



# ACM Legislative Update 5/24/07

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*Proudly Serving Charitable Gambling Organizations Throughout Minnesota*

## Minnesota Legislature Passes Omnibus Lawful Gambling Bill

On Monday, May 21, 2007 the Minnesota Legislature passed **SF 1966 the 2007 Omnibus Lawful Gambling Policy Bill**. The Minnesota House of Representatives amended their language from **HF 1691** into **SF 1966** and passed the bill by a vote of 134-0. This amendment was ACM's Charitable Gambling Policy Bill (**SF1966/HF 1691**), modified fraternal organization language from **HF 271/SF 163**, and MegaBingo's linked bingo amendment. The Minnesota Senate which had passed SF 1966 on 4/23/07 by a vote of 64-0 concurred with the bill as amended by the House and repassed SF 1966 by a vote of 66-0. The Governor will have 3 days to act upon the bill once it is presented to him. Here is summary of **SF 1966**:

### Overview of SF 1966

#### Section

**1 Fraternal organization.** Adds definition of fraternal organization.

**2 Lawful purpose.** Allows an expenditure by a licensed fraternal organization for payment of water, fuel for heating, electricity, and sewer costs for a building wholly owned or wholly leased by and used as the primary headquarters of the licensed fraternal organization.

**3 Linked bingo prize pool.** Modified to include any portion of the prize pool that is carried over from one occasion to another in a progressive linked bingo game and removes limit of up to \$300 per bingo occasion that may be contributed to a linked bingo prize pool by a participating organization.

**4 Expenditure restrictions.** Increases the amount of bingo gross profits that lawful gambling organizations may use for allowable expenses by changing the manner in which taxes are deducted from the calculation.

**5 Commercial products.** The board may not deny approval of a pull-tab or tipboard game solely because the game is similar to or bears the name or image of a licensed commercial product.

**6 Linked bingo games.** Modified so that an organization may conduct or participate in not more than two linked bingo games per occasion, one of which may be a progressive game in which a portion of the prize is carried over from one occasion to another until won by a player achieving a bingo within a

predetermined amount of bingo numbers called.

**7 Prize Limits.** Changes the definition of a coverall bingo game, including games where all odd or even numbers are designated covered before a game commences. Removes requirement that organization must reduce amount contributed to linked bingo prize pool from aggregate value of cover all prizes. Limits consolation prizes for linked bingo games to \$200. Allows \$5 pull-tabs and tipboards. Adds that for a progressive linked bingo game, if no player declares a valid bingo within he predetermined amount of bingo numbers called, a portion of the prize is carried over to another occasion until the accumulated prize is won.

**8 Repealer.** Repeals a section of law requiring separate bank accounts for linked bingo prize pools.

**9 Effective Date.** Section 4 is effective July 1, 2007; sections 5-8 are effective the day following final enactment (sections 1-3 are effective August 1, 2007).

The 2nd Engrossment of **SF 1966 the 2007 Omnibus Lawful Gambling Policy Bill** as passed by the Legislature on 5/21/07 may be viewed at: <http://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=S1966.2.html&session=ls85>

**SF 1966/HF 1691** was authored by Senators **Ann Rest** of New Hope, **Dan Sparks** of Austin, **Chris Gerlach** of Apple Valley, **Dick Day** of Owatonna, & **Dan Larson** of Bloomington and Representatives **Tom Anzels** of Balsam Township, **Joe Atkins** of Inver Grove Heights, **Kurt Zellers** of Maple Grove, & **Carla Bigham** of Cottage Grove.

**HF 271/SF 163** was authored by Representatives **Larry Haws** of St. Cloud, **John Ward** of Brainerd, **Bob Gunther** of Fairmont, **Connie Ruth** of Owatonna, **Dan Severson** of Sauk Rapids, **Steve Gottwalt** of St. Cloud, **Leon Lillie** of North St. Paul, & **Jim Abeler** of Anoka and Senators **Dan Sparks** of Austin, **Tarryl Clark** of St. Cloud, **Yvonne Prettner Solon** of Duluth, **David Tomassoni** of Chisholm, & **James Metzen** of South St. Paul.

*A copy of SF 1966 will be sent out to ALL CURRENT ACM Members & Associate Members the week of June 4-8 provided the Governor signs the bill into law.*

# NO Charitable Gambling Tax Reduction In Omnibus Tax Bill

HF 2268 *the 2007 Omnibus Tax Bill* passed by the Minnesota Legislature on Monday, May 21, 2007 DID NOT INCLUDE the 7% reduction of charitable gambling taxes for 3 years that had been in the House Omnibus Tax Bill. *Unfortunately the Senate was unwilling to adopt the House provision in conference committee.* HF 2268 did include the classification property class shift for community service-oriented organizations which House research indicates will reduce property taxes by about 30%. This provision is in Article 2 Section 22 of the 2007 Omnibus Tax Bill. Here is the House Research Summary of this provision:

## Article 2: Property Taxes Overview

Authorizes a reduced property classification rate for qualifying nonprofit community service-oriented organizations (VFWs, American Legions, etc.).

### 22 Class 4 property (non-homestead residential and miscellaneous).

**Community service-oriented organizations.** Expands the 4c property classification to nonprofit community service-oriented organizations that make charitable contributions and donations at least equal to the organization's previous year's property taxes and that allow the property to be used for public and community meetings or events at no charge, as appropriate to the size of the facility. This portion of class 4c has a class rate of 1.5 percent and is made subject to the state general tax at the seasonal-recreational rate in section 26, which is about half of the commercial-industrial tax rate. Under current law, this type of property is classified as commercial class 3a (the first \$150,000 market value has a rate of 1.5 percent, the market value over \$150,000 has a rate of 2 percent, and the property is subject to the state general tax at the commercial-industrial rate).

Under current law, real property up to a maximum of one acre that is owned by a nonprofit community service-oriented organization qualifies for class 4c if the property is not used for revenue producing activity for more than six days in the calendar year preceding the year of the assessment. This section leaves that option, but adds a second alternative to qualify and extends the maximum land size to 3 acres. The acreage is made larger primarily to allow for parking lots, ball fields, etc. Provides that an organization qualifies if it makes annual charitable contributions and donations at least equal to the organization's

previous year's property taxes and it allows the property to be used, size permitting, for public and community meetings or events for no charge. The types of organizations that would be affected by this change are the VFWs, American Legions, Knights of Columbus, etc.

Defines "charitable contributions and donations" as having the same meaning as the lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs and utility payments. The allowable contributions and donations include: contributions to scholarship funds for defraying the cost of education; contributions to an individual or family suffering from poverty, homelessness, physical or mental disability; contributions for treatment for delayed posttraumatic stress syndrome or for the education, treatment or prevention of compulsive gambling; contribution or expenditures on a public or private nonprofit educational institution; recreation, community, and athletic facilities and activities intended primarily for persons under the age of 21; contributions to members of military marching or color guard unit; etc.

Defines "property taxes" as excluding the state general tax.

Requires the organization to maintain records of its charitable contributions and donations and of public meetings and events held on the property, and to make them available upon request at any time to the assessor to ensure eligibility. Requires an organization meeting these requirements to file an application by May 1 on a form prescribed by the commissioner of revenue.

Effective for the 2007 assessment and thereafter, taxes payable in 2008 and thereafter. For the 2007 assessment year, the application deadline is extended to September 15, 2007.

View **HF 2268** at: <http://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=H2268.2.html&session=ls85>

Unfortunately, it appears that the Governor is intending to veto HF 2268 the 2007 Omnibus Tax Bill. If the bill is not vetoed we will send the community service-oriented organization language from **HF 2268** with the copy of **SF 1966** that will be sent out to ALL CURRENT ACM Members & Associate Members the week of June 4-8 provided the Governor signs **SF 1966** into law.



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