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BUSINESS AND PROFESSIONS CODE - BPC

DIVISION 8. SPECIAL BUSINESS REGULATIONS [18400 - 22949.92.2] (Division 8 added by Stats. 1941, Ch. 44.)

CHAPTER 4. Horse Racing [19400 - 19668] (Chapter 4 repealed and added by Stats. 1959, Ch. 1828.)

ARTICLE 7. Charity Racing Days [19550 - 19557] (Article 7 added by Stats. 1959, Ch. 1828.)

19550. (a) The board shall require each licensed racing association that conducts 14 or less weeks of racing to designate 3 racing days, and each licensed racing association that conducts more than 14 weeks of racing to designate five racing days during any one meeting, to be conducted as charity days by the licensee for the purpose of distribution of the net proceeds therefrom to beneficiaries through the distributing agent. For the purposes of this section, a split meeting shall be considered a single meeting and the appropriate number of charity days shall be based on the total weeks of racing allocated for both periods of the meeting.

(b) Notwithstanding subdivision (a) or any other provision of law, no racing association shall be required to pay to a distributing agent for the purpose of distribution to beneficiaries more than an amount equal to two-tenths of 1 percent of the association's total on-track handle on live races conducted by the association at the meeting.

(c) This section does not apply to a fair, or to a licensed racing association conducting three weeks of racing or less.

(Amended by Stats. 2000, Ch. 1082, Sec. 66. Effective January 1, 2001.)

19551. As a condition of the issuance of the license, the board shall require that the licensee of such meeting shall conduct such charity day racing and shall furnish its plant, facilities and all personnel and property necessary for the conduct of racing on the charity days.

(Added by Stats. 1959, Ch. 1828.)

19552. All racing officials required by law or regulation to serve in connection with the meeting shall also serve, without further authority or designation, in their respective capacities and at the same rate of compensation in connection with the charity day racing.

(Added by Stats. 1959, Ch. 1828.)

19553. On such charity days the income from all operations carried on in connection with or resulting from the conduct of racing on such days, including income from parimutuel wagering, admissions, parking, program sales and concessions shall be income from operations on such charity days.

From the gross income from such operations on charity days there shall be deducted only the expenses incurred because of the conduct of racing on such days, but no deduction shall be made by the licensee for any overhead expenses or for expenses of the licensee which would be incurred irrespective of the conduct of the charity days racing.

The balance of such income after such deductions is herein designated as charity days' net proceeds and shall be paid by such licensee to a distributing agent selected and qualified in accordance with this article. No profit shall be made, either directly or indirectly, from such charity days' operations by the licensee of the meeting.

(Added by Stats. 1959, Ch. 1828.)

19554. Except as provided elsewhere in this section, the distributing agent for charity distributions shall be a nonprofit organization or corporation, or nonprofit organizations or corporations, selected by the licensee of the meeting and approved by the board.

(a) Each distributing agent to be qualified hereunder shall conform to the then existing laws and regulations of this state and the United States, so as to be exempt or be entitled to exemption from the payment of any tax measured by income.

(b) Each distributing agent shall have not less than five trustees or directors. None of the individuals constituting the governing board of trustees or directors of the distributing agent shall be directly connected with, be a stockholder, or have any interest in the racing

association that is the licensee of the race meeting. Each of the individual trustees or directors shall be a person who is, at the time, both a resident of this state, and an executive, officer, director, trustee, or member of the governing body or board, by whatever name the governing body or board may be known, of an organization engaged in civic, religious, charitable, educational, or veteran activities in this state.

(c) Each distributing agent shall adopt bylaws, shall provide for election to fill vacancies in the board of directors or trustees, and shall hold at least one meeting each year.

(d) Notwithstanding any other provision of this section, with the approval of the board, a racing association whose board of trustees or directors is precluded by its articles of incorporation, bylaws, or by contract from receiving compensation for services in the capacity of trustee or director may act as its own distributing agent.

(e) Notwithstanding any other provision of this section, with the approval of the board, a racing association may act as its own distributing agent provided it allocates and distributes for charitable purposes an amount at least equal to that specified in subdivision (b) of Section 19550 in accordance with Section 19555 and subdivision (b) of Section 19556.

(Amended by Stats. 1999, Ch. 170, Sec. 1. Effective January 1, 2000.)

19555. Each licensee shall pay over such charity days' net proceeds to such distributing agent as soon as practicable after the determination thereof, and such agent or agents shall hereafter distribute not less than 90 percent of the aggregate proceeds from charity days' racing received and available for distribution by it to beneficiaries within 12 calendar months after the last day of the meeting during which such charity days were conducted. The balance, if any, of such aggregate charity days' net proceeds not distributed within such 12-month period shall be distributed as soon thereafter as is practicable.

(Added by Stats. 1959, Ch. 1828.)

19556. (a) The distribution shall be made by the distributing agent to beneficiaries qualified under this article. For purposes of this article, a beneficiary shall be all of the following:

- (1) A nonprofit corporation or organization entitled by law to receive a distribution made by a distributing agent.
- (2) Exempt or entitled to an exemption from taxes measured by income imposed by this state and the United States.
- (3) Engaged in charitable, benevolent, civic, religious, educational, or veterans' work similar to that of agencies recognized by an organized community chest in the State of California, except that the funds so distributed may be used by the beneficiary for capital expenditures.
- (4) Approved by the board.

(b) At least 30 percent of the distribution shall be made to charities associated with the horse racing industry. In addition to this 30 percent of the distribution, another 5 percent of the distribution shall be paid to a welfare fund described in subdivision (b) of Section 19641 and another 5 percent of the distribution shall be paid to a nonprofit corporation, the primary purpose of which is to assist horsemen and backstretch personnel who are being affected adversely as a result of alcohol or substance abuse. A beneficiary otherwise qualified under this section to receive charity day net proceeds shall not be excluded on the basis that the beneficiary provides charitable benefits to persons connected with the care, training, and running of racehorses, except that this type of beneficiary shall make an accounting to the board within one calendar year of the date of receipt of any distribution.

(c) (1) In addition to the distribution pursuant to subdivision (b), a separate 20 percent of the distribution shall be made to a nonprofit corporation or trust, the directors or trustees of which shall serve without compensation except for reimbursement for reasonable expenses, and that has as its sole purpose the accumulation of endowment funds, the income of which shall be distributed to qualified disabled jockeys.

(2) To receive a distribution under this subdivision, a nonprofit corporation or trust shall establish objective qualifications for disabled jockeys and provide an annual accounting and report to the board on its activities indicating compliance with the requirements of this subdivision.

(3) The nonprofit corporation or trust shall, in an amount proportional to the contributions received pursuant to this subdivision as a percentage of the total contributions received by the nonprofit corporation or trust, give preference in assisting qualified disabled jockeys who meet either of the following criteria:

- (A) Jockeys who were disabled while participating in the racing or training of horses at licensed racing associations or approved training facilities in California.

(B) Jockeys licensed by the board who were disabled while participating in the racing or training of horses in a state other than California.

(Amended by Stats. 2018, Ch. 783, Sec. 1. (SB 977) Effective January 1, 2019.)

19556.5. The board shall designate a nonprofit organization that is dedicated to research and development of improved safety standards for horse racing as a beneficiary qualified to receive a distribution pursuant to this article.

(Amended by Stats. 2000, Ch. 1082, Sec. 67. Effective January 1, 2001.)

19557. Within the 12-month period specified in Section 19555, and prior to the payment of any charity days' net proceeds to any beneficiary, the distributing agent shall submit the name of the beneficiary to the board for the board's approval.

If the board does not disapprove of the beneficiary within 60 days after the submission, its approval shall be deemed to have been given.

(Added by Stats. 1959, Ch. 1828.)