

Subject Combined net receipts tax rate reduction and lawful purpose expenditure deduction provided

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Overview

This bill allows a charitable organization to subtract certain lawful purpose expenditures before calculating its tax liability for the combined net receipts tax on charitable gambling. Under current law, the combined net receipts tax is imposed on net receipts (gross receipts minus prizes paid) from electronic and paper pull-tabs, electronic linked bingo, and tipboards. This bill would make it so the combined net receipts tax is imposed on gross receipts from pull-tabs, electronic bingo, and tipboards, minus prizes paid, minus certain lawful purpose expenditures.

Examples of lawful purpose expenditures that would be deducted from the calculation of tax are: charitable contributions, expenditures for youth recreational and athletic activities, expenditures for acquisition, repair, or improvement of real property and assets owned by a charitable gambling organization, expenditures for natural resource projects or activities, and expenditures for organizations that recognize military service.

This bill also reduces the graduated rates of the combined net receipts tax that is imposed on the net receipts from electronic and paper pull-tabs, electronic linked bingo, and tipboards as follows:

- from 9% to 6% in the first bracket;
- from 18% to 12% in the second bracket;
- from 27% to 18% in the third bracket; and
- from 36% to 24% in the fourth bracket.

Also reduced are the base amounts that are added to each bracket before applying the corresponding reduced rate.

Lastly, this bill also strikes obsolete language that modified the combined net receipts tax rates for fiscal year 2016.

The bill is effective July 1, 2019.



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