

**Interim Judiciary Committee  
Charitable Gaming Survey Results Including Comments  
May 10, 2010**

## **Gaming Tax Return**

### **1. Do you consider the current Gaming Tax Return easy to prepare?**

Yes = 32 (71%)

No = 13 (29%)

Skipped Question = 3

### **2. Who prepares the Gaming Tax Return for your organization?**

Officer or employee = 34 (75%)

Paid Professional = 7 (16%)

Gaming manager = 2

Contracted Service = 1

Both -- a CPA who is an officer = 1

Skipped Question = 3

### **3. Does your organization consider the current 5 - 20% Gaming Tax on Adjusted Gross Proceeds to be fair and appropriate?**

Yes = 20 (49%)

No = 21 (51%)

Skipped Question = 7

#### **Comments (12):**

- We are a small non-profit agency and this 5% takes away some of our profit from our raffles that we could use for our agency.
- Gaming money should go to charities, not the State.
- Not clear on this question.
- Should be a flat percentage tax, same percentage for all amounts of Adjusted Gross Proceeds.
- Don't think it should be graduated. The rate should cover enforcement as originally intended.
- OUR TAXES ARE NEARLY AS MUCH AS WE KEEP FOR CHARITABLE REQUESTS.
- The higher tax brackets result in state taxes paid being more than the profit the organizations make at low volume sites.
- The only tax on Gaming should be to recoup any cost necessary to regulate the industry. The purpose of gaming is to support charitable organizations in the state of ND, not to support the state itself.
- Gaming taxes paid to the state are not made available for our local charitable organizations to apply for when the small community gaming operations do not generate large tax dollars. Over time these tax dollars add up and are just sucked out of the small communities and feed the larger ND cities.
- It is Charitable Gaming. It doesn't need to be a profit center for the State. Cover cost to administer with Fees.
- It's too much.
- I know our state needs the tax revenue but since this is charitable gaming it also helps out the state in that our organizations are giving back to the communities. There should be a minimal amount used to help pay for reasonable administrative costs related to the gaming. I think the excise tax is more unfair than the gaming tax which is minimal in comparison.

**4. Does your organization consider the current 3% Bingo Excise Tax to be fair and appropriate?**

Yes = 21 (55%)

No = 17 (45%)

Skipped Question = 10

**Comments (12):**

- Bingo is taxed twice
- Already paying gaming tax
- N/A - We do not do Bingo
- N/A
- There should only be a flat percentage tax on Adjusted Gross Proceeds.
- Excise taxes were added to help balance the budget and should be returned to zero.
- We are already paying tax on the Adjusted Gross Proceeds of bingo - so we feel these results in double taxation. This tax was instituted to help the state get out a financial crisis and that situation no longer exists.
- With the decreased gaming volume in the state, the organizations fixed operating costs are becoming a larger percentage of total costs. And as a result the net profit before tax is significantly down while the tax remains high and is a significantly larger cost as a percentage to the nonprofit.
- WE DO NOT DO BINGO.
- I see no good reason for any tax totaling over 15% to go into the state rather than to be used for LOCAL charitable uses.
- Same as above. Tax does not need to be any more that is required to administer and that could be done with Fees.
- It's too much

**5. Does your organization consider the current 3% Pull Tab Excise Tax to be fair and appropriate?**

Yes = 22 (55%)

No = 18 (45%)

Skipped Question = 8

**Comments (13):**

- Pull tabs are taxed twice.
- Already paying gaming tax.
- It is currently working but some times are hard.
- There should only be a flat percentage tax on Adjusted Gross Proceeds.
- Excise taxes were added to help balance the budget and should be returned to zero.
- We feel this is the same as the bingo excise tax - refer to comments on that.
- Something needs to change or there will be some gaming operations closing. Thus putting people out of work and potentially decreasing revenue to the state from gaming and increasing other state social service costs.
- Does not apply to our organization.
- We do not have pull tab gaming for our organization.
- I see no good reason for any tax totaling over 15% to go into the state rather than to be used for LOCAL charitable uses.
- No, should not be a profit center. Cover cost with fees to administer.
- It's too much.
- It beats the current sales tax rate and is NOT subject to local taxes. KEEP local option taxes away from this.



**6. If a change were made to consolidate the current taxes into a single taxable amount which of the following tax structures would you consider to be the most fair and appropriate?**

Flat Tax Based on Single Taxable Amount = 24 (59%)

Progressive tax based on periodic increase = 10 (24%)

Other = 7 (17%)

Skipped Question: = 7

**Comments (7):**

- Current process is good.
- Progressive tax is necessary. One that is lower for small gaming operations graduating not to exceed 20% in total taxation.
- Just cover Cost through fees.
- It's a charitable org. no tax or very little tax would be fair.
- Tax net profit, not the adjusted gross.
- 10% or less.
- A flat tax on proceeds after prizes that covers the states expenses for tax collection and enforcement.

## **Allowable Expenses**

**1. Does your organization consider the Allowable Expense Deduction, 51% of the first \$200,000 of Adjusted Gross Proceeds/45% on the amount over first \$200,000 per quarter, to be fair and appropriate?**

Yes = 23 (57.5%)

No = 17 (42.5%)

Skipped Question = 8

**Comments (12):**

- How many businesses can be run on 50% of income? That leaves no allowance for us to give our employees Benefits.
- Depends on the site. i.e. a pull tab machine site doesn't have the expenses of a blackjack site.
- Costs have risen a lot since that was established.
- The sites we operate are not high volume and are difficult to run under the 51%.
- Increases in minimum wage have made it virtually impossible to operate at that level of expense in 21 operations. Perhaps a different number for pull-tabs vs. 21 and other labor intensive games. Some of the changes to this have been based in tax rates being increased. Would much rather see new revenue than higher expense limits.
- For sites with lower Gross Proceeds this is a hard expense limitation to meet - almost impossible. For sites with higher Gross Proceeds or dispensing device machines only this percentage may be should be lower. If the intent of the rule is to insure that a reasonable percentage of gaming income is to be used for eligible uses it would be necessary to look at it on a site by site basis. This percentage has not changed in many years and all costs to operate a site have increased, such as cost of supplies, equipment and wages.
- Only organizations with significant funds have the ability to operate at small, low volume sites because the expenses percentage is too high
- Should eliminate the limit on expenses.
- If the gaming operation is very small with only one machine at one site the expenses are not going to change that much from that of an operation that has 3 machines at 3 sites if they are in close proximity. In small communities that is not often an option to add sites so those operations struggle or end up shutting down which is an unfair result of government control.
- Doesn't apply to us.
- Try running any other business on that %.
- If people are having a hard time figuring this one out and are over \$200,000, I would start the audit today. May want to consider inflation indexing the \$200k biannually (w/legislature).

**2. Does your organization consider the Allowable Expense Deduction, 2½% of the Gross Proceeds of Pull Tabs, to be fair and appropriate?**

Yes = 19 (53%)

No = 17 (47%)

Skipped Questions = 12

**Comments (7):**

- This and the next question on video surveillance just complicated the return with little net results.
- If we must pay the tax, then yes it should not only stay, but be matched to the entire amount of excise tax because we cannot effectively pass on the tax in price increases. Imagine selling pull tabs or bingo cards for \$1.03?
- It gives sites that have machines only which already have low labor costs an unnecessary increase in the allowable expense deduction.
- Duplication of taxes. Stick with one tax to cover the cost of gaming education & enforcement. The State shouldn't be making a profit at the expense of charities.
- Does not apply to our organization.
- When the number of deals is low our overhead goes up considerably.
- Dealers are charging this amount (Or close to it) or more when freight, gaming stamps, sales tax are considered (3% suggested).

**3. Does your organization consider the Allowable Expense Deduction, Additional allowable expense for Video surveillance, to be fair and appropriate?**

Yes = 31 (86%)

No = 5 (14%)

Skipped Question = 12

**Comments (4):**

- Considering the comments made previously. Video should include system equipment that covers the jar bar, cash, and safe areas. Seems silly to allow extra for 21 tables, but not jar bars, cashier stations, or count and safe areas, where most cash is handled and exchanged.
- This comment does not relate to this question - but we didn't find anywhere else to put general comments -We answered that the tax return is not difficult to fill out. However, we feel it is difficult is for the average lay person to understand it with all these different taxes and allowable expense deductions.
- Two organizations replied that this allowable expense was not applicable to them.

**4. Currently if an organization's total expenses exceeds the allowable expenses provided in 1, 2, and 3 above, then there is an additional allowable expense of 2% on the first \$200,000 of Adjusted Gross Proceeds per quarter. Does your organization consider this additional Allowable Expense Deduction to be fair and appropriate?**

Yes = 22 (56%)

No = 17 (44%)

Skipped Question = 9

**Comments (9):**

- Why only the first \$200,000?
- This only complicates it even further. The tax return is very difficult for people such as your board members and gaming managers to understand.
- Seems like a complicated addition to try and compensate for increased costs. It is helpful and does work, but should be reconsidered as a part of a new approach to taxes and expenses.
- Again this should be based type of site and should be available for all income levels not just up to \$200,000
- Complicates the tax form.

- The 2% could be higher.
- There needs to be a way that organizations who bring in less than \$75,000 in gross proceeds per quarter can still conduct charitable gaming in the small rural communities.
- Doesn't apply to us.
- Note for #5 & #6 -- if the organization is consistently using this section, they should be evaluating their operations and cutting sites/expenses. Our organization sees this section to be used when "Stuff happens" and not to be used on a regular basis.

**5. Would your organization support a single percentage expense allowance of Adjusted Gross Proceeds?**

Yes = 28 (72%)

No = 11 (28%)

Skipped Question= 9

**6. Would your organization still support a single percentage expense allowance even if it slightly decreased your allowable expense amount in some quarters if the entire process was simplified?**

Yes = 20 (51%)

No = 19 (49%)

Skipped Question = 9