

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.

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

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 section
2 170(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.

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