

Our view: Taxing charitable donations is just cold

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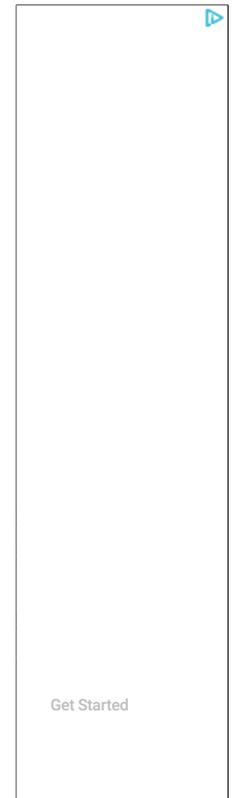
Kris Norberg works the pull-tabs booth at Twins Bar in Duluth in the fall of 2008. (2008 News Tribune file photo)

It's called charitable gaming because the tens of millions of dollars raised in Minnesota every year from raffles, bingo, and the sales of pull tabs help support Little League neighborhood baseball, scholarships, police dogs, local zoos, Animal Allies, youth football, food shelves, and other community needs and niceties.

But Genny Hinnenkamp, the gambling manager for Irving Community Club, the largest charitable-gaming nonprofit in Duluth, has another name.

"We are tax collectors for the state of Minnesota. That's practically all we are," she said last week in an interview with the News Tribune Editorial Board.

Hard to argue with her when a whopping 72 percent of Irving's charitable gaming profits goes in taxes and fees to state coffers. Irving's profits last year totaled a little more than \$1 million. Of that, \$733,000 went to St. Paul. Just \$306,000 was able to be doled out to support and help pay for community wants and needs in West Duluth.



Put another way, for every \$1 Irving uses to support kids and neighborhoods, it pays more than \$2 to the state in taxes and fees.

It's not right. It's upside down, argues Allied Charities of Minnesota, charitable gaming's overseer in the state. Irving is among about 200 of the 1,200 licensed charitable gaming nonprofits in Minnesota that are upside down that way.

No surprise then that charitable gaming advocates were in St. Paul in force this legislative session looking for relief. So more money could be directed to doing more good in their local communities, they asked if they could stop paying taxes on the money they charitably distribute to schools, youth-serving organizations, T-ball teams, and others in real need. They'd still pay state taxes on pull-tab sales, the paper used to produce pull tabs, the wages paid to pull-tab operators and others, and more. But do their charitable contributions really have to be taxed, too?

The ask hardly seems unreasonable. Taxing charitable donations is just cold. "It's really sad," as Hinnenkamp put it. "The government is that greedy that they take away from the children."

Most lawmakers agree — verbally and publicly anyway. But legislatively? The request went nowhere this session.

And that actually shouldn't be surprising either. Charitable gaming is little-noticed and produces big bucks. The state expects to receive about \$60 million this year by taxing charitable gaming. No longer taxing donations on the back end would reduce the state's take by \$16 million. Other than the charitable gaming organizations, no one is screaming for the state to take the hit. So why should they, lawmakers can figure.

Charitable gaming also is helping to pay for the Minnesota Vikings' football stadium in downtown Minneapolis. The first \$36 million the state gets annually from pull-tab taxes goes to its general fund. The rest goes to the stadium. Lawmakers clearly see little reason to mess with a funding source so politically painless.

But, "All we're trying to do is get more money into our communities. That's it," Lund said. "Instead, our biggest 'charity' is the state."

That hardly seems charitable.

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