

## Dispelling the Myths About the Community Vitality Investment Act

The Minnesota Legislature is considering proposals that would bring a measure of tax fairness to charitable gaming organizations and increase the funds available for the core missions and communities these groups serve. The proposed Community Vitality Investment Act (HF 226 and SF 419/SF 1069) would eliminate state taxes on the charitable gaming contributions from qualified organizations operating charitable gaming. Under current law, charitable gaming organizations are the only entities in the state that provide goods and services and are not able to deduct donations from their taxable income.

Here are the FACTS around some of the MYTHS that have been raised about the legislation.

**MYTH:** Only big charities or charities with multiple sites would benefit from the proposed tax relief.

**FACT:** There are some 200 Minnesota charitable gaming organizations that after paying their expenses are required to pay more in taxes to the state than they are able to contribute to their missions and communities. There are many more organizations that rapidly are approaching that tipping point of paying more in taxes than they contribute to their missions. The problem is growing day-by-day and increasingly is hurting charities of all sizes and those with one site or many sites.

**MYTH:** Charitable gaming received a big tax break in 2012 and doesn't need more tax relief.

**FACT:** That's nonsense. Charities received a token reduction in 2012, with only about half of charitable gaming organizations receiving any benefit. Increases in gaming already have wiped out half of the 2012 tax reduction. The Community Vitality Investment Act would reduce taxes by about \$16 million, increasing the amount of money available for charitable contributions and communities by the same amount. Charitable gaming still would pay more than \$40 million in taxes annually, based on last year's revenue.

**MYTH:** If the proposed legislation passes, charities will just use the tax break to pay higher salaries or cover more expenses.

**FACT:** That's an insult to the thousands of Minnesotans who are working through charitable organizations to build stronger communities throughout the state. The fact is, charitable gaming organizations are among the most scrutinized entities in Minnesota. Their expenses, including salaries, are well-documented. The proposed legislation is designed to put more of the revenue raised through charitable gaming into communities and the core missions of the sponsoring organizations.

**MYTH:** If the proposed legislation passes, someone else will have to pay higher taxes to support the public subsidy for U.S. Bank Stadium.

**FACT:** The argument that charitable gaming exists to subsidize a stadium for billionaire NFL owners is offensive to all the Minnesotans who are giving their time to build stronger communities. Charitable gaming organizations operate for one reason: to benefit their missions and their communities. We recognize, though, that gaming is a politically easy target to tax. The fact is, even if the Minnesota Legislature passed the Community Vitality Investment Act exactly as written, charitable gaming still would generate more than \$40 million a year in taxes, with that amount growing annually as charitable gaming grows. That amount of tax revenue is enough to craft a fair funding solution for the stadium.

**MYTH:** Charitable gaming is doing better than ever. There is no need for tax relief.

**FACT:** Charitable gaming has been growing, thanks to the hard work of thousands of Minnesotans who are committed to their communities and to the charitable missions their organizations serve. Hard work and success shouldn't be punished through exorbitant taxes; it should be rewarded by making it possible for charitable gaming organizations to invest more funds in building stronger communities. Today, many charitable gaming organizations are paying more in taxes than they are able to contribute to their missions. 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. That's not fair.

**MYTH:** The proposed legislation would cost the state a lot more than advocates are forecasting.

**FACT:** Understandably, opponents of the Community Vitality Investment Act have placed a higher price tag on the legislation than the facts justify. It's a common tactic. Our calculations demonstrate that the legislation would reduce taxes by about \$16 million and would still leave more than \$40 million a year in taxes paid to the state.