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Proudly Serving Charitable Gambling Organizations Throughout Minnesota

2015 Legislative Session Recap and Interim work:

We were able to make substantial progress this session, even though no tax or audit relief was given as there was no Omnibus Tax Bill passed. Tax relief and audit relief will be discussed further in this message.

We stopped the MN Lottery expansion. They are now required to get permission to make substantive changes to their business the same way that we are, by working through the MN Legislature and the Governor.

Bingo has ten changes that are meant to increase the enjoyment of the player and help create excitement.

Organizations will have an easier time finding volunteers and organizations may merge without waiting three years to conduct charitable gaming if one of them has a current license.

Electronics deposits are now required at end of month or when the deposits reach \$2000, not 4 days. This was a major issue with charities using electronics.

Organizations are no longer required to register electronic patrons, which was another barrier to entry for many organizations.

ACM has worked with the MN Department of Revenue to make the monthly reporting of e-tabs less onerous. Those changes will be put into effect this coming July.

The Legislature passed a 25% fee increase in the monthly regulatory fee that charities pay the Gambling Control Board starting July 2015. ACM stood alone in opposition to their 100% increase fee budget proposal, all to be levied on licensed gaming charities and nobody else. In the end, the compromise that ACM reached with the GCB has exempt organizations, manufacturers, distributors and licensed charities all seeing an increase in their fees, but a 75% reduction in the original GCB budget proposal. That would not have occurred without ACM.

What ACM wants to achieve in the 2016 Legislative Session

Tax Relief: The goal is to achieve tax relief for all charities. We did not achieve that this past legislative session as there was no tax bill, but we are up against what has become a major issue.

It is my opinion that the administration does not think that we are paying enough in taxes. When talking to a representative of the administration about a new idea for tax relief for licensed gaming charities I was told that the first order of business is to determine if we are currently paying the correct amount of tax. The administration is using the stadium legislation passed in 2012 as the basis for keeping our tax rates the same or as an excuse for raising them. We need to shift the focus. We opened many eyes as to our real tax burden this past session, but the stadium funding kept coming up as the obstacle for not being able to get us tax relief. That was from both sides of the aisle.

We need to accept (that does not mean that we agree or like it) that the stadium is ours to pay for. Both parties voted for us to pay for it and no legislator wants to talk about changing that. Charitable gaming became the vehicle for passing a stadium bill. While we told the Governor and Legislature that their stadium bill would not work, we should have objected until we could object no more, but the reality was that the stadium was getting built and we were the vehicle to getting it approved.

We are proposing that we need to adopt the idea of paying for the stadium in its entirety if we are ever going to receive tax relief. If we were to become the sole payee to the stadium fund with a \$35 million contribution annually (compared to the \$45 million in taxes that we paid in FY2014) and our contribution is capped at the \$35 million amount, we would get immediate tax relief and have reason to grow our collective business. Our idea would have the first \$50,000 be untaxed for all charities and the new top tax rate become 27%. This would represent a 22% reduction in our overall tax rate. The rates would be reviewed and adjusted annually to keep us as close to the \$35 million as possible.

Audit Relief: Our goal was to have charitable gaming's gross receipts measured by sales minus prizes instead of the current sales. We did not achieve that as again there was no tax bill. We did make progress with legislative leadership in helping them fully understand our plight.

The MN Society of CPA's are opposing our request for the change. The crux of the CPA association argument is that an audit and a compliance review are different animals all together. We got the Senate tax chair, Senator Skoe, thinking about not having organizations be required to have a compliance review and an outside audit in the same year. Senator Skoe was also interested in the GCB having a rating being assigned to a compliance review and if an organization's rating is high enough it would not be required to have the outside annual audit.

Omnibus Tax Bill: The Omnibus Tax Bill is still pending in conference committee over the interim, so our ideas on both tax relief and audit relief are very alive and will be under discussion this summer and fall. We will continue to work with the two tax committee chairs and their conference members to come up with solutions to these two issues.

Rent: With some sites doing the majority of the work in managing gaming we now have sites making more than the charities, with no monthly cap. This is not right, but it will be a contentious matter to change. We anticipate that the bar association, MLBA, will be against any change. We need to focus the argument for change on what the gaming was intended to do, help local needs. Obviously we need sites to be in business and we need sites to be profitable to remain open, but our goal is to serve our missions and only secondarily make the site more profitable. A cap on all bar rent options is probably the best course of action, but the membership will no doubt be asked to decide on this issue at our annual meeting in November.

What can organizations do?

Work with your state legislators year round. Help them understand your state tax burden, what you have left to donate to missions after expenses/taxes and where that money goes. Donate what you can in terms of money and time to help them get elected/re-elected, especially if they are empathetic to our cause.

Get the people and organizations that you help to help you. If benefactors also contact legislators, it will mean that much more when you are talking to them.

Have all of your members contact the legislators, not just the GM or CEO of the organization. This is

especially important this summer and fall with the continued discussions of the tax conference committee.

There are more groups and individuals looking to the state for help than ever before and there is no sign that this is going to decrease or plateau anytime soon. Unbelievably this past session we were lumped in with greedy millionaires and billionaires in regards to groups asking for tax relief. That kind of unfair comparison has got to stop.

Our detractors are depicting us as greedy and self-serving. You and I know that this is not true, but we are doing a less than effective job of educating people as to what we do with the money that we raise.

Our world is changing at a pace that most of us are uncomfortable with. That also is not going to change anytime soon. We need to learn to adapt and to work in this world if we are to survive. I think that what we do is worth fighting for and I hope that you do too. We will never have the money to make a difference at the legislature, but we have you and more than enough bodies to do it. We just need to decide as a group we want to do it.

I will make another request for membership. Roughly half of all eligible organizations belong to ACM. We need all of your support. Please consider becoming a member or renewing a lapsed membership. We work for all charities, not just those that pay dues. No one else is advocating for you on a daily basis other than ACM. ACM is standing up for charities and we are making a difference. We are not going along to get along with anyone.

I hope that you all have a wonderful summer. I look forward to seeing many of you this summer and for sure in Duluth (November 19-21) for ACM's 25th Convention and Exposition.

Please feel free to contact ACM. Contact information is on the letterhead.

Regards,



Al Lund
Executive Director
Allied Charities of MN