§ 1.513–5 Certain bingo games not unrelated trade or business.

(a) In general. Under section 513(f), and subject to the limitations in paragraph (C) of this section, in the case of an organization subject to the tax imposed by section 511, the term unrelated trade or business does not include any trade or business that consists of conducting bingo games (as defined in paragraph (d) of this section).

(b) Exception. The provisions of this section shall not apply with respect to any bingo game otherwise excluded from the term unrelated trade or business by reason of section 513(a)(1) and §1.513–1(e)(1) (relating to trades or businesses in which substantially all the work is performed without compensation).

(c) Limitations—(1) Bingo games must be legal. Paragraph (a) of this section shall not apply with respect to any
b bingo game conducted in violation of State or local law.
(2) No commercial competition. Paragraph (a) of this section shall not apply with respect to any bingo game conducted in a jurisdiction in which bingo games are ordinarily carried out on a commercial basis. Bingo games are ordinarily carried out on a commercial basis within a jurisdiction if they are regularly carried on (within the meaning of §1.513–1(c)) by for-profit organizations in any part of that jurisdiction. Normally, the entire State will constitute the appropriate jurisdiction for determining whether bingo games are ordinarily carried out on a commercial basis. However, if State law permits local jurisdictions to determine whether bingo games may be conducted by for-profit organizations, or if State law limits or confines the conduct of bingo games by for-profit organizations to specific local jurisdictions, then the local jurisdiction will constitute the appropriate jurisdiction for determining whether bingo games are ordinarily carried out on a commercial basis.

(3) Examples. The application of this paragraph is illustrated by the examples that follow. In each example, it is assumed that the bingo games referred to are operated by individuals who are compensated for their services. Accordingly, none of the bingo games would be excluded from the term unrelated trade or business under section 513 (a) (1).

Example 1. Church Z, a tax-exempt organization, conducts weekly bingo games in State O. State and local laws in State O expressly provide that bingo games may be conducted by tax-exempt organizations. Bingo games are not conducted in State O by any for-profit businesses. Since Z’s bingo games are not conducted in violation of State or local law and are not the type of activity ordinarily carried out on a commercial basis in State O, Z’s bingo games do not constitute unrelated trade or business.

Example 2. Rescue Squad X, a tax-exempt organization, conducts weekly bingo games in State M. State M has a statutory provision that prohibits all forms of gambling including bingo games. However, that law generally is not enforced by State officials against local charitable organizations such as X that conduct bingo games to raise funds. Since bingo games are illegal under State law, X’s bingo games constitute unrelated trade or business.

(d) Bingo game defined. A bingo game is 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. As used in this section, the term bingo game means any game of bingo of the type described above in which wagers are placed, winners are determined, and prizes or other property is distributed in the presence of all persons placing wagers in that game. The term bingo game does not refer to any game of chance (including, but not limited to, keno games, dice games, card games, and lotteries) other than the type of game described in this paragraph.

(e) Effective date. Section 513(f) and this section apply to taxable years beginning after December 31, 1969.

§ 1.513–6 Certain hospital services not unrelated trade or business.

(a) In general. Under section 513(e), the furnishing of a service listed in section 501(e)(1)(A) by a hospital to one or more other hospitals will not constitute unrelated trade or business if—

1 The service is provided solely to hospitals that have facilities to serve not more than 100 inpatients,