

## **FAQ: Charitable Gaming's Investments in the Vitality of Minnesota Communities**

**Q. What is charitable gaming?**

A. Minnesota allows nonprofit organizations to sponsor charitable gaming for a core purpose – to invest in the vitality of our communities. Charitable gaming provides the resources for community assets – lifesaving vehicles and equipment, recreational facilities, youth athletics and many other investments – that make our communities better places in which to live, work and play.

Charitable gaming in Minnesota includes bingo, paddlewheels, pull-tabs, raffles and tipboards. These games may be conducted only by qualified nonprofit organizations that are registered with the state. Eligible nonprofits include fraternal, religious, veteran and some community organizations such as fire and police groups and youth athletic programs. Typically, these organizations offer the games in bars, restaurants, veterans facilities and similar locales.

**Q. How important is charitable gaming to Minnesota's economy?**

A. In 2016, charitable gaming generated \$1.5 billion, and almost all of this amount directly supports Minnesota's economy. Most important is the \$70 million charities earn from gaming that then is contributed directly to causes that support their missions. Charities also are paying more than \$1 million a week in taxes to the state – nearly \$56 million last year. Expenses of running and promoting charitable gaming is a more-than-\$100 million economic generator. And, of course, the largest share, is returned to those who play the charitable games. In 2016, charities paid out more than \$1.2 billion in prize money with most of that amount staying right in the communities the charities serve.

**Q. How much do charities pay in taxes?**

A. Charitable gaming is taxed at a very high rate in Minnesota. The charitable organizations sponsoring gaming pay up to 36 percent in taxes on every dollar. Charities are paying a tax rate up to seven times higher than for-profit businesses in Minnesota.

**Q. Are charities asking that their high tax rate be reduced?**

A. No. Charities pay tax rates ranging from 9 to 36 percent, depending on the net revenue. The average rate is about 22 percent. Charities aren't asking for these rates to change. They are asking for fairness in how the rates are applied. Typically, when individuals or for-profit businesses make a charitable contribution, they receive some tax benefit. That's not the case with charitable gaming. Ironically, the MORE they contribute, the MORE they pay in taxes. Charities are taxed on every dollar; they are allowed NO deductions. Charities will continue to pay the very high tax rate the state imposes on their gaming revenue. They simply are asking that their charitable donations be tax-free, not that the overall tax rates are lowered.

**Q. Why is this important?**

A. Charities operate charitable gaming do so to support their community investment missions, not to raise tax revenue for the state. We accept that our charitable games will continue to be a source of tax revenue for Minnesota. But we now are getting close to the point where charitable organizations are paying nearly as much in state taxes as they are able to contribute to their missions. And communities are being hurt. Think about this: an organization raising funds to

purchase an ambulance likely has to raise more than \$108,000 to buy an \$80,000 lifesaving ambulance for its community, with the extra \$28,000 needed to pay state taxes on the donation.

Think what ISN'T getting done in our communities with that extra \$28,000. In addition to an ambulance, maybe additional lifesaving equipment could be purchased. Or a park could be renovated. Maybe more kids would have the chance to participate in sports or other extracurricular activities at schools.

The point is, if charities weren't required to pay taxes on their donations, more money RAISED in the community would STAY in the community. That's why we are calling this proposal The Community Vitality Investment Act.

**Q. How much money are we talking about?**

A. If the legislature passes the Community Investment Act, charities would have an additional \$16 million a year to invest in their communities. Remember, charities aren't asking the state for a tax break to pay for more prizes, new games, overhead or other costs. They are asking for TAX FAIRNESS to invest more in the communities they serve.

**Q. What can I do?**

A. You can call or write your state legislator to let him or her know you support the Community Vitality Investment Act. Information on who represents you and how to contact your legislator can be found [here](#).

Tell your legislator this:

- I am a constituent of yours. I live at \_\_\_\_\_ .
- If you are involved with an organization that sponsors charitable gaming, provide the name of the organization and give an example of how your organization has been able to invest in your community. Or, if you are the beneficiary of a charitable organization's contribution, let the legislator know how important the donation has been to you and the people you serve.
- I support SF \_\_\_\_\_ and HF \_\_\_\_\_ . This legislation will bring fairness to charitable gaming by removing state taxes on the amount charities donate to their communities.
- This is an important bill for my community. It means that more of the resources RAISED in our community through charitable gaming will REMAIN in our community.
- Please support this legislation.