

521 if no part of the net proceeds derived from such drawing inures to the benefit of any private shareholder or individual. For provisions relating to exemption from income tax under section 501 or 521, see the Income Tax Regulations (Part 1 of this chapter).

(c) *Other terms used*—(1) *Wagering pool*. A wagering pool conducted for profit includes any scheme or method for the distribution of prizes to one or more winning bettors based upon the outcome of a sports event or a contest, or a combination or series of such events or contests, provided such wagering pool is managed and conducted for the purpose of making a profit.

(2) *Sports event*. A sports event includes every type of sports event, whether amateur, scholastic, or professional, such as horse racing, auto racing, dog racing, boxing and wrestling matches and exhibitions, baseball, football, and basketball games, tennis and golf matches, track meets, etc.

(3) *Contest*. A contest includes any type of contest involving speed, skill, endurance, popularity, politics, strength, appearances, etc., such as a general or primary election, the outcome of a nominating convention, a dance marathon, a log-rolling, wood-chopping, weight-lifting, corn-husking, beauty contest, etc.

(4) *Conducted for profit*. A wagering pool or lottery may be conducted for profit even though a direct profit will not inure from the operation thereof. A wagering pool or lottery operated with the expectancy of a profit in the form of increased sales, increased attendance, or other indirect benefits is conducted for profit for purposes of the wagering tax.

**§ 44.4422-1 Doing business in violation of Federal or State law.**

Payment of any special tax within the scope of the regulations in this part in nowise authorizes the carrying on of any business in violation of a law of the United States or the law of any State. The special tax stamp is not a license or permit and affords no protection from prosecution for violation of any Federal or State law. See also section 4906.

GENERAL PROVISIONS RELATING TO  
OCCUPATIONAL TAXES

**§ 44.4901-1 Payment of special tax.**

(a) *Condition precedent to carrying on business*. No persons shall engage in the business of accepting wagers subject to the tax imposed by section 4401 until he has filed a return on Form 11-C and paid the special tax imposed by section 4411. Likewise, no person shall engage in receiving wagers for or on behalf of any person engaged in the business of accepting wagers until he has filed a return on Form 11-C and paid the special tax imposed by section 4411. For provisions relating to the tax imposed by section 4401 and the special tax imposed by section 4411, see Subparts B and C of this part, respectively.

(b) *Computation of special tax*. (1) Section 4411 imposes a special tax of \$50 per year which is required to be paid by each person who is liable for the tax imposed by section 4401 (tax on wagers) or who is engaged in receiving wagers for or on behalf of any person who is liable for the tax imposed by section 4401. A person engaged both in accepting wagers on his own account and in receiving wagers for or on behalf of some other person is required to purchase but one special tax stamp.

(2) The tax year begins July 1 and ends June 30 of the following calendar year. Persons commencing business between August 1 and June 30 (both dates inclusive) shall pay a proportionate part of the annual tax. "Commencing business" means the initial acceptance by a person of a wager subject to the tax imposed by section 4401 or the initial receiving of a taxable wager by an agent or employee for or on behalf of some other person. Persons in business for only a portion of a month are liable for tax for the full month, i.e., a person first becoming subject to the special tax on, for example, the 20th day of a month, is liable for tax for the entire month.

(c) *Tax payment evidenced by special tax stamp*. (1) Upon receipt of a return on Form 11-C, together with remittance of the full amount of tax due, the district director will issue a special tax stamp as evidence of payment of the special tax.

(2) District directors will distinctly write or print on the stamp before it is delivered or mailed to the taxpayer the following information: (i) The taxpayer's registered name, and (ii) the business or office address of the taxpayer if he has one; if not, the residence address. Special tax stamps will be transmitted by ordinary mail, unless it is requested that they be transmitted by registered mail in which case additional cost to cover registry fee shall be remitted with the return.

(3) District directors and their collection officers are forbidden to issue receipts in lieu of stamps representing the payment of special taxes.

(d) *Cross references.* For provisions relating to registration and information required to be reported on Form 11-C, see § 44.4412-1. For other provisions relating to Form 11-C, see §§ 44.6011(a)-1 (relating to returns), 44.6071-1 (time for filing returns and other documents), and 44.6091-1 (place for filing returns or other documents).

**§ 44.4902-1 Partnership liability.**

Any number of persons doing business in copartnership shall be required to pay but one special tax. The district director may issue a special tax stamp to a copartnership in a firm or trade name, provided the names and addresses of all members of the partnership are disclosed on Form 11-C.

**§ 44.4905-1 Change of ownership.**

(a) *Changes through death.* Whenever any person who has paid the special tax imposed by section 4411 dies, the surviving spouse or child, or executor or administrator, or other legal representative, may carry on such business for the remainder of the term for which such special tax has been paid without any additional payment, subject to the conditions hereinafter stated. If the surviving spouse or child, or executor or administrator, or other legal representative of the deceased taxpayer continues the business, such person shall within 30 days after the date of the death of the taxpayer execute a return on Form 11-C. Such return shall show the name of the deceased taxpayer, together with all other data required to be reported on Form 11-C (see § 44.4412-1), and the stamp issued to

such taxpayer shall be submitted with the return for proper notation by the district director.

(b) *Changes from other causes.* A receiver or trustee in bankruptcy may continue the business under the stamp issued to the taxpayer at the place and for the period for which the special tax was paid. An assignee for the benefit of creditors may continue business under his assignor's special tax stamp without incurring additional special tax liability. In such cases the change shall be registered with the district director in a manner similar to that required by paragraph (a) of this section.

(c) *Changes in firm.* When one or more members of a firm partnership withdraw, the business may be continued by the remaining partner or partners under the same special tax stamp for the remainder of the period for which the stamp was issued to the old firm. The change shall, however, be registered in the same manner as required in paragraph (a) of this section. If new partners are taken into a firm the new firm so constituted may not carry on business under the special tax stamp of the old firm. The new firm shall make a return on Form 11-C and pay the special tax imposed by section 4411 reckoned from the first day of the month in which it began business, even though the name of such firm be the same as that of the old. If the members of a partnership, which has paid the special tax, form a corporation to continue the business a new special tax stamp must be obtained in the name of the corporation.

(d) *Change in corporation.* If a corporation changes its name, no additional tax is due, provided the change in name is registered with the district director in the manner required by paragraph (a) of this section. An increase in the capital stock of a corporation does not create a new special tax liability if the laws of the State under which it is incorporated permit such increase without the formation of a new corporation. A stockholder in a corporation, who after its dissolution continues the business, incurs liability for the special tax imposed by section 4411 unless he already has a special tax stamp obtained in respect of activities conducted as a sole proprietor.