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BAO # 2007-1116-0004

January 22, 2007

Mr. Richard Bunkley
Texas Regional Manager
Littlefield Corporation
2501 North Lamar Blvd.
Austin, Texas 78705

Re: Use of Bingo Proceeds

Dear Mr. Bunkley:

This advisory opinion responds to your November 16, 2006, request (and additional information you provided to our office). The following summarizes your request and additional information:

Is it allowable for a charitable organization, that is conducting bingo, to use bingo proceeds to purchase a computer for use in office and administrative matters?

The computer would be used solely to support the charity's operations.

The computer's intended use would be to fill the charity's office and administrative needs. It would also be used to assist the charity's bingo operation for functions such as viewing the TLC website to schedule training or use the bingo services center, but it would not be used in the actual bingo hall to perform nightly reconciliations.

ANSWER:

§§2001.453 and 2001.454 of the Bingo Enabling Act are pertinent to your question. §2001.453 provides that a licensed authorized organization may draw a check on its bingo account for “. . . the disbursement of net proceeds derived from the conduct of bingo to charitable purposes” §2001.454(b) provides

. . . the net proceeds derived from bingo . . . 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 16 U.S.C. Section 501 and under which the organization qualifies as a nonprofit organization as defined by Section 2001.002.

In accordance with §§2001.453 and 2001.454(b), bingo proceeds that have been disbursed as a charitable distribution to a licensed authorized organization may be used to purchase a computer if the expense is consistent with the organization's 16 U.S.C. Section 501 tax exemption designation.

The organization should report the expenditure as a charitable distribution under "Exempt Administrative" on Schedule A of its quarterly report.

SUMMARY

In accordance with §§2001.453 and 2001.454(b), bingo proceeds that have been disbursed as a charitable distribution to a licensed authorized organization may be used to purchase a computer if the expense is consistent with the organization's 16 U.S.C. Section 501 tax exemption designation.

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, Assistant 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