

## **BILL ANALYSIS**

Senate Research Center

H.B. 2578  
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State Affairs  
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Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Despite the Texas Constitution's requirement for all bingo proceeds to be spent for charitable purposes, the State of Texas and local governments receive a large percentage of the proceeds that are raised for the charity beneficiaries of bingo. That is because a five percent tax is imposed on all prizes paid to bingo winners. H.B. 2578 eliminates charities' license bingo fees. To make up for the part of the cost of regulation that is currently paid by charities through license fees, H.B. 2578 requires that the five percent prize taxes that currently go to the state and local governments be redirected to the Texas Lottery Commission. The remainder of the prize tax money would continue to be deposited into the state general revenue fund and allocated to local governments as it is today. Because charities would no longer have the license expense, H.B. 2578 would result in an estimated \$3.2 million annual gain to the charities' net proceeds from bingo, a 10 percent increase.

H.B. 2578 amends current law relating to the elimination of certain fees for licensure and the disposition of certain fees collected by the Texas Lottery Commission under the Bingo Enabling Act.

### **RULEMAKING AUTHORITY**

Rulemaking authority previously granted to the Texas Lottery Commission is rescinded in SECTION 11 (Sections 2001.104, 2001.313 and 2001.437, Occupations Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter A, Chapter 2001, Occupations Code, by adding Section 2001.003, as follows:

Sec. 2001.003. REGULATORY FUNDING FROM LICENSE FEES AND BINGO PRIZE FEES. Provides that it is the intent of the legislature that the funding necessary for the administration of this chapter (Bingo) by the Texas Lottery Commission (TLC) be collected by TLC from commercial lessor, manufacturer, and distributor license fees and money paid to TLC by bingo players as bingo prize fees.

SECTION 2. Amends Section 2001.103(a), Occupations Code, to authorize an authorized organization to receive a temporary license to conduct bingo by filing with TLC an application, on a form prescribed by TLC, rather than accompanied by a \$25 license fee.

SECTION 3. Amends Section 2001.105(a), Occupations Code, to require TLC to issue or renew a license to conduct bingo, rather than a license to conduct bingo on payment of the license fee provided by Section 2001.104 (License Fees) if TLC determines certain information.

SECTION 4. Amends Section 2001.154(a), Occupations Code, as follows:

(a) Prohibits TLC from issuing a commercial lessor license to or renew a commercial lessor license of:

(1) and (2) makes no changes to these subdivisions;

(3) a person who loans money to an authorized organization, rather than a person who extends credit to, loans money to, or pays or provides for the payment of license fees for an authorized organization;

(4) through (9) makes no changes to these subdivisions.

SECTION 5. Amends Section 2001.438(f), Occupations Code, as follows:

(f) Requires each licensed authorized organization that is a member of the unit to be jointly and severally liable for:

(1) and (2) makes no changes to these subdivisions;

(3) the payment of any penalties, rather than the payment of fees and any penalties, imposed for a violation of this subchapter or TLC rules related to the operations of the unit.

SECTION 6. Amends Section 2001.458(a), Occupations Code, as follows:

(a) Prohibits an item of expense from being incurred or paid in connection with the conduct of bingo except an expense that is reasonable or necessary to conduct bingo, including an expense for:

(1) through (7) makes no changes to these subdivisions;

(8) bingo chairpersons, operators, managers, salespersons, callers, cashiers, ushers, janitorial services, and utility supplies and services, rather than fees for bingo chairpersons, operators, managers, salespersons, callers, cashiers, ushers, janitorial services, and utility supplies and services;

(9) makes no change to this subdivision;

(10) redesignates existing Subdivision (11) as Subdivision (10) and makes a nonsubstantive change;

(11) redesignates existing Subdivision (12) as Subdivision (11) and makes no further changes.

SECTION 7. Amends Section 2001.459(a), Occupations Code, as follows:

(a) Requires that the following items of expense incurred or paid in connection with the conduct of bingo be paid from an organization's bingo account:

(1) through (6) makes no changes to these subdivisions;

(7) and (8) makes nonsubstantive changes and deletes existing Subdivision (9) referring to license fees.

SECTION 8. Amends Section 2001.502, Occupations Code, as follows:

Sec. 2001.502. PRIZE FEE. Requires a licensed authorized organization to:

(1) makes no changes to this subdivision;

(2) remit to TLC a fee in the amount of five percent of the amount or value of all bingo prizes of more than \$5 awarded.

SECTION 9. Amends Section 2001.503, Occupations Code, as follows:

Sec. 2001.503. LOCAL SHARE OF PRIZE FEE. (a) Provides that, except as provided by Subsection (c), a county that imposed a gross receipts tax on the conduct of bingo as of January 1, 1993, is entitled to, subject to Section 2001.507(i), 50 percent of the fee collected under Section 2001.502 on a prize awarded at a game conducted in the county.

(b) Makes a conforming change.

(c) Makes conforming changes.

SECTION 10. Amends Section 2001.507, Occupations Code, by amending Subsection (c) and adding Subsection (i), as follows:

(c) Requires TLC, at the end of each state fiscal year, to send, rather than send quarterly, to a county or municipality entitled to a share of the fee on prizes the county's or municipality's share, as provided by Section 2001.503 and Subsection (i). Makes nonsubstantive changes.

(i) Requires TLC to reduce the amount of each local share of a fee to each county or municipality entitled to a share of the fee under Section 2001.503 on a pro rata basis as necessary to retain the amount necessary for the administration of bingo under this chapter for the state fiscal year less the amount estimated by TLC as license fees expected to be deposited in a special account in the general revenue fund for that year. Requires that the amount TLC retains under this subsection meet certain criteria.

SECTION 11. Repealer: Section 2001.104 (License Fees), Occupations Code.

Repealer: Section 2001.313(b-2) (relating to authorizing TLC to impose a fee for an initial registration application and renewal application), Occupations Code.

Repealer: Section 2001.437(e) (relating to requiring TLC by rule to establish an annual license fee for a unit manager license in an amount reasonable to defray administrative costs incurred to conduct a criminal background check).

SECTION 12. (a) Provides that the changes in law made by this Act in amending Sections 2001.503 and 2001.507, Occupations Code, apply beginning with the state fiscal year beginning September 1, 2017.

(b) Makes application of the changes in law made by this Act to Sections 2001.103, 2001.105, and 2001.154, Occupations Code, to the issuance of a license under Chapter 2001, Occupations Code, prospective.

SECTION 13. (a) Requires TLC, as soon as practicable after the effective date of this Act but not later than January 1, 2018, to adopt rules necessary to implement this Act.

(b) Requires TLC, not later than January 1, 2018, to return to each license holder who in the year preceding the effective date of this Act paid a license fee under Section 2001.104 or 2001.437, Occupations Code, as those sections existed before the effective date of this Act, any portion of the fee attributable to the license holder's period of licensure occurring on or after the effective date of this Act.

SECTION 14. Effective date: September 1, 2017.