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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 4086

02/22/2024 Authored by Lislegard and Stephenson The bill was read for the first time and referred to the Committee on Commerce Finance and Policy

1.1 A bill for an act
1.2 relating to lawful gambling; authorizing certain organizations to use gross profits
1.3 from lawful gambling for repair, maintenance, or improvement of real property
1.4 or capital assets; amending Minnesota Statutes 2023 Supplement, section 349.12,
1.5 subdivision 25.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2023 Supplement, section 349.12, subdivision 25, is amended
1.8 to read:

1.9 Subd. 25. Lawful purpose. (a) "Lawful purpose" means one or more of the following:

1.10 (1) any expenditure by or contribution to a 501(c)(3) or festival organization, as defined
1.11 in subdivision 15c, provided that the organization and expenditure or contribution are in
1.12 conformity with standards prescribed by the board under section 349.154, which standards
1.13 must apply to both types of organizations in the same manner and to the same extent;

1.14 (2) a contribution to or expenditure for goods and services for an individual or family
1.15 suffering from poverty, homelessness, or disability, which is used to relieve the effects of
1.16 that suffering;

1.17 (3) a contribution to a program recognized by the Minnesota Department of Human
1.18 Services for the education, prevention, or treatment of problem gambling;

1.19 (4) a contribution to or expenditure on a public or private nonprofit educational institution
1.20 registered with or accredited by this state or any other state;

1.21 (5) a contribution to an individual, public or private nonprofit educational institution
1.22 registered with or accredited by this state or any other state, or to a scholarship fund of a

2.1 nonprofit organization whose primary mission is to award scholarships, for defraying the
2.2 cost of education to individuals where the funds are awarded through an open and fair
2.3 selection process;

2.4 (6) activities by an organization or a government entity which recognize military service
2.5 to the United States, the state of Minnesota, or a community, subject to rules of the board,
2.6 provided that the rules must not include mileage reimbursements in the computation of the
2.7 per diem reimbursement limit and must impose no aggregate annual limit on the amount of
2.8 reasonable and necessary expenditures made to support:

2.9 (i) members of a military marching or color guard unit for activities conducted within
2.10 the state;

2.11 (ii) members of an organization solely for services performed by the members at funeral
2.12 services;

2.13 (iii) members of military marching, color guard, or honor guard units may be reimbursed
2.14 for participating in color guard, honor guard, or marching unit events within the state or
2.15 states contiguous to Minnesota at a per participant rate of up to \$50 per diem; or

2.16 (iv) active military personnel and their immediate family members in need of support
2.17 services;

2.18 (7) recreational, community, and athletic facilities and activities, intended primarily for
2.19 persons under age 21, provided that such facilities and activities do not discriminate on the
2.20 basis of gender and the organization complies with section 349.154, subdivision 3a;

2.21 (8) payment of local taxes authorized under this chapter, including local gambling taxes
2.22 authorized under section 349.213, subdivision 3, taxes imposed by the United States on
2.23 receipts from lawful gambling, the taxes imposed by section 297E.02, subdivisions 1 and
2.24 6, and the tax imposed on unrelated business income by section 290.05, subdivision 3;

2.25 (9) payment of real estate taxes and assessments on permitted gambling premises owned
2.26 by the licensed organization paying the taxes, or wholly leased by a licensed veterans
2.27 organization under a national charter recognized under section 501(c)(19) of the Internal
2.28 Revenue Code;

2.29 (10) a contribution to the United States, this state or any of its political subdivisions, or
2.30 any agency or instrumentality thereof other than a direct contribution to a law enforcement
2.31 or prosecutorial agency;

3.1 (11) a contribution to or expenditure by a nonprofit organization which is a church or
3.2 body of communicants gathered in common membership for mutual support and edification
3.3 in piety, worship, or religious observances;

3.4 (12) an expenditure for citizen monitoring of surface water quality by individuals or
3.5 nongovernmental organizations that is consistent with section 115.06, subdivision 4, and
3.6 Minnesota Pollution Control Agency guidance on monitoring procedures, quality assurance
3.7 protocols, and data management, provided that the resulting data is submitted to the
3.8 Minnesota Pollution Control Agency for review and inclusion in the state water quality
3.9 database;

3.10 (13) a contribution to or expenditure on projects or activities approved by the
3.11 commissioner of natural resources for:

3.12 (i) wildlife management projects that benefit the public at large;

3.13 (ii) grant-in-aid trail maintenance and grooming established under sections 84.83 and
3.14 84.927, and other trails open to public use, including purchase or lease of equipment for
3.15 this purpose; and

3.16 (iii) supplies and materials for safety training and educational programs coordinated by
3.17 the Department of Natural Resources, including the Enforcement Division;

3.18 (14) conducting nutritional programs, food shelves, and congregate dining programs
3.19 primarily for persons who are age 62 or older or disabled;

3.20 (15) a contribution to a community arts organization, or an expenditure to sponsor arts
3.21 programs in the community, including but not limited to visual, literary, performing, or
3.22 musical arts;

3.23 (16) an expenditure by a licensed fraternal organization or a licensed veterans organization
3.24 for payment of water, fuel for heating, electricity, and sewer costs for:

3.25 (i) up to 100 percent for a building wholly owned or wholly leased by and used as the
3.26 primary headquarters of the licensed veteran or fraternal organization; or

3.27 (ii) a proportional amount subject to approval by the director and based on the portion
3.28 of a building used as the primary headquarters of the licensed veteran or fraternal
3.29 organization;

3.30 (17) expenditure by a licensed veterans organization of up to \$5,000 in a calendar year
3.31 in net costs to the organization for meals and other membership events, limited to members
3.32 and spouses, held in recognition of military service. No more than \$5,000 can be expended

4.1 in total per calendar year under this clause by all licensed veterans organizations sharing
4.2 the same veterans post home;

4.3 (18) payment of fees authorized under this chapter imposed by the state of Minnesota
4.4 to conduct lawful gambling in Minnesota;

4.5 (19) a contribution or expenditure to honor an individual's humanitarian service as
4.6 demonstrated through philanthropy or volunteerism to the United States, this state, or local
4.7 community;

4.8 (20) a contribution by a licensed organization to another licensed organization with prior
4.9 board approval, with the contribution designated to be used for one or more of the following
4.10 lawful purposes under this section: clauses (1) to (7), (11) to (15), (19), and (25);

4.11 (21) an expenditure that is a contribution to a parent organization, if the parent
4.12 organization: (i) has not provided to the contributing organization within one year of the
4.13 contribution any money, grants, property, or other thing of value, and (ii) has received prior
4.14 board approval for the contribution that will be used for a program that meets one or more
4.15 of the lawful purposes under subdivision 7a;

4.16 (22) an expenditure for the repair, maintenance, or improvement of real property and
4.17 capital assets owned by an organization, or for the replacement of a capital asset that can
4.18 no longer be repaired, with a fiscal year limit of five percent of gross profits from the
4.19 previous fiscal year, with no carryforward of unused allowances. The fiscal year is July 1
4.20 through June 30. Total expenditures for the fiscal year may not exceed the limit unless the
4.21 board has specifically approved the expenditures that exceed the limit due to extenuating
4.22 circumstances beyond the organization's control. An expansion of a building or bar-related
4.23 expenditures are not allowed under this provision.

4.24 (i) The expenditure must be related to the portion of the real property or capital asset
4.25 that must be made available for use free of any charge to other nonprofit organizations,
4.26 community groups, or service groups, and is used for the organization's primary mission or
4.27 headquarters.

4.28 (ii) An expenditure may be made to bring an existing building that the organization owns
4.29 into compliance with the Americans with Disabilities Act.

4.30 (iii) An organization may apply the amount that is allowed under item (ii) to the erection
4.31 or acquisition of a replacement building that is in compliance with the Americans with
4.32 Disabilities Act if the board has specifically approved the amount. The cost of the erection

5.1 or acquisition of a replacement building may not be made from gambling proceeds, except
5.2 for the portion allowed under this item;

5.3 (23) an expenditure for the acquisition or improvement of a capital asset with a cost
5.4 greater than \$2,000, excluding real property, that will be used exclusively for lawful purposes
5.5 under this section if the board has specifically approved the amount;

5.6 (24) an expenditure for the acquisition, erection, improvement, or expansion of real
5.7 property, if the board has first specifically authorized the expenditure after finding that the
5.8 real property will be used exclusively for lawful purpose under this section;

5.9 (25) an expenditure, including a mortgage payment or other debt service payment, for
5.10 the erection or acquisition of a comparable building to replace an organization-owned
5.11 building that was destroyed or made uninhabitable by fire or catastrophe or to replace an
5.12 organization-owned building that was taken or sold under an eminent domain proceeding.
5.13 The expenditure may be only for that part of the replacement cost not reimbursed by
5.14 insurance for the fire or catastrophe or compensation not received from a governmental unit
5.15 under the eminent domain proceeding, if the board has first specifically authorized the
5.16 expenditure; ~~or~~

5.17 (26) a contribution to a 501(c)(19) organization that does not have an organization license
5.18 under section 349.16 and is not affiliated with the contributing organization, and whose
5.19 owned or leased property is not a permitted premises under section 349.165. The 501(c)(19)
5.20 organization may only use the contribution for lawful purposes under this subdivision or
5.21 for the organization's primary mission. The 501(c)(19) organization may not use the
5.22 contribution for expansion of a building or for bar-related expenditures. A contribution may
5.23 not be made to a statewide organization representing a consortia of 501(c)(19) organizations;
5.24 or

5.25 (27) an expenditure made after June 30, 2024, and before August 1, 2029, for the repair,
5.26 maintenance, or improvement of real property and capital assets owned by the following
5.27 organizations, or for the replacement of a capital asset that can no longer be repaired:

5.28 (i) American Legion;

5.29 (ii) Veterans of Foreign Wars of the United States (VFW);

5.30 (iii) Jewish War Veterans of the United States of America;

5.31 (iv) Military Order of the Purple Heart;

5.32 (v) AMVETS;

- 6.1 (vi) Marine Corps League;
6.2 (vii) Paralyzed Veterans of America; or
6.3 (viii) Disabled American Veterans.

6.4 The expenditure is limited to 50 percent of gross profits from the previous fiscal year, with
6.5 no carryforward of unused allowances. The fiscal year is July 1 through June 30. Total
6.6 expenditures for the fiscal year may not exceed the limit unless the board has specifically
6.7 approved the expenditures that exceed the limit due to extenuating circumstances beyond
6.8 the organization's control. An expansion of a building or any capital improvements within
6.9 the building regardless of use of the improvement are allowed under this provision. This
6.10 provision applies only to capital improvements to existing buildings and does not apply to
6.11 the new construction of a new or replacement building.

6.12 (b) Expenditures authorized by the board under paragraph (a), clauses (24) and (25),
6.13 must be 51 percent completed within two years of the date of board approval; otherwise the
6.14 organization must reapply to the board for approval of the project. "Fifty-one percent
6.15 completed" means that the work completed must represent at least 51 percent of the value
6.16 of the project as documented by the contractor or vendor.

6.17 (c) Notwithstanding paragraph (a), "lawful purpose" does not include:

6.18 (1) any expenditure made or incurred for the purpose of influencing the nomination or
6.19 election of a candidate for public office or for the purpose of promoting or defeating a ballot
6.20 question;

6.21 (2) any activity intended to influence an election or a governmental decision-making
6.22 process;

6.23 (3) a contribution to a statutory or home rule charter city, county, or town by a licensed
6.24 organization with the knowledge that the governmental unit intends to use the contribution
6.25 for a pension or retirement fund; or

6.26 (4) a contribution to a 501(c)(3) organization or other entity with the intent or effect of
6.27 not complying with lawful purpose restrictions or requirements.

6.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.