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3250 Rice St • Saint Paul, MN 55126-3080

[www.alliedcharitiesmn.org](http://www.alliedcharitiesmn.org)

[alliedcharitiesmn@gmail.com](mailto:alliedcharitiesmn@gmail.com)

Office: 651.224.4533

Fax: 866.240.6160

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*Proudly Serving Charitable Gambling Organizations Throughout  
Minnesota*

## *Charitable Gaming Current Tax Structure Issues*

- Our current graduated combined receipt rates are 9/18/27/36% on paper pull tabs, electronic pull tabs, electronic linked bingo and tip boards, which account for 90+ percent of our overall volume. At the average annual tax rate of 22% we are down to having 4.7 cents available for mission work for every dollar that we touch (at the 36% rate it is as low as 2.4 cents).
- Charitable gaming pays up to seven times the for profit corporate tax rate of 9.85%. We are allowed no deductions of any kind. We pay taxes on our donations.
- We are now sending the state in excess of \$1 million dollars a week. We are close to a point where we will be sending the state more money than we have for our missions.
- Our dollars increase due to the generosity of our patrons, but our slice of the total pie keeps decreasing. Government and for profit companies are growing their slice of the pie annually. Costs and taxes keep increasing, but we cannot adjust our prices for them, they come directly out of our mission dollars. We cannot charge our patrons more; we just have less for our missions.
- Any relief that we get would go to our local community based missions. We are not for profit. We don't build cash reserves (unless saving for something like a fire truck or new community sheet of ice); we put the money to work in our communities.

Additional talking points for tax relief for charitable gaming organizations:

Charitable gaming was never meant to be a revenue stream for state government, it was meant to benefit local communities and people in need. Using money meant to help benefit local communities pay for state projects benefiting for profit groups was not what was intended when charitable gaming came into being.

No member of a non-profit fire relief, police relief, church, veteran, fraternal, youth, civic or community group that conducts charitable gaming joined their organization to be a tax collector for state government.

You probably belong to one of these community based groups or know someone that does. You can probably point to something in your community that was accomplished through the work of one of these groups.

Charitable gaming pays the equivalent of up to a 72% state corporate tax rate while for profit corporations pay 9.875% on their money. What is the reason for non-profit community based charitable organizations to pay up to more than seven times the state corporate tax rate? No for profit business would pay a 72% tax rate, why would state government make non-profits pay it? The members of charitable organizations are good people doing great work in our local communities.

Non-profit licensed gaming charities get no deductions from their taxable income, every dollar that we take to the bank is taxed by state government. We even pay taxes on the donations we make. An example would be a fire department relief association purchasing a new ambulance for their community's emergency medical services (EMS) with charitable gaming proceeds. A middle of the road equipped ambulance costs roughly \$80,000. The relief association would need to have paid state government up to an additional \$28,800 for adding to their department's EMS equipment, making the true cost of that ambulance as high as \$108,800.

Having our donations become exempt from state tax is a first step in fixing the current tax structure for non-profit licensed gaming organizations.

As a group non-profit licensed gaming charities are currently sending state government in excess of \$56 million dollars a year. Having our donations exempt from state tax would reduce that amount to \$40 million. Ask any one of the 1150 licensed charitable organizations throughout Minnesota what they would do with \$16 million more dollars to benefit our local communities and they will have an answer for you.

Any relief that organizations receive will go back to the communities, individuals and missions that we serve. We raise funds to give them away, not to keep.

None of our state tax or any public funds go for charitable gaming oversight and regulation. We pay an additional monthly fee to cover our oversight and regulation from state government.

Charitable gaming is at a point that we will soon be sending more money to state government than there is to serve local missions.

Our local communities and citizen's needs are growing as state government takes more and more of our local resources. The ability of local non-profit groups to serve our communities, citizens and missions is diminishing at an alarming rate.

State government has more than enough resources it needs to conduct its business, why keep taking so much from philanthropic organizations that aid local communities and citizens? Are we ever going to tell our state legislators "Enough is enough"?

If you belong to an organization that conducts charitable gaming or an organization or person that has benefited from charitable gaming proceeds you need to contact your state senator or state representative and tell them to address this critically important community based issue in the 2017 legislative session.



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*Proudly Serving Charitable Gambling Organizations Throughout  
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Licensed Gaming Charities,

12/10/2016

Included in this packet are the materials that YOU need to contact YOUR state legislators asking them to submit a bill on your organization's behalf for tax relief in the upcoming 2017 legislative session that begins on January 3, 2017. This will be the only legislation initiated by Allied Charities in 2017. However, we will monitor and defend ourselves against any legislation that seeks to decrease our ability to serve our local communities and missions.

Included is:

★ **Language for the change in Chapter 297E:** As written all LPE will be exempt from the combined receipts gaming tax with the exception of A-8.

**Letter template for writing to legislators:** You will need to do some customization to make the letter relevant for your organization. Identical form letters from all organizations have little impact on legislators. One person from your organization can customize and then all members can individually send or contact your legislators.

**Rationale for the needed relief:** We are being taxed out of existence. I am getting calls weekly from organizations telling me that they are contemplating turning in their license. The reward is no longer greater than the work and the risk. Now is the time to act.

You can find out who represents you at <http://www.gis.leg.mn/iMaps/districts/>

You need to know whether your legislators will go to bat for your organization. We need their name on a bill, not just their agreement to vote for it.

Without your actions this effort will not be successful. I am asking YOU to be selfish in this regard. You are not doing this for anyone other than YOUR organization. But, if successful all organizations will benefit. Nobody will be left out.

Regards,

Al Lund

Dear State Senator/State Representative \_\_\_\_\_. My name is \_\_\_\_\_. I live at \_\_\_\_\_ . I belong to \_\_\_\_\_ organization in your district. Our organization is licensed to conduct charitable gaming in Minnesota. Our organization's mission is to support \_\_\_\_\_ in our local community. Last year we did/donated \_\_\_\_\_ in our community. Last fiscal year we paid \_\_\_\_\_ in state taxes.

Due to the current graduated state tax structure on our charitable gaming proceeds our ability to contribute to the growing list of needs in our community is being severely diminished. We are not allowed deductions of any kind from our taxable dollars, even our donations are taxed. We need tax relief in order to continue/grow our mission work.

We do not raise money to keep it; we raise it to invest in our mission, people and our communities. Any relief would go to our missions and the betterment of our communities. For us any additional dollars would go to \_\_\_\_\_.

★ We are asking you to author the included tax relief language in bill form (Chapter 297E) for the 2017 legislative session. This language would allow us to exempt our donations from state tax under Chapter 297E.

Any questions, please call me at \_\_\_\_\_. Your support is critical to the continued efforts of our organization and our community at large.

Attached is a recap of what is happening with state taxes and charitable gaming state wide across all 1150 licensed organizations.

Please let us know if you are willing to support us in this effort. My contact information is listed below.

We invite you to come to our monthly meeting to meet our members and hear firsthand what we do in our community. We meet (date/time/place).

Regards,

\_\_\_\_\_

E-mail and phone number contacts

## Comparison 2016/2015

	<u>2016</u> Gross	Prizes	Net	<u>2015</u> Gross	Prizes	Net
<b>Bingo</b>	135,850	101,931	33,919 (23%)	120,119	92,654	27,465
<b>Paddle Wheel</b>	436,880	379,607	57,273 (13%)	315,534	272,908	42,628
<b>Tip boards</b>	1500	1000	500	0	0	0
<b>Pull Tabs</b>	2,062,602	1,631,803	430,799 (21%)	1,893,419	1,501,794	391,625
<b>Etabs</b>	26,315	20,983	5332 (20%)	1857	877	980
<b>Totals:</b>	2,663,147	2,135,324	527,823 (20%)	2,330,929	1,867,356	462,698
<b>Expenses:</b>	309,645 (30%)			238,952		
<b>Taxes:</b>	135,194 (77%)			76,390		
<b>Donations;</b>	69,000 (-10%)			76,658		