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State of Minnesota
HOUSE OF REPRESENTATIVES

**EIGHTY-FIFTH
SESSION**

HOUSE FILE No. 271

January 22, 2007

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The bill was read for the first time and referred to the Committee on Commerce and Labor

1.1 A bill for an act
1.2 relating to gambling; modifying lawful purpose expenditures; amending
1.3 Minnesota Statutes 2006, section 349.12, subdivision 25.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. Minnesota Statutes 2006, section 349.12, subdivision 25, is amended to read:

1.6 Subd. 25. **Lawful purpose.** (a) "Lawful purpose" means one or more of the
1.7 following:

1.8 (1) any expenditure by or contribution to a 501(c)(3) or festival organization, as
1.9 defined in subdivision 15a, provided that the organization and expenditure or contribution
1.10 are in conformity with standards prescribed by the board under section 349.154, which
1.11 standards must apply to both types of organizations in the same manner and to the same
1.12 extent;

1.13 (2) a contribution to or expenditure for goods and services for an individual or
1.14 family suffering from poverty, homelessness, or disability, which is used to relieve the
1.15 effects of that suffering;

1.16 (3) a contribution to a program recognized by the Minnesota Department of Human
1.17 Services for the education, prevention, or treatment of problem gambling;

1.18 (4) a contribution to or expenditure on a public or private nonprofit educational
1.19 institution registered with or accredited by this state or any other state;

1.20 (5) a contribution to an individual, public or private nonprofit educational institution
1.21 registered with or accredited by this state or any other state, or to a scholarship fund of a
1.22 nonprofit organization whose primary mission is to award scholarships, for defraying the
1.23 cost of education to individuals where the funds are awarded through an open and fair
1.24 selection process;

2.1 (6) activities by an organization or a government entity which recognize military
2.2 service to the United States, the state of Minnesota, or a community, subject to rules
2.3 of the board, provided that the rules must not include mileage reimbursements in the
2.4 computation of the per diem reimbursement limit and must impose no aggregate annual
2.5 limit on the amount of reasonable and necessary expenditures made to support:

2.6 (i) members of a military marching or color guard unit for activities conducted
2.7 within the state;

2.8 (ii) members of an organization solely for services performed by the members at
2.9 funeral services;

2.10 (iii) members of military marching, color guard, or honor guard units may be
2.11 reimbursed for participating in color guard, honor guard, or marching unit events within
2.12 the state or states contiguous to Minnesota at a per participant rate of up to \$35 per diem; or

2.13 (iv) active military personnel and their immediate family members in need of
2.14 support services;

2.15 (7) recreational, community, and athletic facilities and activities intended primarily
2.16 for persons under age 21, provided that such facilities and activities do not discriminate on
2.17 the basis of gender and the organization complies with section 349.154;

2.18 (8) payment of local taxes authorized under this chapter, taxes imposed by the
2.19 United States on receipts from lawful gambling, the taxes imposed by section 297E.02,
2.20 subdivisions 1, 4, 5, and 6, and the tax imposed on unrelated business income by section
2.21 290.05, subdivision 3;

2.22 (9) payment of real estate taxes and assessments on permitted gambling premises
2.23 owned by the licensed organization paying the taxes, or wholly leased by a licensed
2.24 fraternal organization or a licensed veterans organization under a national charter
2.25 recognized under section 501(c)(19) of the Internal Revenue Code;

2.26 (10) a contribution to the United States, this state or any of its political subdivisions,
2.27 or any agency or instrumentality thereof other than a direct contribution to a law
2.28 enforcement or prosecutorial agency;

2.29 (11) a contribution to or expenditure by a nonprofit organization which is a church
2.30 or body of communicants gathered in common membership for mutual support and
2.31 edification in piety, worship, or religious observances;

2.32 (12) payment of the reasonable costs of an audit required in section 297E.06,
2.33 subdivision 4, provided the annual audit is filed in a timely manner with the Department of
2.34 Revenue and paid prior to June 30, 2006;

2.35 (13) a contribution to or expenditure on projects or activities approved by the
2.36 commissioner of natural resources for:

- 3.1 (i) wildlife management projects that benefit the public at large;
- 3.2 (ii) grant-in-aid trail maintenance and grooming established under sections 84.83
- 3.3 and 84.927, and other trails open to public use, including purchase or lease of equipment
- 3.4 for this purpose; and
- 3.5 (iii) supplies and materials for safety training and educational programs coordinated
- 3.6 by the Department of Natural Resources, including the Enforcement Division;
- 3.7 (14) conducting nutritional programs, food shelves, and congregate dining programs
- 3.8 primarily for persons who are age 62 or older or disabled;
- 3.9 (15) a contribution to a community arts organization, or an expenditure to sponsor
- 3.10 arts programs in the community, including but not limited to visual, literary, performing,
- 3.11 or musical arts;
- 3.12 (16) an expenditure by a licensed fraternal organization or a licensed veterans
- 3.13 organization for payment of water, fuel for heating, electricity, and sewer costs for a
- 3.14 building wholly owned or wholly leased by and used as the primary headquarters of the
- 3.15 licensed veterans organization or lodge of a fraternal organization;
- 3.16 (17) expenditure by a licensed veterans organization of up to \$5,000 in a calendar
- 3.17 year in net costs to the organization for meals and other membership events, limited to
- 3.18 members and spouses, held in recognition of military service. No more than \$5,000 can be
- 3.19 expended in total per calendar year under this clause by all licensed veterans organizations
- 3.20 sharing the same veterans post home;
- 3.21 (18) payment of fees authorized under this chapter imposed by the state of Minnesota
- 3.22 to conduct lawful gambling in Minnesota; or
- 3.23 (19) a contribution or expenditure to honor an individual's humanitarian service
- 3.24 as demonstrated through philanthropy or volunteerism to the United States, this state,
- 3.25 or local community.
- 3.26 (b) Notwithstanding paragraph (a), "lawful purpose" does not include:
- 3.27 (1) any expenditure made or incurred for the purpose of influencing the nomination
- 3.28 or election of a candidate for public office or for the purpose of promoting or defeating a
- 3.29 ballot question;
- 3.30 (2) any activity intended to influence an election or a governmental decision-making
- 3.31 process;
- 3.32 (3) the erection, acquisition, improvement, expansion, repair, or maintenance of real
- 3.33 property or capital assets owned or leased by an organization, unless the board has first
- 3.34 specifically authorized the expenditures after finding that (i) the real property or capital
- 3.35 assets will be used exclusively for one or more of the purposes in paragraph (a); (ii)
- 3.36 with respect to expenditures for repair or maintenance only, that the property is or will

4.1 be used extensively as a meeting place or event location by other nonprofit organizations
4.2 or community or service groups and that no rental fee is charged for the use; (iii) with
4.3 respect to expenditures, including a mortgage payment or other debt service payment,
4.4 for erection or acquisition only, that the erection or acquisition is necessary to replace
4.5 with a comparable building, a building owned by the organization and destroyed or
4.6 made uninhabitable by fire or catastrophe, provided that the expenditure may be only
4.7 for that part of the replacement cost not reimbursed by insurance; (iv) with respect to
4.8 expenditures, including a mortgage payment or other debt service payment, for erection or
4.9 acquisition only, that the erection or acquisition is necessary to replace with a comparable
4.10 building a building owned by the organization that was acquired from the organization by
4.11 eminent domain or sold by the organization to a purchaser that the organization reasonably
4.12 believed would otherwise have acquired the building by eminent domain, provided
4.13 that the expenditure may be only for that part of the replacement cost that exceeds the
4.14 compensation received by the organization for the building being replaced; or (v) with
4.15 respect to an expenditure to bring an existing building into compliance with the Americans
4.16 with Disabilities Act under item (ii), an organization has the option to apply the amount of
4.17 the board-approved expenditure to the erection or acquisition of a replacement building
4.18 that is in compliance with the Americans with Disabilities Act;

4.19 (4) an expenditure by an organization which is a contribution to a parent
4.20 organization, foundation, or affiliate of the contributing organization, if the parent
4.21 organization, foundation, or affiliate has provided to the contributing organization within
4.22 one year of the contribution any money, grants, property, or other thing of value;

4.23 (5) a contribution by a licensed organization to another licensed organization unless
4.24 the board has specifically authorized the contribution. The board must authorize such a
4.25 contribution when requested to do so by the contributing organization unless it makes an
4.26 affirmative finding that the contribution will not be used by the recipient organization for
4.27 one or more of the purposes in paragraph (a); or

4.28 (6) a contribution to a statutory or home rule charter city, county, or town by a
4.29 licensed organization with the knowledge that the governmental unit intends to use the
4.30 contribution for a pension or retirement fund.