

NEWS RELEASE

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Backus American Legion Post #368

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BACKUS LEGION CHARITABLE GAMBLING CONTRIBUTIONS TO CHARITIES AND GOVERNMENT TOTAL \$132,008 IN 2017, AN INCREASE OF 46% OVER THE PREVIOUS YEAR.

BACKUS, MN. – Continued improvement in the economy, strong paper pull-tab sales and the successful implementation of electronic pull-tabs boosted the Backus American Legion Charitable Gaming Partnership's donations to charities and taxes paid to government by \$41,745 in 2017, a 46 percent increase over the previous year.

However, high state taxes and regulatory fees on charitable gambling resulted in the Backus Legion for the first time joining an additional 200 charitable gaming organizations in the state last year that paid more in state taxes than they were able to donate to community and other charitable causes.

The post's gaming program, which consists of the Legion and its longtime affiliate, Willard's Saloon and Eatery, paid \$77,100 in state taxes, an increase of \$37,438 or 94 percent more than the \$39,662 assessed last year. Despite the steep increase in taxes on charitable gambling, one of the highest taxed industries in the state, the post was still able to increase its charitable donations by \$6,467, up 14 percent over the previous year. The more money charitable gambling operations make, the higher rate of state taxes they pay – which range up to 36 percent of net profits for a good share of state organizations.

A tax analysis by Allied Charities of Minnesota indicates for-profit business in the state would have only paid \$13 million in taxes the last fiscal year on the amount of gaming income earned by charities, while charitable gambling organizations paid \$51 million more than that or \$64 million.

Despite the heavy tax burden, Backus Legion Commander Eugene Gagnon and Gambling Manager Doug Tuchtenhagen were pleased with the increased revenues the post was able to donate to charitable causes. The Legion's gross net – the amount of revenue minus prizes but prior to payment of taxes, expenses and charitable donations increased from \$264,676 in 2016 to \$366,669 in 2017.

They also announced a new \$10,000 environmental, conservation and outdoor recreation scholarship program approved by the Legion membership this year for Backus area youth at the Deep Portage Conservation Reserve learning center northeast of Backus. And they pledged to continue the partnership's support to area organizations, reminding potential non-profit recipients they must submit requests for donations under state regulations to be eligible for contributions. Information on the Deep Portage program is available from the learning center and Pine River-Backus Schools.

Of the Legion partnership's 2017 contributions, education - including community based programs, 4H, scouting, after school sports and enrichment programs - received a substantial share or more than \$20,000 in funding, including 10 \$1,000 post-secondary scholarships for Pine River-Backus

school students. Distressed families and the disabled received \$5,346. City and other government organizations received \$8,295, including \$2,000 each to the Backus Fire and Emergency Medical Units which serve several area townships.

Nearly \$3,000 went to support active duty military personnel from the Backus area and a variety of veterans programs.

Backus and Hackensack community festivals and other community projects were given \$8,295, with another \$2,362 going to snowmobile trail maintenance.

Gambling Manager Tuchtenhagen said he was pleased with the successful introduction of electronic pull-tab tablets at Willard's. After a bumpy start after the Legislature authorized them in 2012, new technology has begun attracting more electronic players with electronic gaming increasing statewide by 122% or \$200 million the last fiscal year according to the State Gambling Control Board's Annual Report.

Paper pull-tab sales remain strong and together with the electronic games produced 93 percent of state gambling sales with the remainder coming from raffles, paddle wheels, tipboards and bingo. All forms of gaming were up last year, according to the SGCB and the industry recorded its seventh straight year of growth.

The Backus Legion is a multi-purpose – versus single purpose – charitable gaming organization, donating to a number of community and veterans programs. Twenty-seven percent of the state's licensed gaming charities are veterans organizations, 18 percent are fraternal groups and the remainder various single and multi-purpose non-profit entities.

While pleased with the \$1.7 billion sales statewide in charitable gambling the in the fiscal year ending last June, Al Lund, executive director of Allied Charities of Minnesota, which represents the industry, noted that of the \$206 million increase in gross sales – prior to payment of prizes, expenses and taxes - charities only netted \$1 million more for charitable donations. The state collected \$11 million more in taxes, netting it a total of \$64 million. Of the \$1.7 billion in sales by 1,145 licensed organizations operating at 2,765 sites, \$1.45 billion, or an average of 84 percent was paid back to customers in prizes. Out of the 16 cents remaining from each charitable gambling dollar, organizations paid expenses and taxes, leaving an average of 3.8 cents available to donate to charitable causes, a decrease from the previous fiscal year of 4.3 cents.

The industry has been unable to obtain tax relief from the Legislature and in 2012 was targeted by lawmakers to produce an additional \$348 million in revenue from the advent of electronic pull-tabs to help pay a major portion of the cost of the new Vikings stadium. As part of that legislation the charities sought and were given the right to sell sports-themed raffle or numbers boards, but the state Gambling Control Board refused to authorize them, contending sports betting is prohibited by a 1992 federal law which limits legal sports betting to only four states, including Nevada. That law is being challenged in the federal courts as discriminatory by additional states seeking to establish sports betting.

"Last year 300 of our organizations went 'upside down', meaning they paid more in taxes and fees than they were able to give to their communities and charitable missions," Lund said. That was an increase of 200 organizations from the previous year.

ACM's Lund urged charitable gambling organizations and the communities they benefit to ask their legislators to ease the tax burden "because if changes are not made at some point a majority of organizations will decide that the reward is no longer greater than the work and the risk."

(End)

(Sources: Backus American Legion gaming reports; Allied Charities of Minnesota; State Gambling Control Board)