

Charitable gaming: Accidental tax relief, and a chance to make bigger repairs

Our tax burden is too high, and we're tired of seeing our work benefit the pro sports world rather than local communities.

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The 2016 tax bill pocket-vetoed by Gov. Mark Dayton, in part due to a drafting error that would have given relief to a majority of licensed gaming charities, provided Minnesota's charitable gaming organizations with some accidental tax relief. If a special session is agreed to by all parties, it would be a good time to right a wrong in regard to charitable gaming's current tax structure.

Charitable gaming's ability to grow its mission work in communities throughout the state is being severely hindered by the tax structure that it currently operates under. The funding of the Minnesota Vikings stadium has become an albatross around the neck of 1,200 good-work, community-based organizations.

Licensed nonprofit gaming charities in Minnesota clothe, feed, serve and protect the citizens of Minnesota every day of the year. Our members are fire relief, youth, church, veteran, civic and fraternal. That picnic shelter, fire truck, ball field or ice arena in your community was probably paid for in part by one of our organizations while providing quality full- and part-time employment for thousands of Minnesotans.

Our current tax structure allows no deductions of any kind from our tax liability. Even our donations are taxed at a graduated rate that peaks at 36 percent of every dollar taken to the bank. Who else in the state pays a tax rate of 36 percent with no deductions allowed, much less our charities?

A charity in the 36 percent bracket will have as little as 14 cents available for mission work on every dollar that it deposits in the bank after paying expenses (wages, games, rent, regulatory fees, licenses, accounting/auditing — all equaling 50 cents) and taxes. A charity that averages a greater-than-25-percent tax rate for an entire fiscal year probably will have sent more money to the state than it has to fund its missions. We charities are now sending the state in excess of \$1 million per week in taxes. The state of Minnesota is the single largest benefactor of our work.

As indicated in the governor's letter to legislative leaders on June 1, the heart of the case against any tax relief for gaming charities is the funding of the Vikings stadium by charitable gaming taxes in the 2012 legislation that made the new stadium a reality. The governor stated that the accidental relief given to gaming charities in the tax bill would create a deficit in the stadium fund.

Charitable gaming volume was up 9 percent in fiscal year 2015, but due to our graduated rate structure, we paid the state 13 percent more in state tax. This fiscal year, our volume is projected to be up 13 percent, but we will probably pay up to 18 percent more in state tax. That is an erosion of our ability to fulfill our missions.

To grow the funding for the stadium at the expense of youth activities, public safety, veteran needs and community assets is something that I do not believe a majority of Minnesotans would condone or support.

In a special session, the Legislature and governor would have the opportunity to protect the charities that do the great work in our communities long into the future.

There are additional provisions already in law for making up any shortfall in the stadium fund that involve user fees on stadium suite rentals and new Minnesota Lottery games, neither of which further erode the ability of gaming charities to serve our local communities.

Minnesotans already have given the Vikings hundreds of millions of dollars for the stadium, and the franchise is now reported to be worth \$1 billion more than the Wilf family paid for it. Charitable gaming organizations are getting tired of working for our communities only to turn an unfair proportion of our proceeds over to the state to pay for a stadium that enriches billionaires and millionaires while our missions suffer.



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Minnesota's licensed charitable gambling organizations provide such games as pull tabs, which are available in more than 3,000...

Charitable gaming proceeds benefiting our local communities should be a higher priority than continuing to give the Vikings and the NFL's Super Bowl tax relief, as had been proposed in the now-dead tax bill. Having charitable gaming organizations deduct their donations from their tax liability is the least that the governor and Legislature could do for us as a start.

Allen Lund is executive director of Allied Charities of Minnesota.