

## Charitable Gambling: An Overview

Nonprofit organizations can conduct gambling to raise money for “lawful purposes” with a license from the Lawful Gambling Control Board.

**Who may conduct gambling?** A charitable, religious, veterans, or other nonprofit organization may be licensed to conduct charitable gambling if it has at least 15 active members and has been in existence for at least three years. About 1,400 Minnesota organizations are licensed to conduct gambling at about 3,300 different locations.

**What kinds of games are allowed?** Licensed organizations may conduct bingo, raffles, and tipboards, sell pull-tabs, and operate paddlewheels.

**Who regulates charitable gambling?** Charitable gambling is regulated by the seven-member Lawful Gambling Control Board. It licenses organizations and gambling managers and makes rules for the conduct of gambling. It also regulates bingo halls and the distributors and manufacturers of gambling equipment.

**What can gambling proceeds be spent for?** Gross gambling profits (gross receipts less prizes) can only be spent for *gambling expenses* and *lawful purposes*.

*Gambling expenses* are all expenses directly related to the conduct of gambling. Examples are gambling supplies, rent, license fees, and wages of gambling workers. Expenses are limited to 70 percent of gross profits for bingo and beginning July 1, 2006, 60 percent for other gambling.

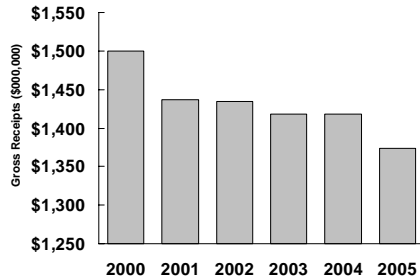
Gross profit not spent for expenses (net profit) can only be spent for *lawful purposes*, which include the following:

▶ Expenditure by or contribution to a 501(c)(3) organization or a 501(c)(4) festival organization	▶ Contributions to government
▶ Contributions to relieve poverty, disability, or homelessness	▶ Contributions to or expenditures by a religious institution
▶ Compulsive gambling treatment	▶ Snowmobiles and ATV trails and wildlife management projects
▶ Scholarships and contributions to educational institutions	▶ Food shelves and dining programs primarily for older persons
▶ Recognition of humanitarian or military service	▶ Community arts organizations and programs
▶ Recreational and athletic facilities primarily for young people	▶ Utilities for veterans’ organization buildings
▶ Property taxes on gambling premises	▶ Recognition dinners for veterans, up to \$5,000 per organization annually

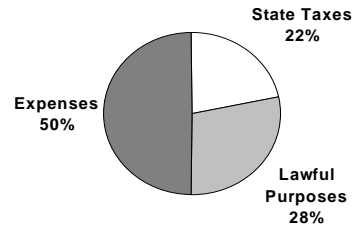
Net profits can also be spent to pay state, federal, and local taxes on gambling.

# Charitable Gambling Statistics

**Charitable Gambling Gross Receipts  
2000-2005**



**Spending of Gross Profit 2005  
(\$251 million)**



***What are the rules for charitable gambling?***

The major rules that apply to all gambling are as follows:

- ▶ Gambling must be supervised by a gambling manager appointed by the organization
- ▶ Players must be at least 18 years old
- ▶ Players can't use checks or play on credit (except checks for raffle tickets)
- ▶ Odds and house rules must be posted on the premises
- ▶ Compensated gambling workers must be registered with the board and may not gamble at sites where they are working, with some limited exceptions

***Are there prize limits for charitable gambling?***

Prize limits are as follows:

- ▶ Bingo, \$200 per game and \$2,800 for most bingo occasions
- ▶ Single pull-tab, \$599
- ▶ Single paddlewheel prize, \$70
- ▶ Largest tipboard prize, \$599

***What taxes apply to charitable gambling?***

The state imposes taxes on charitable gambling in lieu of sales taxes:

- ▶ Bingo, paddlewheels, and raffles, 8.5 percent of gross profit
- ▶ Pull-tabs and tipboards, 1.7 percent of "ideal gross" (potential gross receipts from all tickets in a package, with a refund for unsold tickets)
- ▶ Pull-tabs and tipboards, additional "combined receipts tax" of 1.7 percent to 5.1 percent of gross receipts, depending on the organization's annual receipts

***What gambling is exempt from licensing?***

Organizations do not have to obtain a license for the following:

- ▶ Gambling conducted for five or fewer days a year with total prizes not exceeding \$50,000
- ▶ Bingo conducted at fairs for up to 12 days a year and bingo conducted elsewhere for up to four days a year
- ▶ Raffles with a prize of not more than \$1,500

Exempt organizations must register with the board, except for excluded raffles, and follow state law on spending net profits.

**For more information:** Also see the House Research publication Charitable Gambling, July 2006.

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