

**WEST VIRGINIA
SECRETARY OF STATE
KEN HECHLER
ADMINISTRATIVE LAW DIVISION**

Form #3

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JUL 31 9 12 AM '97

OFFICE OF WEST VIRGINIA
SECRETARY OF STATE

**NOTICE OF AGENCY APPROVAL OF A PROPOSED RULE
AND
FILING WITH THE LEGISLATIVE RULE-MAKING REVIEW COMMITTEE**

AGENCY: State Tax Division TITLE NUMBER: 110

CITE AUTHORITY W. Va. Code § 47-20-23

AMENDMENT TO AN EXISTING RULE: YES NO

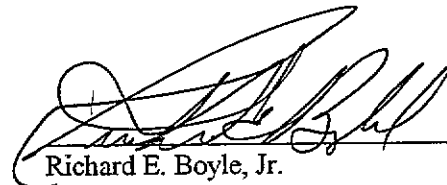
IF YES, SERIES NUMBER OF RULE BEING AMENDED: 16

TITLE OF RULE BEING AMENDED: Bingo

IF NO, SERIES NUMBER OF NEW RULE BEING PROPOSED: _____

TITLE OF RULE BEING PROPOSED: _____

THE ABOVE PROPOSED LEGISLATIVE RULE HAVING GONE TO A PUBLIC HEARING OR A PUBLIC COMMENT PERIOD IS HEREBY APPROVED BY THE PROMULGATING AGENCY FOR FILING WITH THE SECRETARY OF STATE AND THE LEGISLATIVE RULE MAKING REVIEW COMMITTEE FOR THEIR REVIEW.



Richard E. Boyle, Jr.
State Tax Commissioner

12.80



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JUL 31 9 12 AM '97

STATE OF WEST VIRGINIA
DEPARTMENT OF TAX AND REVENUE

OFFICE OF WEST VIRGINIA
ROBIN C. CAPEHART
SECRETARY OF STATE
SECRETARY

CECIL H. UNDERWOOD
GOVERNOR

TAX DIVISION
P. O. Box 2389
Charleston, West Virginia 25328-2389

CONSENT TO FILE RULE

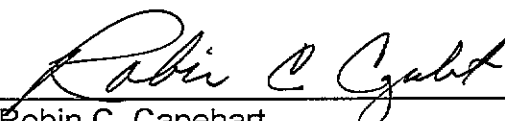
June 25, 1997

To Whom It May Concern:

Title of Rule: Bingo
Title Number: 110
Series Number: 16

Pursuant to West Virginia Code § 5F-2-2(a), the undersigned hereby consents to the filing of the foregoing rule.

Signed this 30th day of July, 1997.


Robin C. Capehart
Secretary, Tax and Revenue



**STATE OF WEST VIRGINIA
DEPARTMENT OF TAX AND REVENUE**

**CECIL H. UNDERWOOD
GOVERNOR**

**TAX DIVISION
P. O. Box 2389
Charleston, West Virginia 25328-2389**

**ROBIN C. CAPEHART
SECRETARY**

STATEMENT OF CIRCUMSTANCES

110 CSR 16

BINGO

The amendments to this rule bring the rule into compliance with West Virginia Code § 47-20-1 et seq. Additionally, the amendments will assist processing license renewals and issuing limited occasion licenses.



**STATE OF WEST VIRGINIA
DEPARTMENT OF TAX AND REVENUE**

**CECIL H. UNDERWOOD
GOVERNOR**

**TAX DIVISION
P. O. Box 2389
Charleston, West Virginia 25328-2389**

**ROBIN C. CAPEHART
SECRETARY**

SUMMARY OF RULE

110 C.S.R. 16

BINGO

This rule clarifies West Virginia Code § 47-20-1 et seq. which authorizes charitable bingo. The proposed amendments bring the rule into compliance with the Code, will assist in the issuance of license renewals and in the issuance of limited occasion licenses.

APPENDIX B

FISCAL NOTE FOR PROPOSED RULES

Rule Title: Bingo

Type of Rule: Legislative Interpretive Procedural

Agency: State Tax Division
 Address: P.O. Box 1005
Charleston, WV 25324-1005

1. Effect of Proposed Rule

	ANNUAL FISCAL YEAR				
	INCREASE	DECREASE	CURRENT	NEXT	THEREAFTER
ESTIMATED TOTAL COST	\$	\$	\$	\$	\$
PERSONAL SERVICES	0	0	0	0	0
CURRENT EXPENSE	0	0	0	0	0
REPAIRS & ALTERNATIONS	0	0	0	0	0
EQUIPMENT	0	0	0	0	0
OTHER	0	0	0	0	0

2. Explanation of above estimates:

There should be no change in expenses as a result of the amendments to the rule.

3. Objectives of these rules:

The rule clarifies and provides guidance for the implementation of W. Va. Code § 47-20-1 et seq.

Rule Title: Bingo

4. Explanation of Overall Economic Impact of Proposed Rule.

A. Economic Impact on State Government.

There should be none.

B. Economic Impact on Political Subdivisions; Specific Industries; Specific groups of Citizens.

There should be none.

C. Economic Impact on Citizens/Public at Large.

There should be none.

Date: July 30, 1997

Signature of Agency Head or Authorized Representative



Richard E. Boyle, Jr.
State Tax Commissioner

DATE: July 30, 1997

TO: LEGISLATIVE RULE-MAKING REVIEW COMMITTEE

FROM: State Tax Division

LEGISLATIVE RULE TITLE: Bingo

Operations

1. Authorizing statute(s) citation: West Virginia Code § 47-20-23

2. a. Date filed in State Register with Notice of Comment Period:

June 25, 1997

b. What other notice, including advertising, did you give of the comment period?

Available through the Internet

c. Date of public comment period: June 25, 1997 - July 25, 1997

d. Attach list of persons who appeared at hearing, comments received, amendments, reasons for amendments.

Attached No comments received

e. Date you filed in State Register the agency approved proposed Legislative Rule following public hearing: (be exact)

Jm
July 30, 1997

f. Name and phone number(s) of agency person(s) to contact for additional information:

John Montgomery - 558-5330

3. If the statute under which you promulgated the submitted rules requires certain findings and determinations to be made as a condition precedent to their promulgation:

a. Give the date upon which you filed in the State Register a notice of the time and place of a hearing for the taking of evidence and a general description of the issues to be decided.

N/A

b. Date of hearing: _____

c. On what date did you file in the State Register the findings and determinations required together with the reasons therefore?

d. Attach findings and determinations and reasons:

Attached _____

23 July 1997

Richard E. Boyle
Tax Commissioner
West Virginia State Tax Division
Legal Division
P.O. Box 1005
Charleston, WV 25324-1005

97 JUL 20 4 PM 8 17
STATE TAX DEPT.
LEGAL DIVISION

Dear Commissioner Boyle:

On behalf of the Fraternal Order of Police, Lodge # 74, as both a charitable bingo and raffle license holder, I would like to comment on four areas regarding the recently filed revised bingo/raffle rules.

First: I don't think raffle rule 110-37-14.1.7 should be included under 14.1. The cost of the prizes awarded is not an expense that is restricted to the twenty-five percent (25%) limitation of 14.1 or West Virginia Code § 47-21-15(a). It should be dealt with as an expenditure separate from the "expense" of conducting a raffle occasion.

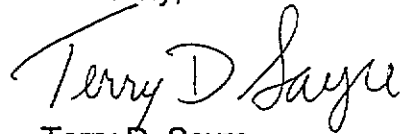
Second: Raffle rule 110-37-8.1.8, although it complies with West Virginia Code § 47-21-8(e)(2), it conflicts with West Virginia Code § 47-21-4(a) and raffle rule 110-37-4.1.1. West Virginia Code § 47-21-4(a) appears to be the most recent of the two statutes and, when it was amended in 1996, the main change was to increase the time limit for a license applicant to have been in existence in this state prior to making application from one (1) year to two (2) years. I think that raffle rule 110-37-8.1.8 should be changed to accurately reflect the two year requirement.

Third: I think that since West Virginia Code § 47-20-15(e) and § 47-21-16(e) give the tax commissioner the authority to disapprove any contract for the sale of goods or services to any charitable bingo or raffle licensee for use in or with relation to any charitable bingo or raffle operation or occasion, if the contract is unreasonable or not representative of fair market value, then a corresponding rule should be implemented to guarantee the tax commissioner access to, and review of, such documents. I suggest that "bingo rule" 110-16-16.1 and "raffle rule" 110-37-14.1 be amended to include that copies of ALL contracts for the sale of goods or services be submitted, along with the license application, to the tax commissioner for approval. Current rules require only that rental agreement for the use of a facility wherein the bingo/raffle operation is to be conducted be submitted with the application.

Fourth: I suggest that the terminology used in the revised bingo and raffle rules 110-16-4.2.1 and 110-37-4.2.1 be reconsidered. Although my organization does not at present have a limited occasion license for either bingo or raffle we may wish to do so in the future. When dealing with limited licenses, the state law limits the valid existence of the license to no more than six months. Frequently, limited licensees are obtaining licenses for yearly events. In such cases there is a six month period where there is no license. So they are in effect not renewing a **current license but renewing a previously issued license**. For this reason, I suggest that you rephrase the first sentence of each rule, substituting "previously issued" for "current" in each. The use of the term "current license" is appropriate in the second sentence of these two rules as it concerns the renewal license. This would simplify the process for the renewal of previously issued limited licenses which have expired at the time of the renewal application. This appears to be an equitable way of dealing with the renewal of both annual and limited licenses.

Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in cursive script that reads "Terry D. Sayre". The signature is written in black ink and is positioned above the typed name and title.

Terry D. Sayre
Chairman, Board of Trustees
Fraternal Order of Police
Lodge # 74

PUBLIC COMMENTS AND RESPONSES

110 C.S.R.16 BINGO

Following are the public comments received to the above rule, Bingo, which were received during the Public Comment Period June 25, 1997 through July 25, 1997. The comment is stated in general with the comment immediately provided thereafter.

COMMENT: Part of the terminology in Section 110-16-4.2.2.3 was mistakenly stricken and should be changed by substituting 60 days for 30 days.

RESPONSE: We agree and Section 110-16-4.2.2.3 has been amended accordingly.

COMMENT: Section 110-16-16.1 should be amended so as to require that all contracts for the sale of goods or services be submitted, along with the license application, to the Tax Commissioner for approval.

RESPONSE: We agree. Section 110-16-16.1 has been amended to require that each contract for the sale of goods or services to the licensee be submitted to the Tax Commissioner for review and approval.

COMMENT: Section 110-16-4.2.1 should be amended so as to reflect that limited occasion licenses are not current licenses when renewal is sought but are normally a limited occasion license which was previously in existence.

RESPONSE: We agree. Section 110-16-4.2.1 has been amended so as to reflect the previously issued status of many limited occasion licenses which application is made.

TITLE 110
LEGISLATIVE RULE
DEPARTMENT OF TAX AND REVENUE

FILED

JUL 31 9 12 AM '97

SERIES 16
BINGO

OFFICE OF WEST VIRGINIA
SECRETARY OF STATE

§ 110-16-1. General.

1.1 **Scope.** -- The West Virginia Bingo law allows bingo and super bingo games to be lawfully operated by licensed qualified charitable or public service organizations under certain specified restrictions and conditions. The purpose of this legislative rule is to provide the clarification and guidance necessary for lawful implementation and application of the so-called "Bingo Act".

1.2 **Authority.** -- W. Va. Code §§ 47-20-23 and 11-10-5.

1.3 **Filing Date.** --

1.4 **Effective Date.** --

§ 110-16-2. Definitions.

2.1 When used in this rule and unless the context clearly requires a different meaning, the following terms shall have the meaning ascribed herein, and shall apply in the singular or in the plural.

2.1.1 **"Act" or "Bingo Act"** means the Act contained in Article twenty, Chapter forty-seven of the West Virginia Code (W. Va. Code § 47-20-1 et seq.).

2.1.2 **"Bingo" or "bingo game"** means the game wherein participants pay consideration for the use of one or more cards bearing several rows of numbers or other designations no two (2) of which cards played in any one (1) game contain the same sequence or pattern. When the game commences, numbers are selected by chance, one (1) by one (1), and announced. The players cover or mark those numbers announced as they appear on the card or cards which they are using.

2.1.3 **"Bingo Card"** means a card bearing numbers or other designations, five (5) or more in each line.

2.1.4 **"Bingo Occasion" or "Occasion"** means a single gathering or session at which a series of one (1) or more successive bingo games are played pursuant to an annual license, a super-bingo license, a limited occasion license or a state fair license. During such a series, only one (1) game at a time may be played.

2.1.5 **"Bona Fide Senior Citizen Organization"** means any nonprofit organization that is organized and operated solely to provide service to persons who

are fifty-five (55) or older. These organizations must be described, and qualified under I.R.C. Section 501(c)(3) and have a determination letter to that effect from the Internal Revenue Service.

2.1.6 **"Charitable or Public Service Activity or Endeavor"** means any bona fide activity or endeavor which directly benefits a number of people by:

2.1.6.1 assisting them to establish themselves in life as contributing members of society through education or religion; or

2.1.6.2 relieving them from disease, distress, suffering, constraint, or the effects of poverty; or

2.1.6.3 increasing their comprehension of and devotion to the principles upon which this nation was founded and to the principles of good citizenship; or

2.1.6.4 making them aware of or educating them about issues of public concern so long as the activity or endeavor is not aimed at influencing legislation or supporting or participating in the campaign of any candidate for public office; or

2.1.6.5 by lessening the burdens borne by government or voluntarily supporting, augmenting or supplementing services which government would normally render to the people; or

2.1.6.6 providing or supporting nonprofit community activities for youth, senior citizens or the disabled; or

2.1.6.7 providing or supporting nonprofit cultural or artistic activities.

2.1.6.7.a Occasionally questions will arise as to whether a particular activity is a "charitable or public service activity or endeavor." The above criteria should provide some guidance. For further reference and explanation See Appendix A.

2.1.7 **"Charitable or Public Service Organization"** means a bona fide, nonprofit, tax exempt organization which is either benevolent, educational, philanthropic, humane, patriotic, civic, religious, fraternal or eleemosynary. These organizations must obtain an I.R.C. § 501 tax exempt status determination letter from the Internal Revenue Service finding that they are exempt from the federal income taxes

under Sections 501(c)(3), 501(c)(4), 501(c)(8), 501(c)(10), 501(c)(19), or 501(d) of the Internal Revenue Code of 1954, as amended. However, organizations which are subdivisions of the federal, state and local governments do not need to obtain an I.R.C. § 501 tax exempt status determination letter from the Internal Revenue Service. "Charitable or public service organizations" also includes volunteer fire departments, rescue units or other similar volunteer community service organizations. These organizations do not need to obtain an I.R.C. Section 501 tax exempt status determination letter from the Internal Revenue Service. The term "charitable or public service organization" does not include social or political organizations.

2.1.7.1 Test for determining tax exempt status. -- In every instance, charitable organizations wishing to obtain a bingo license must file with their application a copy of their current determination letter from the Internal Revenue Service stating that the organization is exempt from taxes under certain Internal Revenue Code provisions. Requirements for each tax exempt status are set forth below:

2.1.7.1.a I.R.C. Section 501(c)(3) exempts from federal taxation corporations, community chests, funds or foundations which are organized and operated only for:

2.1.7.1.a.1 religious purposes,

2.1.7.1.a.2 charitable purposes,

2.1.7.1.a.3 scientific purposes,

2.1.7.1.a.4 testing for public safety purposes,

2.1.7.1.a.5 literary or educational purposes,

2.1.7.1.a.6 the fostering of national or international amateur sports competition (no part of these organizations activities can involve the provision of athletic equipment or facilities), or

2.1.7.1.a.7 the prevention of cruelty to children or animals.

2.1.7.1.a.8 Additionally, for an organization to be considered tax exempt under this section no portion of its net earnings can be given to or benefit any private shareholder or individual; no substantial propagandizing can be

carried on; no attempts to influence legislation can be carried on; and no participation or intervention in political campaigns for candidates can be maintained.

2.1.7.1.b I.R.C. Section 501(c)(4) exempts from federal taxation nonprofit civic leagues or organizations operated solely for the promotion of social welfare. It also exempts local employee associations in which:

2.1.7.1.b.1 membership is limited to employees of a designated person in a particular municipality, and

2.1.7.1.b.2 all net earnings are given or used solely for charitable, educational or recreational purposes.

2.1.7.1.c I.R.C. Section 501(c)(8) exempts from federal taxation fraternal beneficiary societies that operate under the lodge system (parent organization which charters local branches), or societies operating for the sole benefit of members of a lodge system fraternity. These organizations must also provide for the payment of benefits (life, sick, accident or other) to the members or their dependents.

2.1.7.1.d I.R.C. Section 501(c)(10) exempts from federal taxation domestic fraternal societies that operate under the lodge system, do not pay benefits and devote their net earnings solely to charitable, religious, scientific, literary, educational and fraternal purposes.

2.1.7.1.e I.R.C. Section 501(c)(19) exempts from federal taxation organizations, auxiliary units, trusts or foundations for war veterans. These must be organized in the United States, and no part of their net earnings may benefit any shareholder or individual. Seventy-five percent (75%) of the members must be war veterans and substantially all of the other members must be veterans, cadets, or spouses, widowers or widows of war veterans.

2.1.7.1.f I.R.C. Section 501(d) exempts from federal taxation religious or apostolic associations if they have a common treasury. These associations may engage in business which commonly benefits all members if the members include their share as gross income on their income tax returns. These amounts are to be considered dividends received.

2.1.7.2 For further reference and explanation See Appendix B.

2.1.8 **"Commissioner" or "Tax Commissioner"** means the West Virginia State Tax Commissioner or his or her duly appointed representative except as otherwise required by law.

2.1.9 **"Concession"** means any stand, booth, cart, counter or other facility, whether stationary or movable, where beverages, both alcoholic and nonalcoholic, food, snacks, cigarettes or other tobacco products, newspapers, souvenirs or any other items are sold to patrons by an individual or individuals operating the concession. In no case is the sale or the consumption of alcoholic beverages, beer or nonintoxicating beer permitted in any area where bingo is being played.

2.1.9.1 **Clarification of the term "Area"**. -- For illustrative purposes, several examples will be set forth to help in the determination of what constitutes "any area where bingo is being played."

2.1.9.1.a Example 1. -- Organization X is holding a bingo occasion in their organization headquarters' large meeting room. The lounge next to this meeting room contains a bar. This bar is not considered to be in an "area where bingo is being played," and alcoholic beverages, beer and nonintoxicating beer may be sold and consumed in the lounge. But, no alcoholic beverages, beer or nonintoxicating beer may be taken into the bingo area from the lounge.

2.1.9.1.b Example 2. -- Organization Y is holding an open air street fair at which they plan to play bingo and sell alcoholic beverages, beer and nonintoxicating beer. These beverages may not be sold at the tables where bingo games are being conducted, and may not be consumed by persons at the tables or by the operators of bingo games.

2.1.9.1.c Example 3. -- Organization Z is sponsoring a picnic where bingo is to be played. The organization sets up a tent to cover and contain the gaming space. This covered space thus constitutes the "area where bingo is being played," and alcoholic beverages, beer and nonintoxicating beer may not be sold or consumed within this space.

2.1.10 **"Conduct"** means to direct the actual playing of a bingo game by activities including, but not limited to, handing out bingo cards, collecting fees, drawing the numbers, announcing the numbers, posting the numbers, verifying winners and awarding prizes.

2.1.11 **"Consideration"** means more than five cents (5¢). It should also be noted that no other fees may be charged in conjunction with the fee for the use of the cards if the organization intends to play bingo without a license under this exception.

2.1.11.1 Example 1. – X society plays bingo and charges two cents (2¢) per card. There is no door fee. Therefore, X society does not need to obtain a bingo license.

2.1.11.2 Example 2. – Y organization plays bingo and charges one cent (1¢) per card. The door fee is one dollar (\$1.00). Y organization must obtain a bingo license.

2.1.12 **"Expend net proceeds for charitable or public service purposes"** means to devote the net proceeds of a bingo occasion or occasions to a qualified recipient organization.

2.1.13 **"Licensee"** means any organization or association granted an annual, limited occasion, super-bingo or State Fair bingo license.

2.1.14 **"Net proceeds"** means the gross receipts (i.e. all moneys connected with participation in bingo games, the sale of supplies and other miscellaneous receipts) from all bingo occasions held during a license period minus the reasonable, necessary and actual expenses. Expenses of holding the game may not exceed twenty-five percent (25%) of the gross receipts collected during the entire license period, and expenses for prizes for any bingo occasion may not exceed ~~seventy-five hundred dollars (\$7,500)~~ ten thousand dollars (\$10,000) in value.

2.1.15 **"Person"** means any individual, association, society, incorporated or unincorporated organization, firm, partnership or other nongovernmental entity or institution.

2.1.16 **"Qualified recipient organization"** means charitable or public service organizations (See Section 2.1.6 of this Rule), which are organized and function solely to benefit people by charitable or public service activities or endeavors. (See Section 2.1.5 of this Rule).

2.1.17 **"Super-bingo"** means bingo where larger prizes are authorized in accordance with W. Va. Code § 47-20-6a. (See Section 6a of this Rule for additional information.)

2.1.18 All other terms defined in the Act have the same meaning when used in these regulations.

§ 110-16-3. Bingo Operations.

3.1 The following rules are imposed upon licensees for the conduct of a bingo occasion.

3.1.1 Persons may not solicit gifts or donations during the conduct of a bingo occasion.

3.1.2 No games of chance other than bingo, super-bingo and charitable raffles authorized in W. Va. Code Article 47-21 and charitable raffle boards and games authorized in W. Va. Code Article 47-23 may be conducted or allowed at any bingo occasion.

3.1.3 Bingo cards must have bingo numbers printed only on one side.

3.1.4 No push out bingo cards may be used.

3.1.5 Bingo cards may not be switched during bingo games being called.

3.1.6 Cards may not be transferred between players.

3.1.7 Bingo workers and operators may not play in games of bingo in which they are working or assisting.

3.1.8 The combinations required to win a game must be clearly announced before each game is begun.

3.1.9 No checks or money orders may be accepted in payment for a bingo game: **Provided**, That a licensee conducting a bingo event under the authority of an annual license may receive and cash no more than one (1) personal check from any player during only one (1) game for each occasion in an amount not in excess of \$100.00 which is made payable to the licensee and clearly marked on the face of each such check with the term "Bingo."

3.1.10 No checks other than those provided in the immediately preceding Section 3.1.9 may be cashed out of bingo funds.

3.1.11 Any player may request a verification of the numbers drawn at the time a winner is determined.

3.1.12 The numbers appearing on the winning card must be verified at the time that the winner is determined.

3.1.13 If more than one player is verified a winner on the call of the same number, the designated prize shall be divided equally to the nearest dollar. If the prize cannot be divided, substitute prizes may be given but, the value of the sum of the substitute prizes shall not exceed the value of the original prize.

3.1.14 Every player must be given an equal opportunity to win.

§ 110-16-4. Licensing.

4.1 Who may hold bingo games.

4.1.1 Any charitable or public service organization, as defined in Section 2.1.6 of this Rule, may hold bingo games under a valid license if they have been in existence in this state for two (2) years prior to their filing for a bingo license.

4.1.2 If the applicant is a charitable organization it must have an I.R.C. Section 501 determination letter before it may file for a bingo or super-bingo license.

4.1.3 Before any organization may hold a bingo or super-bingo game, the organization must register with the Secretary of State under the Solicitation of Charitable Funds Act. (See Section 30 of this Rule).

4.2 Application for bingo license.

4.2.1 Each Application for a license, for renewal of a current license, or for renewal of a limited occasion license which had been issued during the twelve (12) months preceding the limited occasion bingo license application date is to be made to the Tax Commissioner on the provided form. License renewals may be issued without duplicating the original application process so long as during the current license period:

4.2.1.a there has not been any substantive changes in the information provided on the license application form for the current license;

4.2.1.b there have been no complaints against the licensee filed with the Tax Commissioner;

4.2.1.c all required reports have been timely filed and the information provided therein correct;

4.2.1.d there have been no civil or criminal cases related to activities occurring under the license which involve either the licensee or an officer or employee of the licensee; and.

4.2.1.e there have been no hearings to suspend or revoke the license for which renewal is requested.

4.2.2 Filing of applications.

4.2.2.1 Completed applications must be filed with the State Tax Commissioner. "Filing" means that the complete application is delivered to the West Virginia State Tax Division, Registration Unit, P. O. Box 2666, Charleston, West Virginia 25330, by regular mail, certified mail or in-person delivery at 1001 Lee Street, Charleston, West Virginia. The filing date of an application is the date of its receipt.

4.2.2.2 Any application which is not complete, does not have all required documentation or does not have the appropriate license fee attached will not be considered "filed".

4.2.2.3 Filing must be made at least sixty (60) days before the date specified in the application for the holding of the first bingo occasion. If the filing is not made at least sixty (60) days prior to the date scheduled for the first bingo game, the license will be automatically denied. If the properly filed application is not denied within ~~thirty (30)~~ sixty (60) days after receipt, the application is considered approved. Within five (5) days after approval the Commissioner shall send the applicant its license.

4.2.2.4 Application for a limited occasion license issued under Subsection 110-16-6 of these rule may result in the Tax Commissioner issuing such a limited occasion license sooner than sixty (60) days if the applicant(s) clearly demonstrates that a hardship would otherwise result.

4.3 **Transferability.** -- No bingo license issued under the Act may be transferred.

§ 110-16-5. Annual License.

5.1 A charitable or public service organization may apply for an annual license which is valid for one (1) year from the date of issuance and allows the licensee to hold

no more than two (2) bingo occasions per week. Each occasion may not exceed six (6) hours in duration.

5.2 Only one (1) license per year may be granted to the major organization and all of its auxiliaries, affiliates, chapters or lodges. If the major organization does not obtain a license, the auxiliary, affiliate, chapter or lodge may.

5.2.1 Example 1. -- X is a national charitable organization with its headquarters in another state. Chapter B is located in Morgantown. This Chapter wishes to hold bingo occasions. Chapter B may apply for and obtain a license.

5.2.2 Example 2. -- X is a national charitable organization with its headquarters in another state. X applies for and obtains a bingo license. X also has two (2) chapters in this State. Chapter A is located in Beckley and Chapter B in Morgantown. Both Chapter A and Chapter B wish to hold bingo occasions. ~~Both may apply for and obtain a license.~~ Neither may obtain a license so long as X is so licensed.

5.2.3 Example 3. -- C is a West Virginia volunteer fire department with two auxiliaries in the state. If C applies for and obtains a bingo license, neither of the auxiliaries may do so. However, the auxiliaries may play on C's license if they comply with all provisions of the Act and these regulations. (e.g. the total number of bingo occasions conducted by C and its auxiliaries may not exceed two (2) per week or one hundred four (104) per year, etc.).

5.3 Branches, chapters or lodges of any national association or organization are not considered affiliates or auxiliaries of each other. Nor are local churches of a nationally organized church considered to be affiliates or auxiliaries of each other. In addition every school is to be considered a major organization for purposes of this Act.

5.4 No two (2) or more organizations may hold a joint bingo occasion under any annual license.

5.5 Bingo licenses must be conspicuously displayed at the location where the bingo occasions are held.

5.6 All bingo occasions must be open to the public. A person must be at least eighteen (18) years of age to play in or conduct any bingo game: **Provided**, That a junior volunteer firefighter sixteen (16) years of age or older may assist the volunteer fire company of which such junior volunteer firefighter is a member in the conduct of a bingo event when such junior volunteer firefighter is supervised by a senior member of the same volunteer fire company who is over the age of twenty-one (21) years. A

person under eighteen (18) may attend the playing of a bingo game if accompanied by or under the supervision of an adult relative or a legal guardian of the person. Additionally, a person must be at least eighteen (18) to purchase a charitable raffle board ticket authorized under W. Va. Code § 47-23-1 et seq. and 110 C.S.R. 35.

§ 110-16-5a. Venue.

5a.1 Ordinarily, licensees shall conduct a bingo occasion only in the county within which the organization is principally located.

5a.2 When a licensee, in good faith, finds itself unable to comply with this requirement, it shall apply to the Tax Commissioner for permission to conduct a bingo occasion in a location other than the county within which the organization is principally located: **Provided**, That the proposed location shall be in a contiguous county, or, if not in a contiguous county, and not in the county where the licensee organization has its principal location, the location of the proposed bingo occasion may be no more than thirty (30) air miles from the county within which the organization is principally located. Said application shall be filed no later than sixty (60) days before any scheduled bingo occasion.

5a.3 The principal location of a licensee is the address shown on the licensee's West Virginia business registration certificate.

§ 110-16-6. Limited Occasion License.

6.1 A charitable or public service organization may apply for a limited occasion license which is valid only for the time period specified in the application. This time period may not exceed two (2) weeks and bingo occasions may be held only once every twenty-four (24) hours during the time period. No bingo occasion held in accordance with a limited occasion license may exceed twelve (12) hours in duration.

6.2 Only three (3) limited occasion licenses a year may be granted to the major organization and all of its auxiliaries, affiliates, chapters or lodges. If the major organization does not obtain a license, the auxiliary, affiliate, chapter or lodge may. If an organization holds an annual license and they wish to hold bingo occasions as provided for in this section, they must also obtain a limited occasion license. But, no licensee that holds an annual license may obtain more than one (1) limited occasion license.

6.3 For purposes of this section, branches, chapters or lodges of any national association or organization are not considered affiliates or auxiliaries of each other.

Nor are local churches of a nationally organized church considered to be affiliates or auxiliaries of each other. In addition, every school is to be considered a major organization for purposes of this Act.

6.4 Two (2) or more organizations may hold a joint bingo occasion if each such organization has a valid limited occasion license for such jointly held occasion.

6.5 Limited occasion bingo licenses must be conspicuously displayed at the location where the bingo occasions are held.

6.6 All bingo occasions held under a limited occasion license shall be open to the public. A person must be at least eighteen (18) years of age to play in or conduct a limited occasion bingo game. A person under eighteen (18) may attend the playing of a bingo game if accompanied by or under the supervision of an adult relative or a legal guardian of the person. Additionally, a person must be at least eighteen (18) to purchase a charitable raffle board ticket authorized by W. Va. Code § 47-23-1 et seq. and 110 C.S.R. 35.

§ 110-16-6a. Super-Bingo License.

6a.1 Any charitable or public service organization that is eligible to apply for a regular or limited occasion bingo license may, upon payment of the super-bingo license fee, apply to the Tax Commissioner for an annual license to conduct super-bingo occasions. For license years ending after July 9, 1993, the holder of a super-bingo license may conduct one (1) super-bingo occasion each month during the period of the license. No super-bingo occasion may last longer than six (6) hours, regardless of whether it is held separately or in conjunction with a regular or limited occasion bingo license.

6a.2 A holder of a regular or limited occasion bingo license may apply to the Commissioner for a super-bingo license. However, possession of a regular or limited occasion bingo license is not required in order to obtain a super-bingo license.

6a.3 Only one (1) super-bingo license per year may be granted to the major organization and all of its auxiliaries, affiliates, chapters or lodges. If the major organization does not obtain a license, the auxiliary, affiliate, chapter or lodge may.

6a.3.1 Example 1. -- X is a national charitable organization with its headquarters in another state. Chapter B is located in Morgantown. This Chapter wishes to hold super-bingo bingo occasions. Chapter B may apply for and obtain a license.

6a.3.2 Example 2. -- X is a national charitable organization with its headquarters in another state. X applies for and obtains a super-bingo bingo license. X also has two (2) chapters in this State. Chapter A is located in Beckley and Chapter B in Morgantown. Both Chapter A and Chapter B wish to hold super-bingo bingo occasions. Both may apply for and obtain a license.

6a.3.3 Example 3. -- C is a West Virginia volunteer fire department with two auxiliaries in the state. If C applies for and obtains a super-bingo bingo license, neither of the auxiliaries may do so. However, the auxiliaries may play on C's license if they comply with all provisions of the Act and this rule.

6a.4 Branches, chapters or lodges of any national association or organization are not considered affiliates or auxiliaries of each other. Nor are local churches of a nationally organized church considered to be affiliates or auxiliaries of each other. In addition, every school is to be considered a major organization for purposes of this Act.

6a.5 No two (2) or more organizations may hold a joint super-bingo occasion under any annual super-bingo license.

6a.6 Super-bingo licenses must be conspicuously displayed at the location where the bingo occasions are held.

6a.7 All super-bingo occasions must be open to the public. A person must be at least eighteen (18) years of age to play in or conduct any super-bingo game. Any person under eighteen (18) may attend the playing of a super-bingo game if accompanied by or under the supervision of an adult relative or a legal guardian of the person. Additionally, a person must be at least eighteen (18) to purchase a charitable raffle board ticket authorized by W. Va. Code § 47-23-1 et seq. and 110 C.S.R. 35.

§ 110-16-7. License Fees and Exemption From Taxes.

7.1 License fees.

7.1.1 Annual License. -- \$500.00.

7.1.2 Annual license for a volunteer or nonprofit group which grosses less than \$20,000. - \$200.00.

7.1.3 Bona fide senior citizens organization annual license. -- \$50.00.

7.1.4 Limited occasion license. -- \$100.00.

7.1.5 State Fair license. -- \$500.00.

7.1.6 Super-bingo license. -- \$5,000.00.

7.1.7 All fees must be paid to the Tax Commissioner and must accompany the application for license. If no license fee accompanies the application, the application will not be considered to be filed. License fee amounts, if mailed, must be remitted in the form of a check or money order except the license fee for the State Fair must be made either by certified check or money order. If payment is made in person to the West Virginia State Tax Division, Registration Unit, it may be made in cash.

7.2 Exemption from taxes.

7.2.1 Franchise taxes.

7.2.1.1 The license fee imposed is in lieu of all other license or franchise taxes or fees of this state.

7.2.1.2 No political subdivision of the state may impose, in regard to any bingo occasion, any license or franchise taxes or fees.

7.2.2 Consumers sales taxes.

7.2.2.1 The licensee is not required to pay consumers sales tax on purchases to be used or consumed in the conduct of a bingo game. This exemption does not apply to State Fair licensees.

7.2.2.2 The licensee is not required to collect consumers sales tax on any admission fees or any sales of bingo cards. This does not apply to State Fair licensees.

7.2.3 **Other taxes.** -- The gross proceeds derived from the conduct of bingo occasions are exempt from:

7.2.3.1 state and local business and occupation taxes,

7.2.3.2 income taxes,

7.2.3.3 excise taxes, and

7.2.3.4 all special taxes.

7.2.3.5 This Subsection does not apply to State Fair bingo proceeds.

§ 110-16-8. Information Required in Applications.

8.1 All applications for bingo licenses must contain:

8.1.1 The name of the applicant and whether the applicant is the major organization, such as, for example, a national headquarters of a fraternal or religious association, or an affiliate, subsidiary, chapter or lodge of a major organization.

8.1.2 The name of the state or national organization.

8.1.3 The headquarters' address of the state or national organization.

8.1.4 The address of the applicant organization.

8.1.5 The telephone number of the applicant organization. If there is no telephone number for the applicant organization, then the address and telephone number of the person applying on behalf of the organization must be listed.

8.1.6 The address or location where bingo games are to be held.

8.1.7 For charitable organizations, a copy of an Internal Revenue Service determination letter which states that the organization is exempt from taxation under Internal Revenue Code Section 501(a) and is described in Internal Revenue Code Sections 501(c)(3), 501(c)(4), 501(c)(8), 501(c)(10), 501(c)(19), or 501(d).

8.1.8 A copy of the organization's charter, articles of incorporation or other evidence showing that the organization has been in existence for at least two (2) years prior to the making of this application.

8.1.9 The day or days of the week and the time or times when the bingo occasions will be held. The date of the first bingo occasion must also be included.

8.1.10 The name of the owner of the premises where the bingo occasions are to be held.

8.1.11 A copy of all rental agreements involved if the premises are leased or subleased.

8.1.12 A statement as to whether the applicant has ever had a previous application for any bingo license refused, or whether any previous license has been revoked or suspended. This Subsection applies to bingo licenses applied for or issued by other states.

8.1.13 A detailed statement of the charitable or public service purpose or purposes for which the bingo proceeds will be spent.

8.1.14 A list and description of all expenses estimated to be incurred in connection with the holding of bingo occasions and any concessions operated. The name and address of each payee is also to be included.

8.1.15 If a concession is to be operated by an individual or organization other than the applicant organization, a copy of any written agreement or an explanation of any oral agreement made must be attached. This must include agreements providing for any type of remuneration to be received by the concession operator.

8.1.16 A statement stating that the individuals specified in Section 8-1-18, 8.1.19 or 8.1.20 of this rule and the officers of the applicant organization understand that:

8.1.16.1 Allowing anyone, other than authorized individuals, to conduct any portion of the bingo occasion or operate any concessions is a violation of the Act.

8.1.16.2 Reports must be filed and records must be kept as required in the Act.

8.1.16.3 That it is a crime to violate any provision of the Act.

8.1.16.4 That any violations may result in suspension or revocation of its license and denial of applications for subsequent licenses.

8.1.17 A sworn statement by an authorized representative of the applicant organization that the information contained in the application is true to the best of his or her knowledge.

8.1.18 A list of the names and addresses of all officers and members of the board of directors, governors or trustees of the applicant organization.

8.1.19 **Limited occasion licenses.** -- In addition to the preceding requirements, the application must also include:

8.1.19.1 The names and addresses of two (2) or more bona fide active members of the organization. These members must have the overall responsibility for the organizations bingo operations. One (1) of these members must be present at all times when bingo is conducted.

8.1.19.2 The names and addresses of the highest elected officer of the applicant organization and his officially appointed designee. One (1) of these members must also be present at all times when bingo is conducted.

8.1.20 **Annual licenses.** -- In addition to the preceding requirements, the application for an annual license must also include:

8.1.20.1 The names, addresses and telephone numbers of three (3) or more bona fide active members of the organization. These members must have the overall responsibility for the organizations bingo operations. One (1) of these members must be present at all times when bingo is conducted.

8.1.20.2 The names, addresses and telephone numbers of the highest elected officer of the applicant organization and his officially appointed designee. One (1) of these members must also be present at all times when bingo is conducted.

8.1.21 **Super-bingo licenses.** -- In addition to the preceding requirements, the application for a super-bingo license must also include:

8.1.21.1 The names, addresses and telephone numbers of three (3) or more bona fide active members of the organization. These members must have the overall responsibility for the organizations super-bingo operations. One (1) of these members must be present at all times when super-bingo is conducted.

8.1.21.2 The names, addresses and telephone numbers of the highest elected officer of the applicant organization and his officially appointed designee. One (1) of these members must also be present at all times when super-bingo is conducted.

§ 110-16-9. Amendment of License.

9.1 If any circumstances, which are beyond the licensees' control, arise that would make the information in the original application inaccurate or would prevent the licensee from holding a bingo occasion in accordance with the information in the application, the licensee must request approval from the Tax Commissioner to amend or modify its license: **Provided**, That a super-bingo license may not be amended to allow more than one (1) super-bingo occasion during each calendar month of the licensed period or to extend the period of time for which the super-bingo license is issued.

9.2 Application for amendment or modification shall be made to the Tax Commissioner. The Commissioner shall provide application forms for this purpose. The Commissioner, upon receipt of such application, may:

9.2.1 modify the license to reflect changes in the holding of one (1) or more bingo occasions under an annual license if these changes are temporary; or

9.2.2 modify the license to reflect changes affecting fewer than one-third (1/3) of the bingo occasions to be held under a limited occasion license or,

9.2.3 amend the license if the changes under an annual license are permanent or if the changes under a limited occasion license affect one-third (1/3) or more of the occasions scheduled.

9.3 Notification by the Tax Commissioner of amendments or modifications will be made to the licensee by regular mail within sixty (60) days after receipt of the application by the Tax Commissioner.

§ 110-16-10. Licensee Rules and Regulations.

10.1 Each licensee may adopt rules and regulations so long as they are not inconsistent with or in violation of the Bingo Act or these rules and regulations.

10.2 No licensee may allow an individual not present to play any bingo games.

10.3 Any rules and regulations adopted by a licensee must be made available for inspection at all bingo occasions.

10.4 Any rules and regulations adopted are a part of the records required to be kept.

10.5 A copy of licensee promulgated rules and regulations must be filed with the Tax Commissioner.

§ 110-16-11. Limits on Prizes Awarded: State Fair Excepted.

Effective June 9, 1995, during the period of a license, the average total prizes awarded for any single bingo occasion, whether held by one (1) licensee or by two (2) or more limited occasion licensees' holding a joint bingo occasion, may not exceed ~~seven thousand five hundred dollars (\$7,500.00)~~ ten thousand dollars (\$10,000) in value: **Provided**, That if a properly licensed licensee holds a super-bingo occasion during a bingo occasion, regular bingo prizes awarded during that occasion may not exceed ~~seven thousand five hundred dollars (\$7,500.00)~~ ten thousand dollars (\$10,000) and the super-bingo prizes awarded during that occasion may not exceed ~~thirty thousand dollars (\$30,000)~~ fifty thousand dollars (\$50,000).

11.2.1 Example. -- B organization holds bingo occasions on Tuesday and Thursday under a valid license. On Tuesday, prizes totaling five thousand dollars (\$5,000) are awarded. B may award ~~ten~~ fifteen thousand dollars (~~\$10,000~~) (\$15,000) on Thursday or any subsequent night. The average total prizes for any bingo occasion may not exceed ~~seven thousand five hundred dollars (\$7,500)~~ ten thousand dollars (\$10,000).

11.3 Prizes must be valued at fair market value on the day they are awarded.

11.4 Prizes may be money or merchandise, but they may not be beer, nonintoxicating beer, wine, spirits or alcoholic liquor.

11.5 If an individual, group or association plans to play bingo without a license because there is no consideration paid for the use of bingo cards and no other fees are charged to play, the prizes awarded for each game may not exceed ten dollars (\$10.00) in cash or merchandise.

11.5.1 Example 1. -- X family has a reunion every year at which bingo is played. No consideration is charged for the bingo cards and no door fee is charged. The prize for each game is an ice cream gift certificate worth five dollars (\$5.00). X family does not need to obtain a license to play bingo.

11.6 This section does not apply to State Fair bingo licenses.

§ 110-16-12. Operators of Bingo Games and Related Concessions; State Fair Excepted.

12.1 Only persons who are residents of West Virginia and who are active members of the licensee organization or its authorized auxiliary, and who have been active members in good standing of the licensee organization or its authorized auxiliary for at least two (2) years prior to the date of the filing of an application for a charitable bingo license or the most recent filing of an application for renewal of the license may participate in the conduct of any bingo game or operate any concession in conjunction with a bingo occasion. This Subsection does not apply to State Fair bingo licenses.

12.2 In no instance may an individual, under eighteen (18) years of age, participate in the conduct of a bingo occasion: **Provided**, That a junior volunteer firefighter sixteen (16) years of age or older may assist the volunteer fire company of which such junior volunteer firefighter is a member in the conduct of a bingo event under an annual license when such junior volunteer firefighter is supervised by a senior member of the same volunteer fire company who is over the age of twenty-one (21) years.

§ 110-16-12a. Compensation of Bingo Operator.

12a.1 A bingo licensee is authorized under certain circumstances to pay a salary, not to exceed the federal minimum wage, the minimum of which shall be established at the federal minimum wage, and the maximum being six dollars and fifty cents (\$6.50) an hour, to operators of bingo games who are active members have been active members in good standing for at least two (2) years prior to the date of filing of the application for a charitable bingo license or the most recent filing of an application for renewal of the license of the licensee organization.

12a.1.1 If the licensee's gross receipts from bingo occasions equal or exceed \$100,000.00 for the licensee's most recently filed annual financial report, a salary may be paid to not more than ~~five (5)~~ eight (8) operators.

12a.1.2 If the licensee's gross receipts from bingo occasions are less than \$100,000.00 but equal or exceed \$50,000.00 for the licensee's most recently filed annual financial report, a salary may be paid to no more than ~~three (3)~~ five (5) operators.

12a.1.3 If the licensee's gross receipts from bingo occasions are less than \$50,000.00 for the licensee's most recently filed annual financial report, a salary may be paid to no more than ~~two (2)~~ three (3) operators.

12a.1.4 If the licensee possesses a super bingo license, it may pay a salary to not more than fifteen (15) operators during the super bingo occasion.

12a.1.5 In the case of a licensee lawfully holding a charitable bingo occasion simultaneously with a charitable raffle occasion, the number of paid charitable bingo operator employees allowed under this limitation for bingo licenses shall be in addition to the number of charitable raffle operator employees allowed under chapter forty-seven, section fifteen, article twenty-one, of the West Virginia Code.

12a.2 The amount of work time for which an operator may be compensated may not exceed 20 hours a week.

§ 110-16-13. Compensation: State Fair Excepted.

13.1 Except as otherwise authorized in Section 110-16-12a of this rule, no monetary consideration may be paid to any individual who participates in the conduct of a bingo occasion.

§ 110-16-14. Concessions Exception.

~~14.1 The only exceptions to the statement that no monetary consideration may be paid to any individual who participates in the conduct of a bingo occasion are:~~

~~14.1.1 That a licensee may allow another to operate concessions in conjunction with bingo occasions if the following conditions are met:~~

~~14.1.1.1 the licensee holds regular meetings or functions other than bingo occasions;~~

~~14.1.1.2 the concession is regularly operated at these regular meetings;~~

~~14.1.1.3 the individual, firm or corporation who operates the concession at regular meetings is to be the concessionaire for bingo occasions;~~

~~14.1.1.4 the agreement terms are the same for both regular meetings and for bingo occasions. This agreement must be filed with the application for license and if any changes are made in the agreement they must be filed with the Tax Commissioner within ten (10) days.~~

~~14.1.1.4.a In this instance, the concessionaire may be compensated from the bingo occasion proceeds for his services. This compensation is to be considered a reasonable and necessary expense as provided for in Section 16.~~

~~14.1.2 The licensee may also allow any charitable or public service organization to act as concessionaire if the net proceeds it receives from the concession are used solely for charitable or public service purposes of that organization.~~

14.1.1 The license may allow any individual, firm, partnership, or corporation to operate concessions in conjunction with bingo occasions, and to be compensated for the operation, only if the individual, firm, partnership, or corporation agrees to donate all net proceeds received from the sale of the concessions and all the compensation received from the licensee organization, to charitable or public service purposes as specified in Section 2.1.6 of this rule.

§ 110-16-15. Use of Facilities for Bingo.

15.1 The property owner(s) may not allow his or her facilities to be used for the playing of bingo or super-bingo for more than six (6) consecutive hours during any calendar day. The rent paid for using the facilities for the playing of bingo and super-bingo may not exceed fair market value rent of the facilities.

15.2 The property owner(s) may not allow his or her facilities to be used by more than four (4) super-bingo licensees for the playing of super-bingo during any period of four (4) consecutive calendar weeks. Additionally, super-bingo may be played during two (2) consecutive days during a conventional weekend (Saturday and Sunday); **Provided**, That such super-bingo occasions may occur at the same facility no more often than on alternating weekends during a calendar month.

§ 110-16-16. Payment of Reasonable Expenses: Disbursements and Net Proceeds.

16.1 Reasonable, necessary and actual expenses incurred in connection with the conduct of bingo occasions may be paid from the proceeds of the conduct of bingo, but the payments cannot exceed twenty-five percent (25%) of the gross receipts collected during a license period measured at the end of that license period and not at the end of any single bingo occasion or at the end of any applicable quarterly reporting period: **Provided**, That so long as the licensee's records can provide sufficient supporting information, such percentage limitations may be applied separately with respect to each separate bingo license a given licensee organization holds. A copy of

each contract for the sale to any charitable bingo licensee of any goods or services for use in or with relation to any charitable bingo operation or occasion shall be submitted to the Tax Commissioner for review and approval prior to the contract becoming effective: Provided, That any contract determined to be unreasonable or not representative of market value shall be disapproved and therefore void. These payments for reasonable, necessary and actual expenses as authorized under contracts approved by the Tax Commissioner may be made for:

16.1.1 rent paid for the use of any premises that does not exceed the fair market value for such premises, prorated for the days on which bingo occasions are conducted, but only if a copy of the rental agreement was filed with the application for license and any changes to the agreement were filed within ten (10) days of being made;

16.1.2 custodial services;

16.1.3 costs to the licensee for equipment and supplies used to hold the bingo occasion;

16.1.4 costs to the licensee for advertising the bingo occasion, but only to the extent such advertising is authorized in West Virginia Code § 47-20-17 and Section 18 of this rule;

16.1.5 hiring security personnel but only if such personnel are licensed in accordance with W. Va. Code § 30-18-1 et seq;

16.1.6 the cost of providing child care services to bingo patrons: **Provided**, That any proceeds received from the provision of child care services shall be handled in the same manner as bingo proceeds;

~~16.1.7 the actual cost to the licensee for prizes;~~

~~16.1.8~~ 16.1.7 other reasonable, necessary and actual expenses such as the reasonable legal fees incurred to obtain bingo licensing, accounting fees incurred provide to reports required by virtue of holding bingo licenses, license fees, authorized salaries paid to bingo operators and the prorata cost of utilities.

16.2 The actual cost to the licensee for prizes may be paid out of the remaining 75%.

~~46.2~~ 16.3 The cost of refreshments, souvenirs or any other items sold or provided through any concession may not be paid for out of the gross proceeds from bingo.

~~46.3~~ 16.4 The net bingo proceeds, including any interest earned thereon, must be expended for the charitable or public service purpose stated in the application within one (1) year after the expiration of the license.

~~46.4~~ 16.5 None of the bingo proceeds may be used for construction or acquisition, of real or personal property unless such property is used exclusively for charitable or public service purposes.

~~46.4.1~~ 16.5.1 Example 1. -- Bingo proceeds may not be used to build a clubhouse for X charitable organization.

~~46.4.2~~ 16.5.2 Example 2. -- Bingo proceeds may be used to build a camp for the underprivileged.

~~46.4.3~~ 16.5.3 Example 3. -- Bingo proceeds may be used to maintain X club's barbecue pit.

~~46.4.4~~ 16.5.4 Example 4. -- Bingo proceeds may be used to repair a bus that transports children from the inner city to a church day camp.

~~46.5~~ 16.6 If a licensee, in good faith, finds that it cannot meet or comply with any of the above requirements or wishes to use the proceeds of bingo games for a long range charitable or public service purpose, such as, for example, building a fire hall, then application must be made to the Tax Commissioner for permission to:

~~46.5.1~~ 16.6.1 spend the net proceeds for charitable or public service purpose not listed in the application, or

~~46.5.2~~ 16.6.2 spend the net proceeds later than the one (1) year time period. If this permission is granted, the licensee must file quarterly reports with the Tax Commissioner until the proceeds are spent. This application must be filed no later than sixty (60) days prior to the end of the one (1) year time period.

§ 110-16-17. Records.

17.1 Separate accounting and bookkeeping procedures for bingo operations must be maintained by each licensee. This shall mean, at the minimum, that a separate

bank account must be maintained for bingo and only the preprinted serially numbered checks used in conjunction with this account may be used for the payment of expenses. Such checks must be made payable to a specific person, firm or corporation and at no time may such a check be made payable to cash. Detailed books of receipts and disbursements must also be kept.

17.2 All records must be maintained for at least three (3) years or for such longer period as the Tax Commissioner shall, in writing, order and these records must be held open for reasonable inspection by the Commissioner. Results of these inspections may be used as grounds for performing an audit of the licensee's books.

17.3 Audits of the licensee's books may be performed by the Tax Commissioner if he has reasonable cause to believe that the licensee has violated the act.

17.4 The Tax Commissioner shall perform, or cause to be performed, an audit of the books and records of any licensee that has awarded during the previous license year total prizes in excess of one hundred seventy-five thousand dollars (\$175,000.00). The Tax Commissioner shall file a copy of the completed audit with the county commissioner of the county wherein the licensee holds bingo occasions.

§ 110-16-18. Advertising.

18.1 A licensee may advertise its bingo occasions in a reasonable manner; **Provided**, That such advertisements must include the name of the licensee holding the bingo occasion. However, a licensee may not hire any person to develop or conduct an advertising campaign to promote any bingo occasion. Advertising is considered a reasonable and necessary expense as provided for in Section 16 of this rule.

§ 110-16-19. Fraud; Penalties.

19.1 Any person or licensee that knowingly conducts or participates in a fraudulently or deceptively conducted bingo game with intent to defraud is guilty of a felony.

19.2 The penalties upon conviction are:

19.2.1 A fine of not less than five hundred (\$500) or more than ten thousand dollars (\$10,000); and/or

19.2.2 imprisonment in the penitentiary for not less than one (1) or more than five (5) years.

§ 110-16-20. Obtaining License Fraudulently; Penalties.

20.1 Any individual, association, organization or corporation that knowingly uses false, deceptive or fraudulent methods to obtain a license for themselves or others is guilty of a misdemeanor.

20.2 The penalty upon conviction is a fine of not less than five hundred (\$500) or more than ten thousand dollars (\$10,000).

§ 110-16-21. Violation of Provisions; Penalties.

21.1 Any person who violates the provisions of the bingo act (other than the provisions concerning fraud and fraudulently obtaining a license) is guilty of a misdemeanor.

21.2 The penalty upon conviction is a fine of not less than one hundred (\$100) or more than one thousand dollars (\$1,000). The penalties upon a second conviction are:

21.2.1 a fine of not less than one hundred (\$100) or more than one thousand dollars (\$1,000); and/or

21.2.2 imprisonment for not more than one (1) year.

§ 110-16-22. Proceeds of State Fair.

22.1 All proceeds which accrue to the West Virginia State Fair are considered used for charitable or public service purposes. Proceeds that the State Fair Board pays to or allows the licensee to retain are expenses incurred by the State Fair Board.

§ 110-16-23. State Fair.

23.1 These sections allow bingo occasions to be held at the State Fair: **Provided**, That super-bingo occasions may not be held at the State Fair. To obtain a State Fair bingo license a person must:

23.1.1 have held regular bingo games for a period of two (2) years prior to the filing of the application.

23.1.2 file an application for a license which must include a copy of any license or agreement entered into between the State Fair Board or its licensee and the applicant;

23.1.3 pay a license fee of five hundred dollars (\$500.00). This payment must be made by certified check or money order, or, if the payment is made in person at the State Tax Division, it may be made in cash.

23.2 The State Fair Board may adopt reasonable rules and regulations to govern the holding of bingo games at the State Fair. These rules and regulations may not be inconsistent with or in violation of the Act.

23.3 In regard to the taxability of persons holding bingo occasions at the State Fair, See Section 7.2 of this Rule.

§ 110-16-24. Administration.

24.1 The Tax Commissioner has the power to:

24.1.1 deny an application for license if the issuance of the license would be in violation of W. Va. Code § 47-20-1 et seq.

24.1.1.1 The applicant may protest the denial of the application. Any protest must be made in writing and must state the reason for the protest. This must be filed with the Tax Commissioner within sixty (60) days of the receipt of the denial of the license.

24.1.1.2 When the protest is received by the Commissioner, a time and place will be set for a hearing on the matter.

24.1.1.3 The Commissioner shall send a notice containing;

24.1.1.3.a the date of hearing;

24.1.1.3.b the time of hearing;

24.1.1.3.c the place where the hearing will be held; and

24.1.1.3.d a short, plain statement of the matters asserted.

24.1.1.4 Notice must be service by certified mail, or by personal or substituted service.

24.1.1.5 At the hearing the applicant may:

24.1.1.5.a produce evidence in its behalf;

24.1.1.5.b be represented by counsel.

24.1.1.6 A decision by the Commissioner upholding the denial of the license is subject to judicial review on appeal by the applicant.

24.1.1.7 The burden of proof is on the applicant.

24.1.2 revoke, suspend or refuse to renew a license if:

24.1.2.1 The licensee or any member of the licensee's organization has been convicted under W. Va. Code §§ 47-20-18 or 47-20-19, and the Commissioner finds it would be in the public interest to do so;

24.1.2.2 the licensee has violated any of the provisions of the Act;

24.1.2.3 the licensee has failed to maintain records or file reports as required. Licenses will only be revoked, suspended or refused under this section if the Commissioner finds that the failure to record or report will impair the Commissioner's ability to administer the act.

24.1.2.4 Before revocation or suspension of a license, the Commissioner must give ten (10) days notice to annual licensees or three (3) days notice to limited occasion and State Fair licensees. This notice must be written, must state reasons for the action and must specify a time and place where the licensee may show why the action should not be taken. Notice may be served by:

24.1.2.4.a certified mail to the licensee's address;

24.1.2.4.b certified mail to the person who applied for the license on behalf of the organization; or

24.1.2.4.c personal or substituted service on the person who applied for the license on behalf of the organization.

24.1.2.5 At the time designated for any hearing the licensee may:

24.1.2.5.a produce evidence in its behalf; and

24.1.2.5.b be represented by counsel.

24.1.2.6 A decision of the Commissioner suspending or revoking a license is subject to judicial review on appeal by the licensee.

24.1.3 conduct hearings according to the provisions of the State Administrative Procedures Act (W. Va. Code § 29A-5-1 et seq.). The burden of proof in such hearings shall be upon the licensee.

24.1.4 issue emergency orders suspending license.

24.1.4.1 These orders may be issued when:

24.1.4.1.a The Commissioner believes that a criminal violation of the act has occurred;

24.1.4.1.b the Commissioner believes that the suspension is necessary to prevent a criminal violation of the act; or

24.1.4.1.c the Commissioner believes that the suspension is necessary to preserve the public peace, health, safety, morals, good order or general welfare.

24.1.4.2 These orders must set forth the grounds for issuance. This includes a statement of facts of the alleged emergency. The order must be served by personal or substituted service on the licensee or the person who applied for the license on behalf of the licensee.

24.1.4.3 These orders become effective immediately upon issuance and service.

24.1.4.4 After issuance of an emergency order the Commissioner must set a time and place for hearing within five (5) days. At this hearing the licensee may show cause why its license should not be revoked.

§ 110-16-25. Filing of Reports.

25.1 Annual licensees and super-bingo licensees must file, quarterly and annually, financial reports on forms provided by the Commissioner. These reports must summarize the financial activity of the licensee for the reported time period. These quarterly reports must be filed no later than twenty (20) days after the end of the quarter which it covers. Annual reports must be filed no later than thirty (30) days after the expiration of the license. The time period covered by the annual report is the full license year or, at the election of a licensee receiving state or federal funding, the most recently ended state or federal fiscal year. With the annual report, the licensee must include its expired license.

25.1.1 Example 1. -- Y organization obtains a license and starts bingo operations on November 1. Its quarterly reports are due on January 20 (twenty (20) days after the end of this quarter which is December 31), April 20, July 20 and October 20. The annual report will be due on November 30 (thirty (30) days after the expiration of the license which will expire on October 31).

25.1.2 Quarters will be on standard basis. In other words January 1 - March 31, is the first quarter, April 1 - June 30, is the second quarter, July 1 - September 30, is the third quarter, and October - December 1, is the fourth quarter.

25.2 Limited occasion licensees and State Fair licensees must file a financial report on forms provided by the Commissioner. These reports will summarize financial activity for the license period. This report must be filed within thirty (30) days after the expiration of the license and the expired license must accompany such report.

25.3 Final reports for annual licensees, super bingo licensees, and limited occasion licensees must contain the name, address and social security number of any person who receives prizes with an aggregate value of over one hundred dollars (\$100).

25.4 Any licensee failing to file a required report when due shall be liable for a penalty of \$25.00 for each month, or fraction thereof, during which the failure continues, such penalty not to exceed \$100.00 for each delinquent report.

25.5 The annual financial reports required to be filed for each license year ending after June 9, 1995 must contain a compilation and review of such financial report, as defined by the American Institute of Certified Public Accountants, if for the license year just completed the licensee's gross receipts exceed \$50,000.00.

§ 110-16-26. Filing of Copy of License.

26.1 When the Commissioner grants a license, he must file a copy of the license with the clerk of the county commission of the county in which the bingo occasions are to be held. The clerk shall record this copy.

26.2 The Commissioner must make a copy of the application available for public inspection.

§ 110-16-27. County Option Election.

27.1 The county commission may call a local option election to determine if the provisions of this act will continue in their county. But, no local option election can be called to disapprove the playing of bingo games at the State Fair. Note that bingo will be permitted in all counties unless and until a local option election is held which results in a majority of voters determining that the provisions of this act will not continue in force and effect in that county.

27.2 To call the election, a petition for election must be made. The form must be substantially as follows:

PETITION ON LOCAL OPTION ELECTION
RESPECTING THE CONDUCT OF
BINGO AND SUPER BINGO GAMES FOR
CHARITABLE PURPOSES
IN _____ COUNTY
WEST VIRGINIA

Each of undersigned certifies that he or she is a person residing in _____ county, West Virginia, and is duly qualified to vote in that county under the laws of the state, and that his or her name, address, and the date of signing this petition are correctly set forth below.

The undersigned petition the county commission to call and hold a local option election at: (1) a special or (2) the next primary, general or special election (the petition shall specify (1) or (2) upon the following question: Shall the provisions of Article twenty (20), Chapter forty-seven (47) of the Code of West Virginia, one thousand nine hundred thirty-one (1931), as amended, continue in effect in _____ county, West Virginia.

NAME

ADDRESS

DATE

_____ (Each person signing must specify either his or her post office address or his or her street number).

At least ten percent (10%) of the persons qualified to vote within the county must sign this petition before the election may be called.

27.3 If the petition is filed as specified, the county commission must enter an order calling a local option election, and must publicize notice of such local option election by publication of a Class II-O legal advertisement with a county publication area. This notice must be published within fourteen (14) consecutive days before the election.

27.4 Any person qualified to vote in the county at any primary, general or special election may vote at the local option election.

27.5 Election officers appointed and qualified to serve at any primary, general or special election must conduct the local option election. These election officers shall count the ballots and make a return which shall be certified by the commissioners of election to the county commission. The county commission shall canvass the ballots and certify the result without delay.

27.6 Local option elections may be held at the same time as any primary, general or special elections, but, it must be held in connection with and as a part of such election if it is held at the same time.

27.7 The form for the ballot must be substantially as follows:

"Shall the playing of bingo to raise money for charitable or public service organizations continue in effect in _____ county of West Virginia? (Place a cross mark in the square opposite your choice)." Yes No

27.8 If a majority vote no, then this act no longer continues in effect in that county.

27.9 There must be five (5) years between local option elections on this question, whether the question was approved or disapproved at the previous local option election.

§ 110-16-28. Prohibited Acts.

28.1 Any person, individual, organization, association or corporation convicted of a felony, or misdemeanor for a gambling offense:

28.1.1 may not obtain, either directly or indirectly, a bingo license;

28.1.2 may not conduct a bingo game;

28.1.3 may not operate a concession;

28.1.4 may not lease or provide to any licensee organization any premise where bingo occasions may be held.

28.2 This restriction applies for ten (10) years from the date of conviction.

Example 1. -- X was convicted of a misdemeanor gambling offense in 1972. During the year 1981, X may not participate in the operation of bingo in any way. But, in 1983, X would be permitted to participate, if he had obtained a valid license.

§ 110-16-28a. Smoking and Nonsmoking Sections.

28a.1 If smoking is permitted during the conduct of any bingo, super-bingo or limited occasion bingo occasion, any bingo operator who distributes more than 100 bingo cards and/or bingo sheets at such an occasion must provide smoking and nonsmoking sections.

§ 110-15-29. Restriction on Use of Bingo Equipment.

29.1 A licensee may only use bingo equipment:

29.2 which it owns;

29.3 which it borrows without compensation from another licensee, or

29.4 which it leases from another licensee for a reasonable and customary amount.

Example 1. -- Bill's Bingo Equipment Rental, an organized for profit company, may not rent bingo equipment to licensees in this state.

29.5 Rental or purchase of bingo equipment shall be considered a reasonable and necessary expense as provided for in Section 16.

§ 110-16-30. Requirement for a Registration Statement.

30.1 Unless exempt, every charitable or public service organization that obtains a bingo license must file an annual registration statement with the Secretary of State's Office, under the Solicitation of Charitable Funds Act.

30.2 These registration statements must be filed on forms provided by the Secretary of State and these must be filed before any bingo occasions are held.

APPENDIX A

UNITED STATES TREASURY REGULATIONS
(Reg. Section 1.501(c)(3)-1)

The regulation below is intended to provide guidance to the public in the determination of what a charitable or public service activity or endeavor is.

§ 1.501(c)(3)-1. Organizations organized and operated for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals.

(a) Organization and operational tests.

(1) In order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one (1) or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

(2) The term "Exempt Purpose or Purposes", as used in this section, means any purpose or purposes specified in section 501(c)(3), as defined and elaborated in paragraph (d) of this section.

(b) Organizational test.

(1) In general.

(A) An organization is organized exclusively for one (1) or more exempt purposes only if its articles of organization (referred to in this section as its "articles") as defined in subparagraph (2) of this paragraph:

(i) Limit the purposes of such organization to one or more exempt purposes; and

(ii) Do not expressly empower the organization to engage, otherwise, than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes.

(B) In meeting the organizational test, the organization's purpose, as stated in its articles, may be as broad as, or more specific than, the purposes stated

in Section 501(c)(3). Therefore, an organization which, by the terms of its articles, is formed "for literary and scientific purposes within the meaning of section 501(c)(3) of the Code shall, if it otherwise meets the requirements in this paragraph, be considered to have met the organizational test. Similarly, articles stating that the organization is created solely "to receive contributions and pay them over to organizations which are described in section 501(c)(3) and exempt from taxation under section 501(a)" are sufficient for purposes of the organizational test. Moreover, it is sufficient if the articles set forth the purpose of the organization to be the operation of a school for adult education and describe in detail the manner of the operation of such school. In addition, if the articles state that the organization is formed for "Charitable Purposes", such articles ordinarily shall be sufficient for purposes of the organizational test (See subparagraph (5) of this paragraph for rules relating to construction of terms).

(C) An organization is not organized exclusively for one or more exempt purposes if its articles expressly empower it to carry on, otherwise than as an insubstantial part of its activities, activities which are not in furtherance of one (1) or more exempt purposes, even though such organization is, by the terms of such articles, created for a purpose that is no broader than the purposes specified in section 501(c)(3). Thus, an organization that is empowered by its articles "to engage in a manufacturing business," or "to engage in the operation of a social club" does not meet the organizational test regardless of the fact that its articles may state that such organization is created "for charitable purposes within the meaning of Section 501(c)(3) of the Code."

(D) In no case shall an organization be considered to be organized exclusively for one or more exempt purposes, if by the terms of its articles, the purposes for which such organization is created are broader than the purposes specified in section 501(c)(3). The fact that the actual operations of such an organization have been exclusively in furtherance of one or more exempt purposes shall not be sufficient to permit the organization to meet the organizational test. Similarly, such an organization will not meet the organizational test as a result of statements or other evidence that the members thereof intend to operate only in furtherance of one or more exempt purposes.

(E) An organization must, in order to establish its exemption, submit a detailed statement of its proposed activities with and as a part of its application for exemption (See paragraph (b) of § 1.501(a)-1).

(2) **Articles of organization.** -- For purposes of this section, the term "articles of organization" or "articles" includes the trust instrument, the corporate

charter, the articles of association, or any other written instrument by which an organization is created.

(3) **Authorization of legislative or political activities.** -- An organization is not organized exclusively for one (1) or more exempt purposes if its articles expressly empower it:

(A) To devote more than an insubstantial part of its activities to attempting to influence legislation by propaganda or otherwise; or

(B) Directly or indirectly to participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of or in opposition to any candidate for public office; or

(C) To have objectives and to engage in activities which characterize it as an "action" organization as defined in paragraph (c)(3) of this section. The terms used in subdivisions (A), (B), and (C) of this subparagraph shall have the meanings provided in paragraph (c)(3) of this section.

(4) **Distribution of assets on dissolution.** -- An organization is not organized exclusively for one (1) or more exempt purposes unless its assets are dedicated to an exempt purpose. An organization's assets will be considered dedicated to an exempt purpose, for example, if upon dissolution, such assets would, by reason of a provision in the organization's articles or by operation of law, be distributed for one (1) or more exempt purposes, or to the Federal government, or to a State or local government, for a public purpose, or would be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish the general purposes for which the dissolved organization was organized. However, an organization does not meet the organizational test if its articles or the law of the State in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders.

(5) **Construction of terms.** -- The law of the State in which an organization is created shall be controlling in construing the terms of its articles. However, any organization which contends that such terms have under State law a different meaning from their generally accepted meaning must establish such special meaning by clear and convincing reference to relevant court decisions, opinions of the State attorney general, or other evidence of applicable State law.

(6) **Applicability of the organizational test.** -- A determination by the Commissioner or a district director that an organization is described in Section 501(c)(3)

and exempt under Section 501(a) will not be granted after July 26, 1959 (regardless of when the application is filed), unless such organization meets the organizational test prescribed by this paragraph. If, before July 27, 1959, an organization has been determined by the Commissioner or district director to be exempt as an organization described in Section 501(c)(3) or in corresponding provision of prior law and such determination has not been revoked before such date, the fact that such organization does not meet the organizational test prescribed by this paragraph shall not be a basis for revoking such determination. Accordingly, an organization which has been determined to be exempt before July 27, 1959, and which does not seek a new determination of exemption is not required to amend its articles of organization to conform to the rules of this paragraph, but any organization which seeks a determination of exemption after July 26, 1959, must have articles of organization which meet the rules of this paragraph. For the rules relating to whether an organization determined to be exempt before July 27, 1959, is organized exclusively for one (1) or more exempt purposes, See 26 CFR (1939 39.101(5)-1 (Regulation 118) as made applicable to the Code by Treasury Decision 6091, approved August 16, 1954 (19 F.R. 5167; C.B. 1954-2, 47).

(c) Operational test.

(1) **Primary activities.** -- An organization will be regarded as "operated exclusively" for one (1) or more exempt purposes only if it engages primarily in activities which accomplish one (1) or more of such exempt purposes specified in Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

(2) **Distribution of earnings.** -- An organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals. For the definition of the words "private shareholders or individual", See paragraph (c) of § 1.501(a)-1.

(3) **"Action" organization.**

(A) An organization is not operated exclusively for one (1) or more exempt purposes if it is an "Action" organization as defined in subdivisions (B), (C), or (D) of this subparagraph.

(B) An organization is an "Action" organization if a substantial part of its activities is attempting to influence legislation by propaganda or otherwise. For this purpose, an organization will be regarded as attempting to influence legislation if the organization -

(i) Contacts, or urges the public to contact, members of a legislative body for the purpose of proposing, supporting, or opposing legislation; or

(ii) Advocates the adoption or rejection of legislation. The term "legislation", as used in this subdivision, includes action by the Congress, by any State legislature, by any local council or similar governing body, or by the public in a referendum, initiative, constitutional amendment, or similar procedure. An organization will not fail to meet the operational test merely because it advocates, as an insubstantial part of its activities, the adoption or rejection of legislation.

(C) An organization is an "Action" organization if it participates or intervenes, directly or indirectly, in any political campaign on behalf of or in opposition to any candidate for public office. The term "Candidate for Public Office" means an individual who offers himself, or is proposed by others, as a contestant for an elective public office, whether such office be national, State or local. Activities which constitute participation or intervention in a political campaign on behalf of or in opposition to a candidate include, but are not limited to, the publication or distribution of written or printed statements or the making of oral statements on behalf of or in opposition to such a candidate.

(D) An organization is an "Action" organization if it has the following two characteristics:

(i) Its main or primary objective or objectives (as distinguished from its incidental or secondary objectives) may be attained only by legislation or a defeat of proposed legislation; and

(ii) It advocates, or campaigns for, the attainment of such main or primary objective or objectives as distinguished from engaging in nonpartisan analysis, study, or research and making the results thereof available to the public. In determining whether an organization has such characteristics, all the surrounding facts and circumstances, including the articles and all activities of the organization, are to be considered.

(E) An "Action" organization, described in subdivisions (ii) or (iv) of this subparagraph, though it cannot qualify under section 501(c)(3) may nevertheless qualify as a social welfare organization under section 501(c)(4) if it meets the requirements set out in paragraph (a) of § 1.501(c)(4)-1.

(d) Exempt purposes.

(1) **In general.**

(A) An organization may be exempt as an organization described in Section 501(c)(3) if it is organized and operated exclusively for one or more of the following purposes:

- (i) Religious,
- (ii) Charitable,
- (iii) Scientific,
- (iv) Testing for public safety,
- (v) Literary,
- (vi) Educational, or
- (vii) Prevention of cruelty to children or animals.

(B) An organization is not organized or operated exclusively for one (1) or more of the purposes specified in subdivision (A) of this subparagraph unless it serves a public rather than a private interest. Thus, to meet the requirement of this subdivision, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organizations, or persons controlled, directly or indirectly, by such private interest.

(C) Since each of the purposes specified in subdivision (A) of this subparagraph is an exempt purpose in itself, an organization may be exempt if it is organized and operated exclusively for any one (1) or more of such purposes. If, in fact, an organization is organized and operated exclusively for exempt purpose or purposes, exemption will be granted to such an organization regardless of the purpose or purposes specified in its application for exemption. For example, if an organization claims exemption on the ground that it is "Educational", exemption will not be denied if, in fact, it is "Charitable".

(2) **"Charitable" defined.** -- The term "Charitable" is used in Section 501(c)(3) in its generally accepted legal sense and is, therefore, not to be construed as limited by the separate enumeration in Section 501(c)(3) of other tax-exempt purposes which may fall within the broad outlines of "Charity" as developed by judicial decisions.

Such term includes: Relief of the poor and distressed or of the underprivileged; advancement of religion; advancement of education or science; erection or maintenance of public buildings, monuments, or works; lessening of the burdens of Government; and promotion of social welfare by organizations designed to accomplish any of the above purposes, or

- (A) to lessen neighborhood tensions;
- (B) to eliminate prejudice and discrimination;
- (C) to defend human and civil rights secured by law; or
- (D) to combat community deterioration and juvenile delinquency.

The fact that an organization which is organized and operated for the relief of indigent persons may receive voluntary contributions from the persons intended to be relieved will not necessarily prevent such organization from being exempt as an organization organized and operated exclusively for charitable purposes. The fact that an organization, in carrying out its primary purpose, advocates social or civic changes or presents opinion on controversial issues with the intention of molding public opinion or creating public sentiment to an acceptance of its views does not preclude such organization from qualifying under Section 501(c)(3) so long as it is not an "Action" organization of any one of the types described in paragraph (c)(3) of this section.

(3) "Educational" defined.

(A) **In general.** -- The term "Educational", as used in Section 501(c)(3), relates to -

(i) The instruction or training of the individual for the purpose of improving or developing his or her capabilities; or

(ii) The instruction of the public on subjects useful to the individual and beneficial to the community.

An organization may be educational even though it advocates a particular position or viewpoint so long as it presents a sufficiently full and fair exposition of the pertinent facts as to permit an individual or the public to form an independent opinion or conclusion. On the other hand, an organization is not educational if its principal function is the mere presentation of unsupported opinion.

(B) **Examples of educational organizations.** -- The following are examples of organizations which, if they otherwise meet the requirements of this section, are educational:

Example 1. -- An organization, such as a primary or secondary school, a college, or a professional or trade school, which has a regularly scheduled curriculum, a regular faculty, and a regularly enrolled body of students in attendance at a place where the educational activities are regularly carried on.

Example 2. -- An organization whose activities consist of presenting public discussion groups, forums, panels, lectures, or other similar programs. Such programs may be on radio or television.

Example 3. -- An organization which presents a course of instruction by means of correspondence or through the utilization of television or radio.

Example 4. -- Museums, zoos, planetariums, symphony orchestras, and other similar organizations.

(4) **"Testing for Public Safety" defined.** -- The term "Testing for Public Safety", as used in Section 501(c)(3), includes the testing of consumer products, such as electrical products, to determine whether they are safe for use by the general public.

(5) **"Scientific" defined.**

(A) Since an organization may meet the requirements of Section 501(c)(3) only if it serves a public rather than a private interest, a "Scientific" organization must be organized and operated in the public interest. Research when taken alone is a word with various meanings; it is not synonymous with "Scientific"; and the nature of particular research upon the purpose which it serves. For research to be "Scientific", within the meaning of Section 501(c)(3), it must be carried on in furtherance of a "Scientific" purpose. The determination as to whether research is "Scientific" does not depend on whether such research is classified as "Fundamental" or "Basic" as contrasted with "Applied" or "Practical". On the other hand, for purposes of the exclusion from unrelated business taxable income provided by Section 512(b)(9), it is necessary to determine whether the organization is operated primarily for purposes of carrying on "Fundamental", as contrasted with "Applied", research.

(B) Scientific research does not include activities of a type ordinarily carried on as an incident to commercial or industrial operations, as, for

example, the ordinary testing or inspection of materials or products or the designing or construction of equipment, buildings, etc.

(C) Scientific research will be regarded as carried on in the public interest -

(i) If the results of such research (including any patents, copyrights, processes, or formula resulting from such research) are made available to the public on a nondiscriminatory basis;

(ii) If such research is performed for the United States, or any of its agencies or instrumentalities, or for a State or political subdivision thereof; or

(iii) If such research is directed toward benefiting the public. The following are examples of scientific research which will be considered as directed toward benefiting the public, and, therefore, which will be regarded as carried on in the public interest:

(a) Scientific research carried on for the purpose of aiding in the scientific education of college or university students;

(b) Scientific research carried on for the purpose of obtaining scientific information, which is published in a treatise, thesis, trade publication or in any other form that is available to the interested public;

(c) Scientific research carried on for the purpose of discovering a cure for a disease; or

(d) Scientific research carried on for the purpose of aiding a community or geographical area by attracting new industry to the community or area or by encouraging the development of, or retention of, an industry in the community or area. Scientific research described in this subdivision (c) will be regarded as carried on in the public interest even though such research is performed pursuant to a contract or agreement under which the sponsor or sponsors of the research have the right to obtain ownership or control of any patents, copyrights, processes, or formula resulting from such research.

(D) An organization will not be regarded as organized and operated for the purpose of carrying on scientific research in the public interest and, consequently, will not qualify under Section 501(c)(3) as a "Scientific" organization, if -

(i) Such organization will perform research only for persons which are (directly or indirectly) its creators and which are not described in Section 501(c)(3), or

(ii) Such organization retain (directly or indirectly) the ownership or control of more than an insubstantial portion of the patents, copyrights, processes, or formula resulting from its research and does not make patents, copyrights, processes, or formula available to the public. For purposes of this subdivision, a patent, copyright, process, or formula shall be considered as made available to the public if such patent, copyright, process, or formula is made available to the public on a nondiscriminatory basis. In addition, although one person is granted the exclusive right to the use of a patent, copyright, process, or formula, such patent, copyright, process, or formula shall be considered as made available to the public if the granting of such exclusive right is the only practicable manner in which the patent, copyright, process, or formula can be utilized to benefit the public. In such a case, however, the research from which the patent, copyright, process, or formula resulted will be regarded as carried on in the public interest (within the meaning of subdivision (C) of this subparagraph) only if it is carried on for a person described in subdivision (C)(ii) of this subparagraph if it is scientific research described in subdivision (C)(iii) of this subparagraph.

(E) The fact that any organization (including a college, university, or hospital) carries on research which is not in furtherance of an exempt purpose described in Section 501(c)(3) will not preclude such organization from meeting the requirements of Section 501(c)(3) so long as the organization meets the organizational test and is not operated for the primary purpose of carrying on such research (See paragraph (e) of this section, relating to organizations carrying on a trade or business). See paragraphs (a)(5) of § 1.513-2, with respect to research which constitutes an unrelated trade or business, and Section 512(b)(7)(8), and (9), with respect to income derived from research which is excludable from the tax on unrelated business income.

(F) The regulations in this subparagraph are applicable with respect to taxable years beginning after December 31, 1960.

(e) Organizations carrying on trade or business.

(1) **In general.** – An organization may meet the requirements of Section 501(c)(3) although it operates a trade or business as a substantial part of its activities, if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized or operated for the primary purpose of carrying on an unrelated trade or business, as defined in Section 513. In

determining the existence or nonexistence of such primary purpose, all the circumstances must be considered, including the size and extent of the trade or business and the size and extent of the activities which are in furtherance of one or more exempt purposes. An organization which is organized and operated for the primary purpose of carrying on an unrelated trade or business is not exempt under Section 501(c)(3) even though it has certain religious purposes, its property is held in common, and its profits do not inure to the benefit of individual members of the organization. See, however, Section 501(d) and § 1.501(d)-1, relating to religious and apostolic organizations.

(2) **Taxation of unrelated business income.** -- For provisions relating to the taxation of unrelated business income of certain organizations described in Section 501(c)(3), See Sections 511 to 515, inclusive, and the regulations thereunder.

(f) **Applicability of regulations in this section.** -- The regulations in this section are, except as otherwise expressly provided, applicable with respect to taxable years beginning after July 26, 1959. For the rules applicable with respect to taxable years beginning before July 27, 1959, See 26 CFR (1939) 39.101(6)-1 (Regulation 118) as made applicable to the Code by Treasury Decision 6091, approved August 16, 1954 (19 F.R. 5167; C. B. 1954-2, 47). Reg. Section 1.501(c)(3)-1.

APPENDIX B

This list of nonprofit charitable organizations which may be exempt from taxation under the Internal Revenue Code is intended to illustrate application of these terms and is not intended to be a comprehensive listing.

(A) 501(c)(3) Organizations.

(1) Religious

Churches
Church affiliated colleges
Sermon publishing organizations that apply proceeds to purchase of materials for theology school libraries.

(2) Educational, literary or scientific.

Primary and secondary schools
Colleges or universities
Professional or trade schools

- policy)
- Private schools (Must have a racially nondiscriminatory admissions
 - Teachers travel study groups
 - Historical exposition organizations
 - Engineering societies engaged in scientific research
 - Abortion counseling organizations
 - Sterilization information organizations
 - Credit union educational organizations
 - School Accreditation organizations
 - Organizations formed to provide work experience to students
 - Anthropological research organizations
 - Educational, cultural and public interest television programming
- organizations
- Training program product sales organizations
 - Educational day care organizations
 - Political educational organizations (must not solicit for or endorse
- candidates)
- (3) Public safety.
 - Traffic safety organizations
 - Organizations which inspect and test for public safety
 - (4) Prevention of cruelty to children or animals.
 - (5) Fostering national or international amateur sports competition.
 - (6) Charitable.
 - Nonprofit hospitals
 - Health care and maintenance organizations
 - Drug Clinics
 - Alcoholic treatment organizations
 - Organizations that provide aid to the blind
 - Public interest law firms
 - Nonprofit legal aid societies
 - Prisoner rehabilitation organizations
 - Housing organizations which provide specially designed housing
- for the elderly or handicapped
- Honor Societies
 - Volunteer fire company
 - Disaster service organizations
 - Racial discrimination prevention organizations

Aid to senior citizen organizations
Aid to immigrants organizations
Organizations formed to promote civic pride

(B) 501(c)(4) Organizations.

(1) Civil leagues.

Homeowner's association

Garden clubs

Women's vacation and rest home

Bus transportation organizations (providing relief for regular bus
service)

Environmental protection organizations

Organization involved in processing of consumer complaints

(2) Nonprofit local employees' associations.

(C) 501(c)(8) Organizations. -- Fraternal beneficiary societies (must operate under the lodge system and have an established system for payment of benefits.

(D) 501(c)(10) Organization.

(1) Fraternal beneficiary societies (must operate) under the lodge system and give its net earnings solely for religious, charitable, scientific, literary, educational and fraternal purposes.

(E) 501(C)(19) Organizations. -- Veteran's organizations (membership must consist of seventy-five (75%) war veterans and substantially all of the remainder must be veterans, cadets, or spouses, widows or widowers of war veterans. They must also be organized in the United States).

(F) 501(d) Organizations. -- Religious and apostolic organizations.