

Phone Forum: Federal Tax and Information Return Responsibilities for Tax-Exempt Organizations that Conduct Gaming (May 2007)

Bobby Zarin: Good morning (afternoon). Welcome to Exempt Organization's phone forum on "Gaming and Exempt Organizations." My name is Bobby Zarin, and I am the Director of Customer Education and Outreach for Exempt Organizations. My office is responsible for the EO phone forums. Making today's presentation are two EO Examination employees: Cheryl Teser, EO Federal/State Liaison and National Gaming Coordinator, from Omaha, NB; and Jim Competti, Revenue Agent from Columbus, OH, and one of our experts on gaming.

Each of you should have received emails containing a link to Publication 3079: *Gaming Publication for Tax Exempt Organizations*. I recommend you have a copy of the publication available in front of you as Cheryl and Jim will be referring to specific chapters during the presentation. They will let you know what page they will be discussing so you can follow along. If you miss a reference, you can check the transcript of today's presentation on the Charities and Non-Profits website on irs.gov; we will be posting it within a few days.

After you registered for the phone forum, we solicited your questions for today's topic. Asking for questions in advance allows us to select and address those that we believe are relevant to the widest audience. Cheryl and Jim have incorporated answers to your questions into their presentation. Some other questions were very detailed, and we are reviewing them for inclusion on the website. Please be aware that we cannot answer questions about taxpayer-specific situations or questions that require legal interpretations.

Let's begin. Jim?

Jim: Good morning (or afternoon)! Welcome to our telephone forum on Federal Tax and Information Return Responsibilities for Tax-Exempt Organizations that Conduct Gaming.

As an officer of an exempt organization, you have a difficult and important job. You have to protect your organization's tax exempt status by ensuring you follow the tax laws. This includes operating for exempt purposes, maintaining proper records, filing the necessary forms, and paying taxes when appropriate (yes, sometimes even tax-exempt organizations have to pay taxes). To help you understand and fulfill these responsibilities, Cheryl and I will discuss six topics of importance to organizations that conduct gaming. They are:

1. Impact of gaming on tax-exempt status;
2. Internal controls and recordkeeping;
3. Form 990 filing requirements;

4. Unrelated business income tax;
5. Filing requirements for payments to individuals; and
6. Wagering and excise taxes.

When you registered for the forum, we suggested you order or download a copy of Publication 3079: *Gaming Publication for Tax Exempt Organizations*. The IRS developed this publication for officers of exempt organizations that conduct gaming. Please pull out this publication or bring it up on your computer, as we will be referring to it throughout our discussion today.

We'll begin with our first topic: **Impact of Gaming on Exempt Status**

Cheryl: First Jim, can you tell us what kind of tax-exempt organizations generally participate in gaming activities?

Jim: Organizations most likely to engage in charitable gaming are:

501(c)(3) organizations operated exclusively for charitable purposes;

501(c)(4) social welfare organizations;

501(c)(7) social clubs,

501(c)(8) and (10) fraternal organizations; and

501(c)(19) veterans' organizations.

Cheryl: Why does it matter what 501(c) subsection an organization is exempt under?

Jim: It is important to know the specific subsection of your organization because the rules for maintaining your tax-exempt status differ somewhat for each.

Cheryl: Ok, then let's start with section 501(c)(3) organizations, the largest category of tax exempt organizations. Section 501(c)(3) organizations must be organized and operated exclusively for charitable purposes. A common misconception is that if a charitable organization uses the proceeds from gaming to further its charitable purpose, the gaming is considered a "charitable" activity. Not true. The actual conduct of the activity, not the proceeds raised from it, must further the organization's exempt purpose. There is nothing inherently charitable about gaming. The conduct of gaming is no different than the conduct of any other unrelated trade or business carried on for profit. Even so, a 501(c)(3) organization can conduct activities, including gaming, that do not further its exempt purpose as long as those activities are not substantial in relation to its exempt function activity. If such an organization conducts a substantial activity that does not further its exempt purpose, it will be in danger of losing its tax exempt status.

Jim: Let's look at an example. A section 501(c)(3) organization was formed to provide care and services to the elderly poor. To help pay for its purposes, the

organization operated a bingo and pull-tab operation conducted by volunteer members.

Cheryl: Wait a minute Jim. You said the organization operated “a bingo and pull-tab operation.” I think I know what bingo is, but what’s a pull-tab operation? Some sort of soda can-opening machine?

Jim: Good guess, but not quite, Cheryl. A pull-tab game – sometimes called “instant bingo” – is one where a person places a wager by purchasing a preprinted card covered with tabs. The player pulls back a tab to reveal a pattern or a set of numbers. He or she compares the patterns or numbers with those preprinted on the back of the card. If there is a match, the player wins. These types of games have become very popular, but they don’t qualify for the same tax treatment as regular or traditional bingo – we’ll cover those differences a little bit later.

Cheryl: Hey, thanks for the clarification, Jim. Now you were saying, about the organization providing services to the elderly?

Jim: Yes – let’s get back to how operating gaming might affect an organization’s tax exempt status. This organization would qualify as a section 501(c)(3) organization as long as its gaming activity was not substantial in comparison to the activities it undertakes to serve the elderly. Even if the gaming operation was large, and even if it was perhaps the only source of income for the organization, it could still maintain its exemption if it can show that the time and effort expended on conducting programs for the elderly comprise most of the organization’s activity overall.

Let’s look at another example: A section 501(c)(3) organization was formed to provide grants to local schools. To carry out its purposes, the organization operated a bingo and pull-tab operation. Instead of using volunteers, the organization employed a professional bingo management company to conduct the gaming operations. The great bulk of the profits of the bingo and pull-tab games – over \$150,000, let’s say – went to the management company. Only a few small grants totaling \$1000 went to local schools. The organization couldn’t maintain its tax-exempt status because it had a substantial non-exempt purpose – operating gaming – in relation to its exempt purpose of providing grants to schools.

In a case like this, we would also examine whether the gaming program resulted in inurement or private benefit to individuals, which would also be grounds for revoking the organization’s exempt status.

Cheryl: Now let’s look at how other types of exempt organizations can be impacted by gaming activities. For example, there are several categories of organizations whose exempt function includes providing social or recreational

activities for members and their bona fide guests. Such organizations include fraternal organizations described in section 501(c)(8) and 501(c)(10), and veterans' organizations described in section 501(c)(19). Gaming activities involving only members directly further exempt social and recreational purposes under these subsections. So that's okay. But, if these types of organizations sponsor gaming open to the general public, it may create unrelated business income tax and might adversely affect exempt status.

Let's take a look at the typical fraternal or veterans' organization that conducts gaming for members. Our typical club has "house rules" that allow only members to make purchases. Also, members must have a key card to get in, which helps prevent the general public from making purchases at the club. Therefore, the individuals patronizing the club and participating in the gaming include only regular members of the fraternal or veterans' organization. In a case like this, the fraternal or veterans' organization's gaming further its tax exempt social and recreational purpose and furthers an exempt purpose(s).

On the other hand, what about a fraternal or veterans' organization that has a commercial liquor license and permits members of the general public to make purchases from the bar or participate in the gaming? If income from these nonmembers exceeds 50% of the total income, the organization might lose its character as a fraternal or veterans' organization, which could adversely affect its exempt status. Purchases by the general public would also raise unrelated business income issues.

You can read more about this in Chapters 1 and 2 of Pub. 3079.

Jim: Our second topic is: **Internal Controls and Record Keeping.**

As you know, organizations conducting gaming can generate large amounts of cash – we're talking folding money. The cash passes through many hands, which could result in numerous abuses. Thus, every organization should be actively involved in overseeing and controlling each facet of the gaming activity to ensure funds are not diverted to private individuals or for private purposes – in a word, stolen. Oversight involves not only supervising the conduct of the gaming operation, but also choosing a location to hold the games, and reviewing and approving leases if applicable. Officers of the exempt organization need to get involved in conducting the gaming operation. For instance, there should be two different individuals selling pull-tabs and monitoring the control numbers to ensure that unauthorized pull-tabs are not being used by individuals claiming to be winners.

Cheryl: Jim, can you give us an idea of how a well-run bingo operation might separate and segregate workers' duties to maximize internal control?

Jim: Sure, Cheryl. Our listeners can follow along on Page 9 of Publication 3079 or make a note to check it out later:

- First, the game manager/operator has overall control over the execution of the game, including payouts and recording transactions on a “daily sheet;”
- A cashier receives all cash and records serial numbers of games sold;
- A separate cash controller prepares the inventory and the paid out reports. This person also independently counts cash receipts and compares the cash on hand to the reports;
- A separate inventory controller reviews the daily sheets received from the operator to determine inventory usage and profit achieved;
- A separate check writer is responsible for making all payments related to the gaming expenses; and
- The Board of Trustees of the organization reviews and compares the bingo reports or daily sheets with the previous reports for consistency. The Board should monitor the bingo game to ensure that internal controls are functioning properly.

These internal control and record keeping procedures are critical to ensure that all funds are accounted for from your gaming activities. Without detailed internal control procedures and records, how would you know if employees are properly accounting for funds?

Cheryl: Good point, Jim. Do you have an example about how poor internal controls over gaming activities could work against an organization?

Jim: I thought you'd never ask. Let's consider a hypothetical organization that employs a manager to run its bar and gaming operation. The manager controls all aspects of the operation including hiring of workers and record-keeping. The organization's officers believe that the manager is doing an outstanding job since the organization purchases about \$50,000 worth of pull-tab supplies and generates an annual gross profit after prizes of \$150,000.

Now let's say that the IRS decides to audit this hypothetical organization. As a routine part of most audits of organizations conducting pull-tab games, we will obtain the records of the pull-tab game manufacturer who sells to the organization. What if, in our hypothetical example, the IRS discovered that the manufacturer's suggested profits for the pull-tab games the organization bought were \$400,000? Remember, the manager was reporting a nice annual profit of \$150,000, but that's no where near what the game manufacturer projected. Believe it or not, we have encountered situations similar to this.

You can imagine how surprised organizations' officers are when we show them proof of pull-tab profits unaccounted for by the manager. Needless to say, many organizations tell us that they plan to promptly implement internal control procedures to ensure that their games earn what they are supposed to.

For a good overview of Internal Control Procedures and Record Keeping, look at Chapter 3 of Publication 3079. This chapter explains the recordkeeping responsibilities of a tax-exempt organization with regard to gaming income, payouts, and expenses and provides an example of an internal control system and suggested recordkeeping methods.

Also take a look at pages 28 and 29 of Publication 3079, where we've provided sample record-keeping forms that can help you keep track of transactions in a pull-tab operation. They permit recording of gross receipts, prizes and expenses for each game by serial number.

In general, we have found that those exempt organizations that have problems with internal control and record-keeping don't completely reconcile the profits of each pull-tab game sold, and often allow the bingo operator or club manager to record only an overall net profit for the gaming activity. That may have been what was happening in my hypothetical example – the manager only provided officers with a weekly summary sheet reporting a net pull-tab profit, instead of a detailed itemized list of all revenue and expense for each pull-tab game sold.

I have seen gaming revenue increase dramatically once organizations began using records similar to those on pages 28 and 29. These pull-tab reconciliation forms can have a direct effect on your exempt organization's bottom line.

Cheryl: Please turn to Chapter 4 at Page 11 of Publication 3079 and we'll start our third topic, **Form 990 Filing Requirements**.

The Form 990, *Return of Organization Exempt from Income Tax*, is really a series of returns, and they are unique in the world of IRS returns for the three reasons:

- First, the main purpose of the return is not to report and pay taxes, but to provide information on your organization's programs and activities. We call Form 990 an information return, not a tax return.
- Second, almost all of the information reported on the return is open to public inspection. In fact, the Internal Revenue Code requires an organization to permit inspection of certain parts of the return when someone asks.
- The third unique characteristic of the Form 990 is that many state

agencies that regulate exempt organizations have chosen to use it to satisfy their filing requirements, rather than develop their own form. Right now, nearly 40 states require exempt organizations to file Form 990 or Form 990-EZ.

So let's start by talking about what exactly gets filed, and who should file it. Most exempt organizations generally file either the Form 990, the Form 990-EZ, *Short Form*, or – starting in 2008 – a new form, the 990-N, Electronic Notice, which came about with passage of the Pension Protection Act of 2006. We also refer to this as the “e-Postcard.”

Most organizations are not required to file Form 990 or 990-EZ unless they have more than \$25,000 in gross receipts. Since gaming generates large amounts of cash, it doesn't take much to reach that, even for small organizations. For example, 50-member fraternal and veterans' organizations conducting a weekly public bingo game generally meet that threshold and file either the Form 990 or the EZ. And remember – you compute your organization's gross receipts before deducting any prizes, payouts or other expenses

Unfortunately, the IRS has found that according to established baselines in certain states, the non-filer rate for fraternal and veterans' organizations is as high as 30%. Failure to file Form 990 is one of the major reasons for the IRS initiating an audit of an exempt organization conducting gaming.

Jim: Well, Cheryl. If an organization didn't file the form, how does the IRS know that it had gross receipts over \$25,000 and was required to file?

Cheryl: Now you're asking the good questions, Jim.

The IRS can obtain information from a number of sources: state liquor control agencies maintain lists of liquor licensees; state agencies regulating gaming have financial information on the bingo and pull-tab operators; and holders of group exemption rulings have information about their subordinates.

In an on-going IRS project, we match financial reports from gaming operators filed with state regulators with our master list of Form 990 or 990-EZ filers. If it looks like an organization exceeded the gross receipts threshold through its gaming activity but didn't file with IRS, we contact the organization to secure the delinquent returns. In many cases, we've sent out field agents to conduct complete examinations of these organizations.

Non-filers are subject to a penalty of \$20 per day for failure to file, up to the lesser of \$10,000 or five percent of the organization's gross receipts. And, if an organization's annual gross receipts exceed one million dollars, the penalty per return is \$100 a day up to a maximum of \$50,000. Penalties can be abated if the exempt organization establishes reasonable cause. However, starting in 2008,

non-filing will carry even more dire consequences because an exempt organization will lose its tax-exempt status if it fails to file the Form 990 for three consecutive years.

Gaming revenue and its associated expenses – including prizes and payouts – should be combined and reported in the Special Events and Activities section of the form. For the 2006 Form 990, that is Lines 9a through 9c. There is also a box you should check to indicate that you are reporting income and expenses from gaming.

Jim: Let's move on to topic #4 - **Unrelated Business Income Tax**. Although an organization may be exempt from federal income tax, it remains liable for taxes on business activities that are not related to its exempt purpose. This income is called unrelated business income, or UBI for short. An exempt organization is subject to tax on unrelated business income if the income is derived from a regularly carried on trade or business which is not substantially related to its exempt purposes. An exempt organization is required to file a Form 990-T, *Exempt Organization Business Income Tax Return*, when the gross unrelated business income is over \$1,000. Gaming can generate unrelated business income that is subject to tax, unless it meets specific exceptions outlined in the Code.

For example, remember when I said that regular or traditional and instant bingo get treated differently? Well, here is one of those differences: Income from traditional bingo will not be treated as a source of unrelated business income because of a special "bingo exception" in the Code. Income from instant bingo doesn't qualify for this exception, and might be a source of UBI.

Cheryl: What do you mean – "traditional" bingo?

Jim: Well, you know how to play bingo, right? It's a game of chance played with cards that are generally printed with five rows of five squares each. Participants place markers over randomly-called numbers on the cards in an attempt to form a preselected pattern such as a horizontal, vertical, or diagonal line, or all four corners. The first participant to form the preselected pattern wins the game.

Cheryl: Of course.

Jim: Well, the Code says that in order to qualify for the bingo UBI exception, a bingo game must have wagers placed, winners determined, and prizes or other property distributed in the presence of all persons placing wagers in that game.

Cheryl: Oh, I get it – the pull-tabs or scratch off games don't qualify because winners of these kinds of games are not determined in the presence of all players placing wagers, which is one of the elements of the definition of traditional bingo.

Jim: You got it!

Cheryl: So, if a charity is raising funds through another form of gaming--like a Casino Night--where participants may play blackjack or poker, then is the income subject to the unrelated business income tax?

Jim: Not necessarily. There are other exceptions that may apply. One big one is the volunteer labor exemption. If the organization regularly holds a Casino Night to raise funds, but substantially all of the work performed for the organization is done by volunteers --workers who receive no compensation--then the income is not unrelated business income and is not subject to tax.

Cheryl: Ok, well, what if they pay the workers?

Jim: Then the income is likely subject to tax, and if the gross income exceeds \$1,000, the organization has to file a Form 990-T.

Cheryl: Ok, this time I have an example. A fraternal or veterans' organization has a bar and gaming operation which it hires employees to operate. The organization receives income from poker machines in the club's bar, which is used by both members and nonmembers. As we mentioned earlier, for clubs exempt under IRC 501(c)(8), 501(c)(10), and 501(c)(19), gaming amongst members is considered an exempt recreational activity; so the poker machine income from members and bona fide guests is not from an unrelated trade or business. However, allowing nonmembers or the general public to use the club's poker machines is not a related activity. Since the facility is run by paid workers – which knocks out the volunteer labor exception – any income from the nonmember sources is subject to unrelated business income tax.

You can refer to Publication 598, *Tax on Unrelated Business Income of Exempt Organizations*, for further discussion on the tax, including filing requirements and computing unrelated business income tax, as well as Chapter 2 of Publication 3079.

Jim: Cheryl, did you know that in addition to the Forms 990 and 990-T filing requirements, organizations involved in gaming also are required to file information returns when they make payments to players for certain gaming prizes; to employees who work for the organization; or to independent contractors, such as cleaning personnel or bands? We'll hit all of this in our fifth topic – **Filing Requirements for Payments to Individuals**.

Cheryl: Fascinating, Jim. Please continue.

Jim: Probably fascinating only to us Revenue Agents, Cheryl, but important nonetheless. The first type of information return that we will discuss is for

payments of prizes to players in a gaming operation. I'm talking about Form W-2G here, entitled *Certain Gambling Winnings*. The organization issues a Form W-2G to a player when the individual wins a prize with a minimum specific dollar amount in a gaming event. The requirement varies depending on the type of gaming activity and the amount of the prize. Let's look at three examples. For traditional bingo, if the amount of the prize paid is equal to or greater than \$1,200, a Form W-2G is required. For pull-tabs, if the amount of the prize paid is equal to or greater than \$600 and at least 300 times the amount of the wager, a Form W-2G is required. Lastly, for slot machines, if the amount of the prize paid is equal to or greater than \$1,200, a Form W-2G is required.

For example, an exempt organization conducts a weekly bingo game. A payout of \$1,300 is made for a single game. The organization must complete a Form W-2G for the bingo prize.

You'll find a helpful chart on the bottom of page 12 of Publication 3079, which describes when a W-2G needs to be issued. You might also want to consult the current instructions for Form W-2G to verify the filing thresholds.

Cheryl: I understand that one of the biggest mistakes made by exempt organizations is failure to file the required returns for payments made to employees. Is that right, Jim?

Jim: Very true, Cheryl. Tax-exempt organizations are not exempt from employment tax requirements for their employees. Federal employment taxes are those imposed under the Federal Insurance Contributions Act (FICA), the Federal Unemployment Tax Act (FUTA), and federal income tax withholding. All exempt organizations are also required to pay the employers' share of Social Security and Medicare taxes on the wages paid to the employees and to withhold the employee's share of Social Security and Medicare taxes and federal income tax from the employee's wages. The only exception in this area for exempt organizations is that 501(c)(3) organizations are not required to pay FUTA taxes.

If an exempt organization compensates its gaming workers, it is responsible for filing and paying employment taxes. Generally, if your organization has the right to control the worker, he or she is an employee and should be treated as such. In general, in an employer-employee relationship, the employer has the right to tell an employee not only what shall be done, but also how it shall be done. The fact that the employer has the right to control is the important thing, rather than whether the employer actually exercises control.

Cheryl: Chapter 5 of Publication 3079 describes employment tax requirements and page 18 describes some of the payroll filing requirements. Each employer is responsible for:

- Furnishing the employee a copy of Form W-2, Wage and Tax Statement, by January 31 of the year following the year of payment.
- Filing Form W-2 with the Social Security Administration (SSA) by February 28 of the year following the year of payment. Use Form W-3, Transmittal of Income and Tax Statements, to transmit Forms W-2 to SSA.
- Filing Form 941, Employer's Quarterly Federal Tax Return.
- Filing Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return.

As a matter of fact, suspected underreporting or non-reporting of employees' wages is another important criterion for selecting exempt organizations for IRS examinations. Large fraternal and veterans' organizations could easily have annual payrolls of over \$200,000. If such an organization fails to properly report its employees' compensation, or if it does not withhold and pay the required taxes, the consequences to the organization as a result of an examination could be both significant and costly.

Could you talk to us about requirements for independent contractors, Jim?

Jim: Sure. An independent contractor is self-employed and carries on an independent trade or business. An organization using the service of an independent contractor has some right to direct or instruct this type of worker, but less than in the case of an employee. Instead of providing the worker with a Form W-2, as you would an employee, you provide an independent contractor with a Form 1099-MISC. This form must be filed to report payments of \$600 or more to persons not treated as employees for services performed in your trade or business. The \$600 threshold applies to all payments made during the calendar year, not to any one payment. Page 18 of Publication 3079 describes the filing requirements for workers not treated as employees.

For example, let's consider Ted Oaks, a sole proprietor who operates his own janitorial service. He is hired by an exempt organization to clean the banquet hall where it holds a weekly bingo game. The organization pays Ted \$100 per week. Because the exempt organization does not have the right to direct and control Mr. Oaks, he is not an employee; instead, he is an independent contractor. The exempt organization should file a Form 1099-MISC for Ted, as his reported compensation is \$5,200 for the year; well over the \$600 threshold.

Cheryl: And accountants and bands are other examples of independent contractors. If you use the same band a few times, a Form 1099 would be required if the total payments during the calendar year are over \$600.

Now for our last topic: **Wagering and excise taxes on gaming activities.** Exempt organizations conducting gaming activities need to be aware that the sponsorship of certain gaming activities may lead to the imposition of two types of wagering taxes:

1. An excise tax imposed on the amount of the wager.
2. An occupational tax imposed on the persons engaged in receiving wagers.

The facts and circumstances of the types of wagering conducted, as well as the benefits derived there from, have a bearing on whether the wagers are subject to these taxes. For example, traditional bingo games are specifically excluded from the application of the wagering taxes. However, pull-tabs or drawings meet the definition of taxable wagers placed in a lottery. The exempt organization conducting pull-tab games or drawings would be subject to wagering taxes if the net proceeds from the activity inured to the benefit of any private shareholder or individual.

A properly operated 501(c)(3) organization would not be required to pay these taxes for any legal gaming activities it conducts because, by definition, the activities of a 501(c)(3) organization do not benefit private individuals. On the other hand, a properly operated fraternal or veterans' organization could very easily be subject to the wagering excise taxes. Let's look at some examples.

The Order of ABC, a fraternal organization, conducts a raffle to raise money. The raffle is open to public participation. The proceeds of the raffle go into the organization's general fund and are used to pay the operating expenses of the Order. It is perfectly acceptable for a fraternal organization to supplement its general fund this way, but since the Order is able to keep its annual dues lower than it would if it didn't conduct the raffle, its members benefit. Therefore, the wagering taxes apply.

If, however, the fraternal organization does not allow the general public to purchase raffle tickets, we have a different result. Where participation is limited to the organization's members, the financial resources generated by the activity are merely shifted between members of the group, and no tax consequences attach to that shifting. In this instance, the fraternal organization is not subject to the wagering taxes.

Here's a third scenario, one where wagering taxes will not apply: A fraternal organization sells pull-tab games. The net proceeds from these games go into a special charitable account on the books of the fraternal organization. It then makes distributions from that account to qualified charitable organizations to carry out their exempt purposes. The pull-tab sales would not be subject to the wagering taxes, because the net proceeds from the gaming do not inure to the benefit of the organization's members.

So, if your exempt organization conducts pull-tabs and drawings open to the public and the proceeds are used to pay for organizational expenses where inurement to members occurs, you should review Chapter 6 of Publication 3079 to determine the amount of your wagering and occupational taxes.

Jim: Cheryl, even though this has been an overview, we've covered a lot of information in short amount of time. If our listeners want more information or help, where should they go?

Cheryl: First, I recommend visiting our Charities & Nonprofits page at www.irs.gov/eo for forms, publications and general information on tax-exempt organizations. Be sure to try out our new web-based training program for 501(c)(3) organizations, *StayExempt.org*. It has a special module on Unrelated Business Income, which includes Gaming Activities, and another module on Employment Issues.

You can also call 1-877-829-5500, toll-free, if you need help with general questions about exempt organization forms or activities, or to verify an organization's tax-exempt status.

Jim: To wrap up, here again are the six topics we covered today:

- Number one, we discussed the potential impact of gaming on different types of organizations, including loss of exemption and tax liability;
- Number two, we talked about internal controls and recordkeeping, and how good internal controls can help organizations maximize revenue from gaming;
- Number three, we covered Form 990 filing requirements, and pointed out that even a small amount of gaming activity might trigger a Form 990 filing requirement for an organization;
- Number four, we touched on situations where an organization conducting gaming might be liable for unrelated business income tax;
- Number five, we went over filing requirements for payments to individuals; and
- Number six, we discussed two gaming excise taxes – a tax on wagering and an occupational tax on persons receiving wagers.

We hope today's telephone forum on Federal Filing Requirements for Tax-Exempt Organizations that Conduct Gaming Activities was beneficial to you. Cheryl and I thank you for your interest and attention.

Bobby: Thank you, Cheryl and Jim. And, thank you all for joining us today. I hope you found the presentation helpful. I encourage you to go to the Charities and Non-profits homepage on the IRS website at www.irs.gov/eo for more

information. On our homepage, you'll also find a link to *EO Update*, a free electronic newsletter containing information on the latest happenings in EO. Signing up to subscribe is quick and easy.

We will be emailing you a confirmation of your attendance at today's forum. This email will also ask you for feedback on this session. Please take a few minutes to share your thoughts and provide comments. We use your feedback to improve and tailor our education and outreach programs. So, please return the survey as soon as you can.

Have a good morning (afternoon).