

House Bill 1263: Relating to eligible uses for charitable gaming net proceeds

Senate Finance & Tax Committee
Monday, March 15, 2021
Testimony from Rep. Karla Rose Hanson

Madam Chair and members of the Senate Finance & Tax Committee,

House Bill 1263 addresses the problem that ND Century Code is silent on whether certain charitable organizations can spend their gaming proceeds on property taxes and specials.

First, some background on this topic:

Charitable organizations that raise money through charitable gaming are directed by law on how they can use that money. Every organization must spend at least 40% of their total adjusted gross income on charitable uses and the rest can be used for expenses like payroll, rent and utilities. Every organization must submit a quarterly tax return to the AG's gaming division to show how they've used their money.

Current law says that if you are a charitable organization that uses your facility exclusively for charitable purposes OR if you are a veteran organization, you may use your net proceeds (the 40%) toward property expenses. This is because the building itself helps fulfil their charitable purpose. For example, organizations like Saint Joseph School, the Grand Forks Curling Club or a community's American Legion that are permitted to run raffles or bingo are allowed by current law to use any of their gaming proceeds toward facility-related expenses like fixing their roof or adding a wheelchair ramp. These are known as "eligible uses".

The problem that HB 1263 strives to fix is that current law is silent on whether property taxes and specials are an eligible use. To date, this has been left to the AG's gaming division to decide. Because of this, veteran organizations reached out to me with their view that that property taxes and specials are an extension of their expenses related to maintaining the buildings that are used for charitable purposes, so we have an opportunity to make that explicitly clear.

HB 1263 does three things:

1. **It adds "property tax and specials" so that it is clear in statute what is allowed.** The purpose of the subsection in which this is listed says these facility-related expenses are NOT eligible uses of charitable dollars UNLESS you are an organization that uses your facility exclusively for a charitable use or you are a veteran organization. In other words, your local VFW, hockey club, school, etc. CAN use their charitable gaming dollars for these purposes.
2. **It makes some wording tweaks** recommended by Legislative Council, to make the subsection clearer, since it's an exception within an exception.
3. **It removes "personal property"** as an eligible use because this subsection is related to real property. Examples of personal property would be cars and chairs.

I ask that you give HB 1263 a do-pass recommendation. I'm happy to answer any questions.