



Improving Lives through Music Education and Performing Arts

3/10/2025

Minnesota House of Representatives Taxes Committee

Re: Non-Profit Charitable Gambling Tax Relief

Hello Committee Members,

My name is Kathy Jackson. I'm the gambling manager for Chops Inc., a non-profit music education organization established in 1991. We are the only music education non-profit with a gambling program in Minnesota. I was hoping to get to the capitol tomorrow as tax relief for MN charities gets heard in the House Taxes Committee, but unfortunately, I won't be able to be there in person.

Chops has a successful gambling organization that helps fund our music education programs, but we could do so much more if we had more access to the funds we raise, of which the largest percentage goes to the state in the form of taxes and fees. Tax relief would allow our programs to grow and flourish, getting more kids involved in music as schools continue to cut music from their curriculums. With our in-school educational outreach residencies, our after-school drumline programs, and our support for community music programs through fiscal sponsorships and other direct support we can get kids off the street and playing music and participating in performing arts. Studies have shown that kids who learn music, whether through playing an instrument or singing in a choir, have better scores, are more likely to graduate high school, and go on to higher education. They also are less involved in unhealthy and dangerous activities like drugs, gangs, or other destructive behavior. But, we also give directly to the communities in which our gambling bar partners are located, through direct donations to community members suffering catastrophic loss or illness, giving to local schools, supporting veterans and civic groups, food shelves, and other giving in the communities that support us through their gaming. But funds are limited, and we would love to do so much more.

I'm sure you've heard many anecdotes about how much money comes into charitable gambling, but how little the charities actually get to put towards their programs. Here are some numbers for Chops.

In 2024 Chops made \$3,665,609.59 in net revenue (that's gross sales less all prizes paid out to players).

We paid \$1,224,817.40 in state taxes and fees. 33.5% of all our net revenue goes to state taxes.

Gambling was able to fund \$438,000 towards our programs and community giving. The state gets \$1.22+ million, we get \$438,000.

Our bar partners earned \$540,389 in rent in 2024.

Egaming revenue share (profit share) took \$626,576.

Gambling product (the games the players play) cost us \$228,961.

As an employer in Minnesota, our payroll for our many employees was \$523,302.

Our operating expenses outside of the above amounts were around \$75,000.

Other than the overall cost of the games our players play, our programs get the smallest portion of revenue our gambling program brings in, and the state takes the lion's share of all revenue.

I appreciate your consideration to get greater tax relief for our charity and all the others doing such great work in Minnesota. There is so much more good that can be done for our Minnesota communities.

Please reach out if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kathy Jackson", is written over a horizontal line.

Kathy Jackson
Charitable Gambling Manager
Chops Inc.
kathy@chopsinc.com
763-242-3975



Greetings, Mr. Chair and members of the Tax Committee. My name is Tim Engstrom, and I am the gambling manager for American Legion Post 550 in Bloomington.

Minnesota taxes charitable gambling starting at 8.5 percent but as months go by it soon climbs to its top rate of 33.5 percent of cumulative net receipts (this means money after prizes are awarded; some states call it adjusted gross revenue). Some cities even charge an additional 10 percent.

People who hear about other states are surprised at how astronomically high Minnesota is. Other states typically only tax enough to cover the burden of a regulatory agency. North Dakota is around 1 percent. It changes depending on how much it costs to regulate it.

Kentucky is a tiny fraction of 1 percent. New Hampshire is 7 percent on bingo and \$15 for every \$3,500 made in paper pulltabs, which works out to less than a half percent.

Mississippi charges 1 percent for bingo and 2.4 percent on e-pulltabs. Virginia has various rates for different kinds of charitable gambling, but most are at three-quarters of 1 percent.

In Ohio, the rules change from city to city or county to county, but after looking at city ordinances, it appears the local jurisdictions rarely tax the revenue from charitable gambling at all, probably because cities, counties, schools and local nonprofits benefit from the donations.

In Washington state, the state calculates each group's gambling receipts on various types of games and uses it to determine an annual licensing fee, up to a cap figure. Pulltabs are calculated at 1.515 percent, with a cap of \$16,000. Bingo is 0.488 percent, with a cap of \$17,600. Cities and counties may collect a tax on pulltabs of up to 10 percent and for bingo 5 percent. In Ellensburg, for example, the city charges 1 percent.

New York charges 3 percent on all forms of charitable gambling except pulltabs, where the rate is 5 percent. Alaska is at 3 percent and handles it all through distributors. Indiana only sets a rental rate but doesn't tax charitable gambling.

Louisiana has a state fee of \$75 with state laws, but it is taxed and supervised at the city or parish level. Baton Rouge, for instance, taxes it at 1.5 percent to cover costs of supervision.

Pennsylvania is unusual. In 2013, the commonwealth passed a law to allow taverns — not charities — via distributors (likely via dispenser machines) to sell pulltabs and similar “small games of chance”

Opponents at the time said the new law would harm veterans clubs and civic associations that already had been selling them as a fundraiser since 1988. It passed, and now the Keystone State has two kinds of gambling licenses: tavern and club.

Basically, the tavern license is for-profit gambling. The club license is nonprofit. Taverns pay a tax of 60 percent with \$4,000 in licensing fees. Clubs only pay a small annual licensing fee of

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\$125. The club also may use up to 40 percent of the proceeds for any club expenses: paying the gambling manager, fixing the roof, installing new restrooms, etc., as long as the other 60 percent goes to public interests.

Minnesota charities could do so much more for our communities if only you let us. Please support House File 169.

Contact: Kristy Janigo, The American Legion Department of Minnesota Legislative Chair
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Hello to all: I am writing as the gambling manager of the Eveleth Elks Lodge #1161. Due to the changes that were made as of January 1, 2025 we have currently seen a 35% plus reduction in play for the months of January and February. This has impacted our giving to our local area substantially.

Last year in 2024 we had a combined net revenue of our sites of over 2 million dollars. We paid taxes on that of \$709,000 and we were able to support our surrounding communities with donations of \$242,761.00. Our taxes are about 2/3 MORE than the amount we have been able to help our communities out with. That seems like a very bad deal when you break it down this way. Charitable gambling in our rural areas pays for so many things. Cancer patients trips to the Doctors via the Angel Fund, Baseball safety equipment for our area high schools, an ALICE Machine for our ambulance service that serves 485 square miles around our area, Veterans homes, girl scouts, various sports teams at the high school level, suicide prevention via the 23rd Veteran, Food insecurity through our food shelves and community meal we've done, Balance bikes for preschool children to hone their motor skills, equipment and books for elementary classrooms, Northland honor flight travelers, free bike helmets and life jackets to promote summer safety, donations to schools who have a large population of native students, and so many many other worthwhile recipients. I cannot list them all or we'd be here all day.

Tax relief that is actually a MEASURABLE relief such as a 5% flat tax would mean, based on the revenue of 2024 (for JUST our organization) we would have been able to invest \$598,357 BACK into our own communities! This is a HUGE amount - it would more than double our impact in the good we do for our rural area that often is forgotten. We have amazing small communities around here, many, many charities and foundations that can and have benefited from our donations. We have continually been a 4 star organization since we've had our charitable gambling organization license which is something I am extremely proud of. We have been great stewards of our communities. All of us have. We deserve a break in taxes for all the good we do.

To expect us to take on the burden of such high taxes is not a very "Charitable" way for the state to do business. We have literally paid our fair share of taxes over the years. I myself used to be employed by the state of Minnesota (20 years) and currently am in this job full time, however sometimes I still feel like I work for the state but don't receive any benefits. I do not have healthcare, sick time, vacation time, pension, none of those perks any longer, but the lion's share of what we make as a charitable organization still goes to the state. It is sometimes disheartening knowing how much more of an impact we could have if we didn't have such large tax burdens. It would benefit us all.

Thank you for taking the time to listen and take on this task. It's time to make some really hard decisions and do the right thing by the charities who work so hard in our state, instead of always lumping us in bills, or taking more things away from us.

Sincerely,

Jennifer Evenson



Greetings, Chair and members. My name is Dr. Kristy Janigo, and I am a third generation Army veteran. I am The American Legion Department of Minnesota Legislative Chair. And I'm an assistant county veteran service officer for my day job, where I help some of the state's most vulnerable veterans find housing, navigate their involvement with the justice system, and access life changing veteran benefits.

First, I want to thank Representative Robbins and all the lawmakers working on bills this year and years past to deliver tax cuts for Minnesota charitable gambling operations. We have been advocating for meaningful, significant tax cuts for years. The reduction of our taxes to 5% and the simplification of the structure to a flat rate as outlined in HF 169 would have a far reaching positive impact on our posts and communities we support across Minnesota with these gambling funds.

Our more than 50,000 American Legion Department of Minnesota members agreed to prioritize advocating for these tax cuts above all other things we want for the service member, military family, and veteran community – again this year, because we think this will have the biggest impact. There are 537 American Legion posts throughout Minnesota, and 193 of them have charitable gambling operations. Those operations account for roughly 10% of all charitable gambling in Minnesota. While some say “Oh, it’s just gambling,” we respectfully disagree. Charitable gambling is inextricably linked with crucial emergency supports for veterans. Our posts strive for the maximum possible star rating with the Gambling Control Board even for those posts that set aside revenues to fix up buildings. Our donations are how we carry out our charitable mission across our four pillars: Veterans Affairs & Rehabilitation, National Security, Children & Youth, and Americanism.

We do worry often that the general public does not understand our issues, so whenever we have someone coming alongside us with their support, it really matters. In my day job, I work with veterans who have had everything go wrong in their lives. They sustained physical and mental disabilities during service that led to self-medicating with alcohol or drugs. Which led to them not being able to work or family issues, and justice involvement. Which led to housing instability and food insecurity. My partners and I fight to keep some of these veterans alive, under roofs, and out of jail. We experience a tremendous amount of secondary trauma from the stories we hear of these veterans. I tell my new employees that this work will cost them, and they should have a therapist and a robust support system. This is unavoidable. We have to hear and then retell our veterans’ stories in the pursuit of federal, state, and nonprofit benefits. As many benefits as there are specifically for the veterans community, they are often not enough, or else it takes so long for the benefits to come in that there could be months of a veteran living on the streets.

That is when I turn to charitable gambling operations of our Legion and VFW posts, to ask them to pitch in, to save a home, get the power turned back on, prevent an eviction, to feed small children, to make that critical car repair for the veteran living out of their vehicle in the dead of winter in subzero temps in Minnesota. These funds are a big part of how we reached an effective end to veteran homeless last fall in Hennepin County, with Ramsey County and the state of Minnesota as a whole soon able to make such a declaration.

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With heavy state and local taxes on top of the other bills we must pay, these expenses handcuff our posts from helping the veterans in their community who are suffering. And I can tell you that I've recently lost veterans I've tried to save, and their losses will always haunt me. Is this really how we will treat those who risked and sacrificed everything including their lives? Is it not the government's responsibility to get out of the way when a charitable organization can meet needs in the community that they cannot fulfill?

Although most of us stopped wearing the uniform years ago, veterans have a deep-seated need to continue serving their communities and the changes to e-pulltabs that were enacted at the beginning of this year have our people worried that mission will be compromised, and we've already seen a nearly 20% drop in revenues. I can assure you that the cap to gaming fees and the very small tax cut that was passed were far from sufficient. Lawmakers should not pat themselves on the back for "helping us" while veterans continue to struggle.

As you have heard in the past, the funds we donate pay for honor guards at burial ceremonies, outdoor recreation for disabled veterans, suicide prevention programs, and stopgap funding for homeless veterans. We donate to area schools' programs to help housing and food insecure children. We support nonprofit human services organizations near our posts. We fund youth sports scholarships and equipment for local fire departments. We also fund local parades, fireworks displays, county fairs, fire equipment, school flags, marching band uniforms, football headsets, international sister-city efforts, and wheelchair-friendly playground equipment. What I am describing to you represents the best of America, and these traditions need to continue. Thank you again for hearing this bill today.

-Dr. Kristy Janigo

A handwritten signature in cursive script, reading "Kristy A. Janigo".

The American Legion Department of Minnesota Legislative Chair

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Claremont Area Chamber of Commerce – 2024 donation recipients

Center Dental Clinic	Triton Boosters
Triton mileage contest car	Rachel's Light Women's Shelter
Hospitality House Men's Shelter	Exchange Center for Family Unity
Out of the Dark Suicide Prevention	Ironwood Springs Christian Ranch
Triton School Arts & Academics	Community Pathways of Steele County
Dodge County Food Shelf	Transitional Housing of Steele County
City of Claremont	City of Dodge Center
City of West Concord	City of Blooming Prairie
Pantry of Faith	Steele County Mounted Posse
Cedar Valley Services	Hospice Programs
Salvation Army	Steele County Humane Society
Fairview Care Center	Steele County Healthy Seniors
Let's Smile	Beds for Kids
Homeless Teens	Junior Achievement
Grandparents for Education	Claremont Fire Department
Claremont First Responders	St Mary's School
Bruce Schmoll benefit	Triton Post Prom
Triton Softball	Rice Lake Church
Veterans Adventure Group	Dodge County Community Foundation
Toys for Tots	Blooming Prairie Youth Dance team
Triton DC trip	Triton HS Music trip
Brad Ahrens Benefit	Triton FFA Alumni
Blooming Prairie Quarterback Club	Steele County Purple Ribbon
Presbyterian Church Claremont	Razorback Wrestling
Boy Scouts Pack 348	Cobra Cagers
Venom Wrestling	Feed Our Starving Children
Dodge County Free Fair	Crisis Resource Center
Secret Santa	Boy Scouts Pack 250
TEAM Parent Group	Claremont Hogfest
Just for Kicks	BP Backpack Program
BP Cancer Research	Allied Charities of MN
BPHS Spanish Club	Dodge Center American Legion
Boy Scouts Troop 231	BP Youth Group & Cheerleaders
Triton Wolfridge Trip	Santa Anonymous
Blossoming Community Foundation	Steele County United Way
Special Olympics / Polar Plunge	Steele County Food Shelf
TYFSA Program	BP Trap Team
American Legion Baseball Program	American Legion Softball Program
Triton HS Band	Riverside Cemetery
Dodge Center Cub Scouts	Dodge County Veterans Services
BP Ambulance & Fire Dept	Faith Lutheran Church
Dodge Center Ambulance	Dodge Center Fire Department
BP Ministerial Assn	Claremont Ballfield at Harmer Park
RCTC Baseball	Dodge Center Lions
Legion Auxiliary	Triton Track & Field
Pheasants Forever	Quilts of Valor

Total donations for 2024 \$223,518

STATE of MINNESOTA taxes paid \$364,561.93