

HB 1212
Senate Finance & Taxation Committee
Submitted by Don Santer, NDAD
March 15th, 2021

Chairperson Bell and Committee members, thank you for the opportunity to provide information regarding the charitable gaming industry of North Dakota. I am here in support of House Bill 1212.

My name is Don Santer, CEO of the North Dakota Association for the Disabled (NDAD). NDAD is a North Dakota charity that for over 45 years has been dedicated to improving the quality of life for persons with disabilities.

NDAD is a non-profit, charitable organization serving individuals with health concerns and disabilities across the state of North Dakota. We have locations in Grand Forks, Fargo, Bismarck, Minot, and Williston. In 2019, NDAD provided over \$2 million in services assisting thousands of North Dakota residents. NDAD works diligently to not duplicate services provided by other state or local entities, so we truly are a last resort for many individuals. As part of our services NDAD paid for the majority of the following items with charitable gaming funds:

- 1639 prescriptions for covered medications
- 2,801 out of town medical travel trips
- 3,502 accessible rides for employment, shopping, and community events
- 7,048 hours of personal attendant care expenses
- Each year 25-50 individuals are assisted with adaptive recreational activities
- Our **Healthcare Equipment Loan Program (HELP)** served 2032 people with 4,366 pieces of equipment equating to a savings of more than \$530,000 for North Dakota residents.

Additionally, NDAD administers the North Dakota Transplant Fund, provides program services for independent living and behavioral health issues in the Williston area, as well as providing information, referral, and public awareness to North Dakota residents. Our mission is to serve the residents of North Dakota and with your Do Pass vote, we could utilize potential tax savings to help an even greater number of North Dakotans.

House Bill 1212 addresses several issues in the gaming industry:

1. Creates a charitable gaming operating fund that will assure the administrative, regulatory, enforcement, technology, and addiction funding needed is available.
2. It reestablishes the original constitutional intent for use of gaming funds. Gaming Tax was intended only to raise enough revenue to cover the cost of appropriately regulating and maintaining oversight of the industry. All other proceeds should be utilized for its intended charitable purpose and in the region it was generated.
3. Creates a tax rate based on adjusted gross proceeds and simplifies the tax code for gaming.

- Currently gaming tax is imposed on the total **gross proceeds** received by a licensed organization in a quarter. "Gross proceeds" means all cash and checks received from conducting games.
- The following are just a few examples to help explain the tax on gross proceeds for the most common game types:
 - Electronic Pull Tab device (etab) is taxed on each ticket played. A player purchases \$10 in credits on an etab machine and wins \$100 in credits during the course of play; the player plays all credits without purchasing additional credits; the charity is taxed on \$110 (Gross Proceeds) but only \$10 of actual cash went into the machine. Although rare, it is possible the charity may pay out more in winning credits than it takes in cash depending on when the large win tickets come out. In that situation they would be taxed on a loss. This same scenario can happen with paper pull tabs.
 - Twenty-one and Paddle Wheel are taxed based on the chips purchased (the Drop) by the player. The player wagers the chips and may win and lose over and over without buying more chips. At the end of play the charity is taxed on the actual cash Drop (chips purchased) for the session. If a player buys \$100 in chips, then decides to leave the site and cashes in the chips without making a wager; the organization is still taxed on the \$100 purchase. In a different scenario, the player buys \$100 in chips and wins \$1000 the organization still pays tax on the \$100 even though they lost \$900.
 - Setting a tax on "**Adjusted Gross**" (gross proceeds less cash prizes and cost of merchandise prizes) eliminates the taxation of "credits" and unifies tax calculations for all game types. In other words, a tax on the actual earnings and not on phantom dollars.

For the past 40 years North Dakota has developed a responsible and highly regulated system for charitable gaming to benefit charitable missions that serve your local communities. Charitable gaming was legalized to enable charities a way to generate critical financial resources to serve their charitable purposes while reducing or even eliminating their reliance on public tax dollars for that funding.

Again, thank you for your thoughtful consideration to develop a fairer tax structure, and a **Do Pass** recommendation on **HB 1212**.

Thank you, Madam Chairperson and members of the committee, for your time. I am happy to answer any additional questions you may have.

Respectfully,
Don Santer, CEO
NDAD