12 (3) Have, directly or indirectly, an interest in the  
3 13 ownership or profits of another person who has been issued a  
3 14 license to conduct games under this section.

3 15 3. The qualified organization representing veterans  
3 16 licensed to hold card game tournaments under this section  
3 17 shall keep a journal of all dates of events, amount of gross  
3 18 receipts, amount given out as prizes, expenses, amount  
3 19 collected for taxes, and the amount collected as revenue.

3 20 a. The amount collected by the qualified organization  
3 21 representing veterans as revenue shall be no less than ten  
3 22 percent of the gross receipts collected from each event.

3 23 b. Each qualified organization representing veterans shall  
3 24 withhold that portion of the gross receipts subject to  
3 25 taxation pursuant to section 423.2, subsection 4, which shall  
3 26 be kept in a separate account and sent to the state along with  
3 27 the organization's quarterly report.

3 28 c. A qualified organization representing veterans licensed  
3 29 to conduct card game tournaments is allowed to withhold no  
3 30 more than five percent of the gross receipts from each card  
3 31 game tournament for qualified expenses. Qualified expenses  
3 32 include but are not limited to the purchase of supplies and  
3 33 materials used in conducting card games. Any money collected  
3 34 for expenses and not used by the end of the calendar year  
3 35 shall be donated for educational, civic, public, charitable,  
4 1 patriotic, or religious uses as described in section 99B.7,  
4 2 subsection 3, paragraph "b". The qualified organization  
4 3 representing veterans shall attach a receipt for any donation  
4 4 made to the fourth quarter quarterly report required to be  
4 5 submitted pursuant to section 99B.2.

4 6 d. Each qualified organization representing veterans  
4 7 licensed under this section shall make recordkeeping and all  
4 8 deposit receipts available as provided in section 99B.2,  
4 9 subsection 2.

4 10 4. An organization wishing to conduct card game  
4 11 tournaments pursuant to this section as a qualified  
4 12 organization representing veterans shall submit an application  
4 13 and annual license fee of one hundred dollars to the  
4 14 department.

4 15 Sec. 2. Section 99B.8, Code 2007, is amended by adding the  
4 16 following new subsection:

4 17 NEW SUBSECTION. 6. a. Notwithstanding any provision of  
4 18 section 99B.7 to the contrary, if the games are conducted by  
4 19 an eligible qualified organization issued a license pursuant  
4 20 to subsection 3, the sponsor may award cash or merchandise  
4 21 prizes in any game of skill, game of chance, or card game  
4 22 lawfully conducted during the annual game night in an amount

4 23 not to exceed ten thousand dollars and no participant shall  
4 24 win more than a total of five thousand dollars.

4 25 b. For purposes of this subsection, an "eligible qualified  
4 26 organization" means any of the following:

4 27 (1) A qualified organization representing veterans as  
4 28 defined in section 99B.7B.

4 29 (2) A qualified organization that primarily represents  
4 30 volunteer emergency services providers as defined in section  
4 31 100B.31.

4 32 (3) A qualified organization that is exempt from federal  
4 33 income tax under section 501(c)(3) of the Internal Revenue  
4 34 Code and that has conducted an annual game night during the  
4 35 period beginning January 1, 2001, and ending December 31,  
5 1 2006.

5 2 Sec. 3. Section 99B.9, subsection 1, unnumbered paragraph  
5 3 1, Code 2007, is amended to read as follows:

5 4 Except as otherwise permitted by section 99B.3, 99B.5,  
5 5 99B.6, 99B.7, 99B.7B, 99B.8, 99B.11, or 99B.12A, it is  
5 6 unlawful to permit gambling on any premises owned, leased,  
5 7 rented, or otherwise occupied by a person other than a  
5 8 government, governmental agency, or governmental subdivision,  
5 9 unless all of the following are complied with:

5 10 Sec. 4. Section 99B.12, subsection 1, unnumbered paragraph  
5 11 1, Code 2007, is amended to read as follows:

5 12 Except in instances where because of the location of the  
5 13 game or the circumstances of the game section 99B.3, section  
5 14 99B.5, section 99B.6, section 99B.7, section 99B.7B, section  
5 15 99B.8, or section 99B.9 is applicable, individuals may  
5 16 participate in gambling specified in subsection 2, but only if  
5 17 all of the following are complied with:

5 18 Sec. 5. Section 423.2, subsection 4, Code 2007, is amended  
5 19 to read as follows:

5 20 4. A tax of five percent is imposed upon the sales price  
5 21 derived from the operation of all forms of amusement devices  
5 22 and games of skill, games of chance, raffles, and bingo games  
5 23 as defined in chapter 99B, and card game tournaments conducted  
5 24 under section 99B.7B, that are operated or conducted within  
5 25 the state, the tax to be collected from the operator in the  
5 26 same manner as for the collection of taxes upon the sales  
5 27 price of tickets or admission as provided in this section.  
5 28 Nothing in this subsection shall legalize any games of skill  
5 29 or chance or slot-operated devices which are now prohibited by  
5 30 law.

5 31 The tax imposed under this subsection covers the total  
5 32 amount from the operation of games of skill, games of chance,  
5 33 raffles, and bingo games as defined in chapter 99B, card game  
5 34 tournaments conducted under section 99B.7B, and musical  
6 35 devices, weighing machines, shooting galleries, billiard and  
6 1 pool tables, bowling alleys, pinball machines, slot-operated  
6 2 devices selling merchandise not subject to the general sales  
6 3 taxes and on the total amount from devices or systems where  
6 4 prizes are in any manner awarded to patrons and upon the  
6 5 receipts from fees charged for participation in any game or  
6 6 other form of amusement, and generally upon the sales price  
6 7 from any source of amusement operated for profit, not  
6 8 specified in this section, and upon the sales price from which  
6 9 tax is not collected for tickets or admission, but tax shall  
6 10 not be imposed upon any activity exempt from sales tax under  
6 11 section 423.3, subsection 78. Every person receiving any  
6 12 sales price from the sources described in this section is  
6 13 subject to all provisions of this subchapter relating to  
6 14 retail sales tax and other provisions of this chapter as  
6 15 applicable.

#### 6 16 EXPLANATION

6 17 This bill provides for the operation of card game  
6 18 tournaments by qualified organizations representing veterans  
6 19 and allowable prizes at annual game nights conducted by  
6 20 certain authorized organizations.

6 21 The bill establishes new Code section 99B.7B, providing for  
6 22 card game tournaments conducted by a qualified organization  
6 23 representing veterans. The bill defines "card game" to mean  
6 24 only poker, pinochle, pitch, gin rummy, bridge, euchre,  
6 25 hearts, or cribbage. The bill provides that only qualified  
6 26 organizations representing veterans can conduct a card game  
6 27 tournament and provides for a \$100 annual license fee. The  
6 28 bill requires the organization to display the card games to be  
6 29 conducted during a tournament, including the rules and manner  
6 30 of determining winners for each game. The bill provides that  
6 31 participation in a tournament shall be open to members and  
6 32 guests of the qualified organization and the cost to  
6 33 participate shall not be more than \$100. A person under age

6 34 21 cannot participate.

6 35 The bill provides that cash or merchandise of up to \$1,000  
7 1 can be awarded at a tournament and no participant shall win  
7 2 more than a total of \$500. The bill also provides that an  
7 3 organization holding a license can hold no more than one  
7 4 tournament a week and only one tournament can be conducted by  
7 5 a qualified organization in any 24-hour period. Card game  
7 6 tournaments held under an annual game night license shall not  
7 7 count toward the number of tournaments allowed. The bill also  
7 8 provides that the qualified organization licensed to conduct  
7 9 card game tournaments shall keep records of the dates of  
7 10 events, the amount of gross receipts, the amount of prizes  
7 11 awarded, expenses, amount collected for taxes, and revenue  
7 12 collected for conducting card game tournaments. The bill  
7 13 requires qualified organizations to collect at least 10  
7 14 percent of gross receipts collected from each event as revenue  
7 15 and to withhold no more than 5 percent of gross receipts for  
7 16 expenses incurred in holding card game tournaments. Of the  
7 17 amount withheld for expenses, any amounts collected but unused  
7 18 for expenses by the end of a calendar year shall be donated  
7 19 for charitable purposes. Any amounts donated shall be  
7 20 indicated on the quarterly reports required to be submitted to  
7 21 the department of inspection and appeals pursuant to Code  
7 22 section 99B.2.

7 23 Code section 99B.8, concerning annual game nights, is also  
7 24 amended to allow certain eligible qualified organizations to  
7 25 award cash or merchandise prizes of up to a total of \$10,000  
7 26 with no more than \$5,000 awarded to any participant. The bill  
7 27 defines eligible qualified organizations as a qualified  
7 28 organization representing veterans, a qualified organization  
7 29 representing volunteer emergency services providers, and a  
7 30 qualified organization exempt from federal taxes under section  
7 31 501(c)(3) of the Internal Revenue Code that has held a game  
7 32 night between January 1, 2001, and December 31, 2006.

7 33 The bill further amends Code section 423.2, concerning  
7 34 sales taxes, to specifically provide that sales taxes shall be  
7 35 imposed on card game tournaments in the same manner as for  
8 1 other games as defined in Code chapter 99B.

8 2 LSB 1815XS 82

8 3 ec:nh/es/88.1