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Proudly Serving Charitable Gambling Organizations Throughout Minnesota

Opinion Editorial

By King Wilson, Executive Director, Allied Charities of Minnesota (submitted 12.27.10)

Your recent headline cried out “Where’s the ‘charity’ in charitable gambling?” but unfortunately your article didn’t begin to answer that question. It only left confusion and distrust of over 1,200 licensed organizations from across the state that are working hard to raise funds for the numerous programs and projects they support in virtually every community throughout Minnesota.

The article completely missed the impact that Minnesota’s lawful gambling taxes have on the amount of money these tax-exempt/non-profit organizations have available for lawful/charitable contributions. In fiscal year 2010 organizations paid almost \$36 million in lawful gambling taxes, which is 46.1% of net income (sales less prizes less allowable expenses which must be directly related to the conduct of lawful gambling). The State of Minnesota is clearly the biggest beneficiary of charitable gambling proceeds having collected over \$1.2 billion in lawful gambling taxes since 1985. The tax system the state has imposed on charitable gambling organizations has deeply cut our ability to contribute in our local communities and left us in an anti-competitive position with other forms of legal gambling in Minnesota that pay little taxes by comparison.

It’s interesting to note that Minnesota’s Corporate Income Tax Rate is 9.8% of net income. Minnesota’s tax-exempt/non-profit charitable gambling organizations are paying 4.7 times more in taxes than for-profit corporations. Charitable gambling organizations would be incredibly happy to pay this 9.8% rate, which would provide an additional \$28 million for lawful/charitable contributions and certainly put more “charity” back into charitable gambling.

The Gambling Control Board’s FY2010 Lawful (Charitable) Gambling Report to the Legislature indicates the average gambling taxes and fees paid by each organization is over \$32,000 (over \$39 million total taxes and fees paid divided by 1,213 total organizations).

And, it is not difficult at all to figure out the average contributed in local communities. The total for charitable (non-tax) contributions at the end of the report was \$31.6 million. Therefore \$31.6 million divided by 1,213 (number of organizations) equals an over \$26,000 average charitable contribution level per year per organization. This includes contributions for youth activities, veteran programs, fire safety equipment, wildlife management and conservation projects, scholarship funds, food shelves, and other programs and projects to numerous to mention.

Add to that the amount we ‘contribute’ for the good of the state’s general fund, we are now talking about an average of over \$58,000 for every organization across the state. And that doesn’t even consider the 10,000+ jobs that are created in the process. To find a few charities that are struggling and focus on them and ignore that on average organizations spent more on taxes and fees than charitable contributions misses what should have been the major point of the analysis presented by your paper.

The article was also critical of gambling proceeds being used for veterans/fraternal building expenses such as property taxes, utilities, and some building repairs but gave no recognition of the fact that a 501(c)(3) charity can use gambling funds for utilities, payroll, health insurance, and anything else related to the promotion of their mission.

Again, the facts are that without these funds, many more veterans and fraternal homes throughout Minnesota would be closed today and there would be no facility for community gatherings in many of the small towns across Minnesota. And, incidentally, these facilities must be offered free of charge to local non-profit community groups. Many veterans and fraternal homes are de-facto community centers in their local communities, and have been appropriately recognized as such by our policy makers.

The Gambling Control Board’s 2010 Five Star Rating Report shows that 94% of the charities met or exceeded the three star minimum! Unfortunately the focus of your article chose to ignore that and focus on those that didn’t meet the three star minimum.

We would suggest your next analysis be on how much in gambling taxes are ‘contributed’ by our competitors. Now that would be an interesting article.