

Representative Dori Hauck
District 36
2461 81st Ave SW, Hebron, ND 58638
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HB1465

Chairman Headland and Members of the Finance and Tax Committee,

Representative Dori Hauck from District 36. I bring to you today HB1465, a bill that aims to allow local charitable organizations the ability to give more back to their communities. This bill is only a few lines long and will make a significant difference for our ND communities.

Here are just a few examples of the communities that I visit and the positive impact of charitable gaming. After attending an angus bull sale in the New England area, we stop at the The Pub in Gladstone for supper. Headed through Richardton after helping friends run their entire cattle herd through for spring branding, I stop by Ranchers to grab a pizza. And of course we head into The Brick in Hebron for Thursday burger nights. Those locations all provide rental space to charitable organizations for gaming opportunities. In turn, these organizations make financial contributions to a wide variety of projects and causes.

Organizations providing charitable gaming are required to spend a portion of the proceeds for charitable purposes. Projects and causes range widely: volunteer fire department equipment, youth sports equipment, \$500 in prizes for the After Prom party, scholarships for summer camps, \$3,000 for childcare toys and supplies, \$10,000 for a nursing home upgrade, and \$50,000 toward the construction of a new daycare. Every community has unfunded needs and this bill allows more of the proceeds to remain in these communities.

A gaming tax is assessed on adjusted gross proceeds and is paid quarterly to the ND Attorney General who oversees the Gaming Division. The gaming tax is assessed on the adjusted gross proceeds which is defined in 53-06.1-01 as gross proceeds less cash prizes and cost of merchandise prizes. Century Code states less than \$50,000 adjusted gross proceeds will be assessed a 1% gaming tax. Those \$50,000 and over are assessed a 12% gaming tax.

Which brings me to the proposed changes:

Section 1 a. which starts on Line 11 increases the first tier from \$50,000 to no more than \$150,000 is assessed a tax of 1%.

Section 1 b. increases the second tier to \$150,000 and less than \$250,000 in adjusted gross proceeds to be assessed a tax of a \$1,500 flat fee plus 6% on the adjusted gross proceeds over \$150,000.

A new tier is created in Section 1 c. for those with adjusted gross proceeds exceeding \$250,000 to be assessed a \$7,500 flat fee for the first \$250,000 and 12% on the adjusted gross proceeds over \$250,000.

Creating three tiers increases the amount of dollars that will stay under the control of smaller organizations participating in charitable gaming. A few examples of how this will affect the gaming tax collected:

- a) Current Gross Proceeds of \$150,000 x 12% = \$18,000
- b) New Calculation of First Tier: \$150,000 x 1% = \$1,500 gaming tax collected

- c) Current Gross Proceeds of \$175,000 x 12% plus \$500 = \$21,500
- d) Second Tier: First \$150,000 x 1% = \$1,500 plus
\$25,000 x 6% is \$1,500 = \$3,000 gaming tax collected

- e) Current Gross Proceeds of \$250,000 x 12% plus \$500 = \$30,500
- f) Second Tier: First \$150,000 x 1% = \$1,500 plus
\$100,000 x 6% = \$6,000 = \$7,500 gaming tax collected

- g) Current Gross Proceeds of \$500,000 x 12% plus \$500 = \$60,500
Third Tier: First \$150,000 x 1% = \$1,500 plus
\$100,000 x 6% = \$6,000 plus
\$250,000 x 12% = \$30,000 = \$37,500 gaming tax collected

This gaming tax break will benefit the smaller charities and allow them to compete with the larger charities by keeping more dollars locally. As I stated earlier, communities have a wide range of unfunded needs. Allowing more gaming proceeds to stay in the community enables the charity to contribute to more unfunded needs which in turn should reduce the need to raise those funds through property or sales tax.

The estimated amount for the 2023-2025 biennium for gaming tax collected is \$53,000,000 with net proceeds of the charitable gaming organizations being estimated to be \$204,000,000. It is estimated that \$182,000,000 in contributions will go to eligible uses. These dollars are making large impacts across North Dakota's communities.

Mr. Chair and members of the Committee, I ask for your support of HB1465 to put more proceeds in the hands of our ND communities.