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STATE GOVERNMENT

SENATE FILE 2224

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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 and allowable prizes at annual game nights.

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

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1 Section 1. Section 99B.1, Code 2005, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 8A. "Card game" includes cribbage,
4 bridge, pinochle, hearts, spades, euchre, poker, and other
5 similar card games.

6 Sec. 2. Section 99B.1, subsection 25, Code 2005, is
7 amended to read as follows:

8 25. "Qualified organization" means any licensed
9 organization which dedicates the net receipts of a game of
10 skill, game of chance, or raffle as provided in section 99B.7
11 or complies with the requirements for conducting a card game
12 tournament as provided in section 99B.7B, and meets the
13 requirements of section 99B.7, subsection 1, paragraph "m".

14 Sec. 3. Section 99B.6, subsection 1, paragraph k, Code
15 2005, is amended to read as follows:

16 k. A person under the age of twenty-one years shall not
17 participate in the gambling except pursuant to sections 99B.3,
18 99B.4, 99B.5, ~~and~~ 99B.7, and 99B.7B. Any licensee knowingly
19 allowing a person under the age of twenty-one to participate
20 in the gambling prohibited by this paragraph or any person
21 knowingly participating in gambling with a person under the
22 age of twenty-one, is guilty of a simple misdemeanor.

23 Sec. 4. Section 99B.6, subsection 6, Code 2005, is amended
24 to read as follows:

25 6. A qualified organization may conduct games of skill,
26 games of chance, or raffles pursuant to section 99B.7, or a
27 card game tournament pursuant to section 99B.7B, in an
28 establishment that serves or sells alcoholic beverages, wine,
29 or beer as defined in section 123.3 if the games or raffles
30 are conducted pursuant to this chapter or rules adopted
31 pursuant to this chapter.

32 Sec. 5. NEW SECTION. 99B.7B CARD GAME TOURNAMENTS
33 CONDUCTED BY QUALIFIED ORGANIZATIONS.

34 1. Except as otherwise provided in section 99B.8, card
35 game tournaments lawfully may be conducted by a qualified

1 organization if all of the following are complied with:

2 a. The organization conducting the card game tournament
3 has been issued a license pursuant to subsection 3 and
4 prominently displays that license in the playing area of the
5 card game tournament.

6 b. The card games to be conducted during a card game
7 tournament, including the rules of each card game and how
8 winners are determined, shall be displayed prominently in the
9 playing area of the card game tournament. Each card game
10 shall be conducted in a fair and honest manner and shall not
11 be operated on a build-up or pyramid basis. Every participant
12 in a card game tournament must be given the same chances of
13 winning the tournament and shall not be allowed any second
14 chance entries or multiple entries in the card game
15 tournament.

16 c. Participation in a card game tournament conducted by a
17 qualified organization shall be open to the public. The cost
18 to participate in a card game tournament shall be limited to
19 fifty dollars and shall be the same for every participant in
20 the card game tournament. Participants in a card game
21 tournament shall be at least eighteen years of age.

22 d. Cash or merchandise prizes may be awarded during a card
23 game tournament and shall not exceed one thousand dollars. A
24 qualified organization shall distribute amounts awarded as
25 prizes on the day they are won and merchandise prizes shall
26 not be repurchased. An organization conducting a card game
27 tournament shall only display prizes in the playing area of
28 the card game tournament that can be won.

29 e. No person receives or has any fixed or contingent right
30 to receive, directly or indirectly, any profit, remuneration,
31 or compensation from or related to a game in a card game
32 tournament, except any amount which the person may win as a
33 participant on the same basis as the other participants.

34 f. A qualified organization shall not hold more than
35 fifteen card game tournaments per month. Card game

1 tournaments held under an annual game night license shall not
2 count towards the limit of fifteen card game tournaments per
3 month. With the exception of an annual game night license, no
4 more than three card game tournaments per week shall be held
5 within a structure or building and only one qualified
6 organization licensed to conduct card game tournaments under
7 this section may hold card game tournaments within a structure
8 or building. A qualified organization shall be allowed to
9 hold only one card game tournament during a calendar day.

10 g. At the conclusion of each card game tournament, the
11 person conducting the card game tournament shall announce the
12 gross receipts received, the total amount of money withheld
13 for expenses, and the amount withheld for state taxes.

14 h. The organization conducting the card game tournament
15 meets the requirements of section 99B.7, subsection 1,
16 paragraph "m".

17 i. The person conducting the card game tournament does
18 none of the following:

19 (1) Hold, currently, another license issued under this
20 section.

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

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

27 2. The qualified organization licensed to hold card game
28 tournaments under this section shall keep a journal of all
29 dates of events, amount of gross receipts, amount given out as
30 prizes, expenses, amount collected for taxes, and the amount
31 collected as revenue.

32 a. The amount collected by the qualified organization as
33 revenue is limited to ten percent of the gross receipts
34 collected from each event.

35 b. Each qualified organization shall withhold that portion

1 of the gross receipts subject to taxation pursuant to section
2 423.2, subsection 4, which shall be kept in a separate account
3 and sent to the state along with the organization's quarterly
4 report.

5 c. A qualified organization licensed to conduct card game
6 tournaments is allowed to withhold no more than five percent
7 of the gross receipts from each card game tournament for
8 qualified expenses. Qualified expenses include but are not
9 limited to hired staff to run the event and the purchase of
10 supplies and materials used in conducting card games. Any
11 money collected for expenses and not used by the end of the
12 calendar year shall be donated for educational, civic, public,
13 charitable, patriotic, or religious uses as described in
14 section 99B.7, subsection 3, paragraph "b". The qualified
15 organization shall attach a receipt for any donation made to
16 the fourth quarter quarterly report required to be submitted
17 pursuant to section 99B.2.

18 d. Each qualified organization licensed under this section
19 shall make recordkeeping and all deposit receipts available as
20 provided in section 99B.2, subsection 2.

21 3. An organization wishing to conduct card game
22 tournaments pursuant to this section as a qualified
23 organization shall submit an application and annual license
24 fee of two hundred dollars to the department.

25 Sec. 6. Section 99B.8, Code Supplement 2005, is amended by
26 adding the following new subsection:

27 NEW SUBSECTION. 6. Notwithstanding any provision of
28 section 99B.7 to the contrary, if the games are conducted by a
29 qualified organization issued a license pursuant to subsection
30 3, the sponsor may award cash or merchandise prizes in any
31 game of skill, game of chance, or card game lawfully conducted
32 during the annual game night in an amount not to exceed five
33 thousand dollars.

34 Sec. 7. Section 99B.9, subsection 1, unnumbered paragraph
35 1, Code 2005, is amended to read as follows:

1 Except as otherwise permitted by section 99B.3, 99B.5,
2 99B.6, 99B.7, 99B.7B, 99B.8, 99B.11, or 99B.12A, it is
3 unlawful to permit gambling on any premises owned, leased,
4 rented, or otherwise occupied by a person other than a
5 government, governmental agency, or governmental subdivision,
6 unless all of the following are complied with:

7 Sec. 8. Section 99B.12, subsection 1, unnumbered paragraph
8 1, Code 2005, is amended to read as follows:

9 Except in instances where because of the location of the
10 game or the circumstances of the game section 99B.3, section
11 99B.5, section 99B.6, section 99B.7, section 99B.7B, section
12 99B.8, or section 99B.9 is applicable, individuals may
13 participate in gambling specified in subsection 2, but only if
14 all of the following are complied with:

15 Sec. 9. Section 423.2, subsection 4, Code Supplement 2005,
16 is amended to read as follows:

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

28 The tax imposed under this subsection covers the total
29 amount from the operation of games of skill, games of chance,
30 raffles, and bingo games as defined in chapter 99B, card game
31 tournaments conducted under section 99B.7B, and musical
32 devices, weighing machines, shooting galleries, billiard and
33 pool tables, bowling alleys, pinball machines, slot-operated
34 devices selling merchandise not subject to the general sales
35 taxes and on the total amount from devices or systems where

1 prizes are in any manner awarded to patrons and upon the
2 receipts from fees charged for participation in any game or
3 other form of amusement, and generally upon the sales price
4 from any source of amusement operated for profit, not
5 specified in this section, and upon the sales price from which
6 tax is not collected for tickets or admission, but tax shall
7 not be imposed upon any activity exempt from sales tax under
8 section 423.3, subsection 78. Every person receiving any
9 sales price from the sources described in this section is
10 subject to all provisions of this subchapter relating to
11 retail sales tax and other provisions of this chapter as
12 applicable.

13 EXPLANATION

14 This bill provides for the operation of card game
15 tournaments by qualified organizations.

16 The bill defines card game to include cribbage, bridge,
17 pinochle, hearts, spades, euchre, poker, and other similar
18 games.

19 The bill establishes new Code section 99B.7B providing for
20 card game tournaments conducted by a qualified organization.
21 The bill provides that only qualified organizations can
22 conduct a card game tournament and provides for a \$200 annual
23 license fee. The bill requires the organization to display
24 the card games to be conducted during a tournament, including
25 the rules and manner of determining winners for each game.
26 The bill provides that participation in a tournament shall be
27 open to the public and the cost to participate shall not be
28 more than \$50. A person under 18 cannot participate. The
29 bill provides that cash or merchandise of up to \$1,000 can be
30 awarded at a tournament. The bill also provides that an
31 organization holding a license can hold no more than 15
32 tournaments a month and no more than three tournaments a week.
33 Only one tournament can be conducted by a qualified
34 organization in a calendar day. Card game tournaments held
35 under an annual game night license shall not count toward the

1 number of tournaments allowed. The bill also provides that
2 the qualified organization licensed to conduct card game
3 tournaments shall keep records of the dates of events, the
4 amount of gross receipts, the amount of prizes awarded,
5 expenses, amount collected for taxes, and revenue collected
6 for conducting card game tournaments. The bill allows
7 qualified organizations to collect up to 10 percent of gross
8 receipts as revenue and up to 5 percent of gross receipts for
9 expenses incurred in holding card game tournaments. Of the
10 amount withheld for expenses, any amounts collected but unused
11 for expenses by the end of a calendar year shall be donated
12 for charitable purposes. Any amounts donated shall be
13 indicated on the quarterly reports required to be submitted to
14 the department of inspection and appeals pursuant to Code
15 section 99B.2.

16 Code section 99B.8, concerning annual game nights, is also
17 amended to allow cash or merchandise prizes of up to \$5,000.

18 The bill further amends Code section 423.2, concerning
19 sales taxes, to specifically provide that sales taxes shall be
20 imposed on card game tournaments in the same manner as for
21 other games as defined in Code chapter 99B.

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