

103D CONGRESS  
1ST SESSION

# S. 494

To amend the Internal Revenue Code of 1986 to provide changes in application of wagering taxes to charitable organizations.

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IN THE SENATE OF THE UNITED STATES

MARCH 3, 1993

Mr. DASCHLE (for himself and Mr. BROWN) introduced the following bill;  
which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide changes in application of wagering taxes to charitable organizations.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. CHANGES IN APPLICATION OF WAGERING**  
4 **TAXES TO CHARITABLE ORGANIZATIONS.**

5 (a) EXEMPTION FROM OCCUPATIONAL TAX FOR  
6 CHARITABLE ORGANIZATIONS.—Section 4411 of the In-  
7 ternal Revenue Code of 1986 (relating to occupational tax  
8 on wagering) is amended by adding at the end thereof the  
9 following new subsection:

1       “(c) EXCEPTION FOR CHARITABLE ORGANIZATIONS,  
2 ETC.—No tax shall be imposed by subsection (a) on—

3               “(1) any organization exempt from tax under  
4 section 501 or 521, and

5               “(2) any person who is engaged in receiving wa-  
6 gers only for or on behalf of such an organization,  
7 if the only wagers accepted by such organization (and such  
8 person) are authorized under the law of the State in which  
9 accepted.”

10       (b) EXCEPTION FROM WAGERING TAX FOR CHARI-  
11 TABLE ORGANIZATIONS.—Section 4402 of such Code (re-  
12 lating to exemptions from tax on wagers) is amended by  
13 inserting “(a) IN GENERAL.—” before “No tax” and by  
14 adding at the end thereof the following new subsection:

15       “(b) CHARITABLE ORGANIZATIONS, ETC.—

16               “(1) EXEMPTION WHERE CHARITABLE EX-  
17 PENDITURES EXCEED WINNINGS.—If the amount of  
18 charitable expenditures of any organization de-  
19 scribed in section 4411(c) for any calendar quarter  
20 equals or exceeds the amount of wagering winnings  
21 of such organization for such quarter, no tax shall  
22 be imposed by this subchapter on wagers placed dur-  
23 ing such calendar quarter with such organization or  
24 with any person described in section 4411(c)(2) with  
25 respect to such organization.

1           “(2) REDUCTION OF TAX WHERE WINNINGS EX-  
2       CEED CHARITABLE EXPENDITURES.—

3           “(A) IN GENERAL.—If paragraph (1) does  
4       not apply to an organization or person de-  
5       scribed in section 4411(c) for any calendar  
6       quarter, the tax imposed by this subchapter on  
7       wagers placed with such organization or person  
8       during such quarter shall be the applicable per-  
9       centage of the tax which would (but for this  
10      paragraph) be imposed on such wagers during  
11      such quarter.

12          “(B) APPLICABLE PERCENTAGE.—For  
13      purposes of subparagraph (A), the applicable  
14      percentage for any calendar quarter is the ex-  
15      cess of 100 percent over the percentage which  
16      the charitable expenditures of such organization  
17      for such quarter is of the wagering winnings of  
18      such organization for such quarter.

19          “(3) DEFINITIONS AND SPECIAL RULE.—For  
20      purposes of this subsection—

21          “(A) CHARITABLE EXPENDITURES.—The  
22      term ‘charitable expenditures’ means, for any  
23      calendar quarter, the sum of—

24              “(i) the amount paid by such organi-  
25              zation during such quarter to accomplish 1

1 or more of the purposes described in sec-  
2 tion 170(c)(2)(B) or to acquire an asset  
3 used (or held for use) directly in carrying  
4 out 1 or more of such purposes, and

5 “(ii) the amount permanently set-  
6 aside by such organization during such  
7 quarter for 1 or more of such purposes.

8 “(B) WAGERING WINNINGS.—The term  
9 ‘wagering winnings’ means, with respect to any  
10 calendar quarter, the excess of the wagers  
11 which would (but for this subsection) be subject  
12 to tax under this subchapter and which are  
13 placed with the organization during such cal-  
14 endar quarter over the winnings paid on such  
15 wagers.

16 “(C) SPECIAL RULE.—Wagers received by  
17 any person for or on behalf of an organization  
18 shall be treated as received by such organiza-  
19 tion.”

20 (c) EFFECTIVE DATES.—

21 (1) SUBSECTION (a).—The amendment made  
22 by subsection (a) shall apply to taxes imposed for  
23 periods beginning after the date of the enactment of  
24 this Act.

1           (2) SUBSECTION (b).—The amendment made  
2       by subsection (b) shall apply to wagers placed in cal-  
3       endar quarters beginning after the date of the enact-  
4       ment of this Act.

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