

**CERTIFIED MAIL NO. 7000 0520 0025 5830 8797**  
**RETURN RECEIPT REQUESTED**

BAO # 2007-0625-0016

August 28, 2007

Mr. Jason Mata  
1610 Buena Vista  
San Antonio, Texas 78207

Re: Bingo Advisory Opinion Request No. 2007-0625-0016; Use of Proceeds

Dear Mr. Mata:

This advisory opinion responds to your request received on June 25, 2007. You ask:

1. Can the bingo revenues that are distributed to our general [fund] be used to enhance our program services by using the revenues or some of the revenues to build facilities that would be used to perform our charitable purposes?
2. With regards to the Quarterly Report, Expenses, line item 23. Can an organization form an association and instead of paying lease, can they purchase the hall that they sponsor bingo in through the Mortgage Payment? If not, what exactly is a Mortgage Payment and in what scenario does this expense apply?

In response to our request, you provided information on July 9, 2007 about the purpose of your organization. The organization was designated a 501(c)(3) for the purpose(s) of offering social services to poor and needy individuals. The social services include but are not limited to advocating for public benefits, financial assistance, securing housing, offering food through a food pantry, clothes, and household appliances (when available), sponsoring youth program activities, and neighborhood beautification projects.

**ANSWER:**

Tex. Occ. Code §2001.454 states in part that “proceeds derived from bingo and any rental of premises are dedicated to the charitable purposes of the organization only if directed to a cause, deed, or activity that is consistent with the federal tax exemption the organization obtained under 26 U.S.C. Section 501 and under which the organization qualifies as a

nonprofit organization as defined by Section 2001.002.” You indicated that your organization was designated a 501(c)(3) for the purpose(s) of offering social services to poor and needy individuals. As such, the organization may use proceeds derived from bingo that are distributed to its general fund to build facilities that would be used to perform its 501(c)(3) charitable purposes.

Neither the Bingo Enabling Act (Tex. Occ. Code ch. 2001) (Act) nor the Charitable Bingo Administrative Rules (16 TAC ch. 402) prohibits a licensed authorized organization from forming an association in order to purchase a hall to conduct bingo. However, if the association is not licensed to conduct bingo, mortgage payments would not be reported on the Bingo Quarterly Report line item 23 (Mortgage and or insurance expense payment). A licensed authorized organization should report on the Bingo Quarterly Report line item 23, the amount paid out in mortgage and or insurance payments and any associated property taxes for property it owns and utilizes for the conduct of bingo. If the property is used for any activity other than bingo, only the percentage of use associated with the conduct of bingo may be paid from the bingo account and reported on line item 23.

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## SUMMARY

The organization may use proceeds derived from bingo that are distributed to its general fund to build facilities that would be used to perform its 501(c)(3) charitable purposes. Neither the Bingo Enabling Act (Tex. Occ. Code ch. 2001) (Act) nor the Charitable Bingo Administrative Rules (16 TAC ch. 402) prohibits a licensed authorized organization from forming an association in order to purchase a hall to conduct bingo. However, if the association is not licensed to conduct bingo, mortgage payments would not be reported on Bingo Quarterly Report line item 23. If the property is used for any activity other than bingo, only the percentage of use associated with the conduct of bingo may be paid from the bingo account and reported on line item 23.

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This advisory opinion cannot be construed as a tax ruling or otherwise interpretive of the Internal Revenue Code. The information provided is completely limited to the context of the Bingo Enabling Act and the Charitable Bingo Administrative Rules.

This advisory opinion is based on the laws, rules and regulations in effect at the time of its issuance. All of the information provided herein is subject to change in law.

This opinion is purely advisory in nature and is limited to the particular questions at issue and to the facts presented in the request. Therefore, this opinion must not be relied upon as a previous determination regarding any conduct which is not substantially consistent with the opinions and facts stated in the request.

Yours truly,

Philip D. Sanderson, Director  
Charitable Bingo Operations Division

cc: James A. Cox, Jr., Chairman  
C. Tom Clowe, Jr., Commissioner  
Anthony J. Sadberry, Executive Director  
Kimberly L. Kiplin, General Counsel