

107TH CONGRESS }
2d Session }

COMMITTEE PRINT

{ WMCP:
107-7 }

SUBCOMMITTEE ON OVERSIGHT
OF THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

WRITTEN COMMENTS

ON

**H.R. 2237, EXPANDING THE EXEMPTION FROM UN-
RELATED TRADE OR BUSINESS INCOME FOR
CONDUCTING CERTAIN GAMES OF CHANCE**



JULY 26, 2002

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PRINTING OFFICE

81-192

WASHINGTON : 2002

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ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON OVERSIGHT

FOR IMMEDIATE RELEASE

June 24, 2002

No. OV-15

Contact: (202) 225-7601

Houghton Announces Request for Written Comments on H.R. 2237, Expanding the Exemption from Unrelated Trade or Business Income for Conducting Certain Games of Chance

Congressman Amo Houghton (R-NY), Chairman, Subcommittee on Oversight of the Committee on Ways and Means, today announced that the Subcommittee is requesting written public comments for the record from all parties interested on H.R. 2237, a bill to amend the Internal Revenue Code 1986 to provide that the conducting of certain games of chance shall not be treated as an unrelated trade or business, sponsored by Representative Jim Ramstad (R-MN).

BACKGROUND:

The Internal Revenue Code requires tax-exempt organizations to pay tax at corporate rates on income derived from an unrelated trade or business. In general, an unrelated trade or business is any trade or business that is not substantially related to the tax-exempt purpose that is the basis for the exemption from Federal income tax. Activities in which substantially all of the work is performed by volunteers are not, however, considered to be unrelated trade or business.

Section 513(f) of the Internal Revenue Code narrows the term “unrelated trade or business” by excluding any trade or business that consists of conducting bingo games.

Section 311(a) of P.L. 98-369 (as amended by P.L. 99-514) further excludes the conduct of State-regulated “games of chance” conducted by nonprofit organizations pursuant to a State law originally enacted on April 22, 1977. This provision applies only to nonprofit organizations regulated by the State of North Dakota.

The Subcommittee is seeking comments on the following questions related to H.R. 2237:

- Would it be appropriate to expand the exemption for bingo games to include “games of chance” conducted by nonprofit organizations that are regulated by States other than the State of North Dakota?
- How should the term “games of chance” be defined in this context?
- Should Congress consider other changes to the definition of unrelated trade or business contained in section 513 of the Code?

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit written comments for the record should send it electronically to *hearingclerks.waysandmeans@mail.house.gov*, along with a fax copy to (202) 225-2610, by close of business Friday, July 26, 2002. **Please Note:** Due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-packaged deliveries to all House Office Buildings.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. Due to the change in House mail policy, all statements and any accompanying exhibits for printing must be submitted electronically to, *hearingclerks.waysandmeans@mail.house.gov*, along with a fax copy to (202) 225-2610, in Word Perfect or MS Word format and MUST NOT exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. Any statements must include a list of all clients, persons, or organizations on whose behalf the witness appears. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at <http://waysandmeans.house.gov>.

Admiral Benson VFW Post 2818
Litchfield, Minnesota 55355
July 17, 2002

Honorable Amo Houghton
1111 Longworth House Office Bldg.
Washington, DC 20515

Dear Congressman Houghton,

On behalf of the Admiral Benson VFW Post 2818 Litchfield, Minnesota Membership (487 veterans) I would like you to know that our interest in H.R. 2237 is great. We believe that action must be taken as quickly as possible, this year, to prevent the IRS change in policy which would result in additional taxation of nonprofit organizations involved in charitable gambling in the future.

Non-profit charitable gambling donations support worthwhile activities in local communities. This support is vital, to small rural communities such as ours, and has a positive impact on our community quality of life.

We feel that it is right and proper for the UBIT exemption for bingo conducted by non-profit organizations be expanded to include all other legal "games of chance", such as pull-tabs, paddle-wheels, raffles, tipboards, etc. . . ., conducted by non-profits.

It is difficult for us to understand why the non-profit organizations in one state, North Dakota, are exempt from UBIT and licensed non-profit organizations in all other states are not. This surly can not be considered equal or fair treatment.

We appreciate this opportunity to provide our opinion on this important legislation and thank you for your support and hard work to ensure H.R. 2237 is passed into law this year.

Sincerely

Elmer Schlueter
Gambling Manager

Allied Charities of Minnesota, Inc.,
Roseville, Minnesota 55113-2177, and
Tax Exempt Law Office Of Eve Rose Borenstein, LLC
Minneapolis, Minnesota 55409
July 24, 2002

Honorable Amo Houghton, Chairman
Subcommittee on Oversight of the Committee on Ways and Means

Greetings to the Chair and Subcommittee Members! On behalf of Allied Charities of Minnesota, Inc., a trade association of organizations licensed to conduct “lawful gambling” under *Minnesota Statutes* Chapter 349, I am writing to submit comments on H.R. 2237, a bill to amend the Internal Revenue Code 1986 to provide an expansion of the types of “certain games of chance” (now only ‘bingo’) that will not be treated as an “unrelated trade or business”.

Allied Charities of Minnesota, Inc. (see address appended at end of these comments) is a Minnesota nonprofit corporation formed in 1987 which itself is recognized as tax-exempt under § 501(c)(6) of the Internal Revenue Code. Allied Charities has 1,050 active Members who are drawn from Minnesota’s ~1,500 licensed gambling operators. With only a handful or less of exceptions, its members (and the pool of licensed gambling operators operating under Minnesota law) *are* tax-exempt organizations under § 501(c). Allied Charities provides technical assistance, advocacy, and support of its Member organizations to the end of building a better educated and trained Membership. The ultimate goal of Allied Charities is to promote smoother functioning Member organizations, thus making it easier for them to raise funds through lawful gambling.

A. The Unrelated Business Income Tax Scheme

An unrelated business income tax (commonly called “UBIT”) was enacted by Congress in 1950 to level the playingfield between the taxable (typically, for-profit) and tax-exempt sectors. Under its scheme tax¹ is imposed in instances when it is established that a *tax-exempt organization*² has “regularly carried on”³ “any trade or businesses the conduct of which is not substantially related . . . to the exercise or performance by such organization of . . . purpose or function constituting the basis for its exemption under section 501”.⁴

B. Expansion of UBIT’s Reach in 1969 Brought Concomitant ‘Bingo Exception’

When the reach of UBIT was expanded to all 501(c) tax-exempt entities in 1969, Congress excepted “certain bingo games” from inclusion in § 513(a)’s definition of “unrelated trade or business” via adoption of Code § 513(f). It appears that Congress did so to avoid burdening the tax-exempt sector and the federal administrator of tax laws (i.e., the Internal Revenue Service) with the need to prepare and process, respectively, tens of thousand of UBIT tax returns that would, as a result of this law change, be required from tax-exempt entities regularly carrying on bingo events that in the IRS’ eyes were ‘unrelated’.⁵

¹ At corporate income tax rates per 26 U.S.C. (herein referred to as the “Internal Revenue Code”, or “Code”) section 511(a)(1).

² The tax initially only applied to Code section (hereinafter, “§”) 501(c)(3) charities and governmental colleges or universities. In 1969 it was expanded to reach all § 501(c) entities.

³ Per § 512(a)(1).

⁴ Per § 513(a).

⁵ The Internal Revenue Service has consistently found (and the Courts have uphold) in most instances that gaming operations are going to meet the definition of *unrelated trades or businesses* as they do not achieve § 513(a)’s standard of being “substantially related . . . to the exercise or performance by such organization of . . . purpose or function constituting the basis for its exemption under section 501”. To this point note that the IRS consistently has treated as unrelated trade or business receipts gross revenues received from the following operational sales of gaming chances *sold to*:

- **congregants** of religious organizations or churches exempt under § 501(c)(3) (unrelated as there is apparently no religious purpose to gambling!); **almost all segments of the public** other than served-charitable constituencies by § 501(c)(3) entities in general [see e.g., *Women in the Motion Picture Industry et al v. Comm’r*, T.C. Memo. 1997-518; one of the litigants there was the § 501(c)(3)-recognized Waldorf School Association of Texas, Inc.]
- **nonmembers** of the sub-sector of organizations whose exemption is predicated on serving recreational and other needs of Members (e.g., fraternal organizations exempt under either § 501(c)(8) or (10)) as well as the sub-sector of veterans organizations exempt under § 501(c)(4) or (19) [re the former category, see *Julius M. Israel Lodge of B’nai B’rith No. 2113 v. Comm’r*, 78 AFTR2d Par. 96-5482 (Fifth Circuit, 1996), affirming T.C. Memo. 1995-439.]

Continued

It is important to note that section 513(f) manifestly operates to keep the playingfield level between the commercial and exempt sectors through its continuation of the UBIT scheme's negation of unfair competition (or unlawful!) opportunities in the exempt sector: Code section 513(f) is only available for the conduct of bingo games that are "not an activity ordinarily carried out on a commercial basis" and are done so in a way "which does not violate any State or local law".⁶

C. The Growth of "Unrelated" Exempt Organization Gaming Operations Leads to a Half-Decade of Taxpayer Uncertainty re Unrelated Business Income Tax Reporting Under IRS' Increased Examination Function

By 1989, many States had enacted non-profit gambling statutes which permitted not only bingo card sales as permitted gaming but also sales of chances in non-bingo games (e.g., pull-tabs). Such State legislation was typically availed as a mechanism to prevent the commercialization of gaming⁷ while providing a pool of dollars dedicated toward the support of non-profit/exempt organization services.

The IRS, in auditing the revenue streams of tax-exempt organizations in these States who regularly conducted (within the meaning of Code §512(a)(1)) such games, found more questions than answers, at least initially, in attempting to consistently treat these games' operations as taxable under the UBIT-scheme.⁸ By the end of calendar 1990, more than 40 Technical Advice requests had been sent from the field to the IRS' National Offices asking for guidance as to both the applicability of UBIT to non-bingo games and, assuming applicability, how to compute (i.e., what expenses should be allowed as deductions) taxable income generated by these games' operations. The vast majority of these requests came out of exempt organization audits on licensed nonprofit organizations selling non-bingo chances in the two States, Minnesota and Washington, who were home to the highest volume of exempt organization/non-profit pull-tab sales in the nation (by 1989 ~2,000 licensed nonprofits in Minnesota garnered just under one billion dollars of pull-tab sales revenue, a number which has remained relatively constant since then).

The IRS publicly acknowledged its internal confusion re tax application and taxable income calculation methodologies on May 16, 1990 when it placed these issues under a "suspense" (pursuant to a then-effective Internal Revenue Manual procedure which requires examination agents to hold taxation issues aside). Resolution of the issues held in abeyance was expected to come in the form of a Revenue Ruling. However, formal resolution never came in the form of a Revenue Ruling; indeed, no Technical Advice was released on these issues (keeping more than 500 audited taxpayers in "suspense") over the course of the next 4+ years! Finally, in January 1995, then-Assistant IRS Commissioner for Exempt Organizations/Exempt Plans James McGovern terminated the suspense through administrative fiat. In a writing directed to the field, McGovern directed examining agents of gaming operators to apply non-gaming UBIT principles in determining what portion of gaming operations (if any) would be held to be "substantially related" under §513(f) and to allow State-law mandated payments (commonly called in State statutes "lawful contributions") as a dollar-for-dollar offsetting Code section 162 expenses in calculating bottom-line taxable income from these operations. Although McGovern's writing is technically not precedential guidance nor certified IRS posture, his now-legendary memorandum (commonly referred to as the "*McGovern memo*") provides the principles the exempt organization sector has relied upon since the spring 1995.

D. Current Application of UBIT Principles to UBIT-Tax Reporting and Assessment Requires Almost All Exempt Organization Sellers of Gaming Chances to Report Revenues There from as UBIT Receipts

From spring/summer 1995 forward (i.e., after the McGovern memo), the IRS' Exempt Organization examination agents have applied basic UBIT principles to test-

- **community members** attending events of the sub-sector serving social welfare purposes (unless the event itself is part meets a community need) undertaken by §501(c)(4) organizations (e.g., Jaycees or Kiwanis Clubs) or events of the business league/trade association/chamber of commerce sub-sector (unless the event itself accomplishes the purpose of promoting businesses) exempt under §501(c)(6) [re the latter category of exempt entities, see *Smith-Dodd Businessman's Ass'n., Inc. v. Comm.*, 65 T.C. 620 (1975).]

⁶ Per §513(f)(2)(B) and §513(f)(2)(C), respectively

⁷ For example, the goal of "prevent[ing] commercialization" of gambling has been expressly stated since 1984 (the year before pull-tabs were authorized as a permitted game of chance when conducted by licensed non-profits) in Minnesota's "Lawful Gambling" legislation, *Minnesota Statutes* Chapter 349. Therein, section 349.11 (2001) states: The purpose of sections 349.11 to 349.22 is to regulate lawful gambling to prevent its commercialization, to insure integrity of operations, and to provide for the use of net profits only for lawful purposes.

⁸ See footnote 5 for examples of how the bulk of regularly carried on exempt organization gaming operations, when conducted with the public, are characterizable as "unrelated".

ing the quality of relationship an exempt entity's non-bingo gaming trade/business operations holds to actual accomplishment (aside from raising money) of the organization's overall exempt functions and results. Not surprisingly, given that State-sanctioned nonprofit gaming operations are typically undertaken as a fundraising methodology that allows gaming chances to be sold to the public, capturing dollars to go to the authorizing State's enacted "charitable" result priorities (and thus normally devoid of connection to any one organization's specific exempt mission, particularly when the organization is itself *not* a charity), it is almost always the case that such activities are found subject to UBIT-taxation.⁹

In the list that follows, we have summarized the IRS' consistent results regarding the outcomes exempt taxpayers on audit (or via other review of Form 990-T filings) can expect regarding characterization of all (or some) of their gaming revenues to be subject to UBIT. The list demonstrates that no appreciable sub-segment of the exempt organizations universe can regularly conduct gaming operations—in spite of being expressly allowed by State licensure or similar authorization—**without UBIT consequences**.¹⁰ Here are how the common sub-sectors of taxpayers exempt under § 501(c)¹¹ who conduct State-authorized non-bingo gaming will have those gaming revenues mandated to be reported under the UBIT scheme:

- The charitable community (i.e., § 501(c)(3) organizations, a class which includes churches). Their non-bingo gaming revenues will be subject to UBIT in all cases where the actual conduct of the games cannot be shown to either be "instructive/educational" or "religious" (and the undersigned is not aware of any instance in which they have been so found!), or part of providing social support to individuals in a charitable constituency (e.g., gaming at a service center serving disabled seniors). The volunteer labor and/or qualified public entertainment exceptions (with respect to educational expositions) might also apply (i.e., when conducted within the § 513(a)(1) or § 513(d) exceptions, respectively.)
- Community benefit/social welfare organizations and local associations of employees (i.e., § 501(c)(4) organizations such as the Jaycees and the Lions). Their non-bingo gaming revenues are subject to UBIT *except to the extent that* revenues are generated through sales to Members/constituents if and when recreating or bonding such Members/constituents is part of the organization's exempt mission (as it would be, for example, with a veteran's organization holding § 501(c)(4) status, or with groups providing support to disadvantaged classes), or when conducted within the § 513(a)(1) or § 513(d) exceptions noted earlier.
- Horticultural organizations (i.e., exempt entities qualified under § 501(c)(5), such as county agricultural societies) are subject to UBIT upon their non-bingo gaming revenues unless conducted within the § 513(a)(1) or § 513(d) exceptions.
- Business leagues, trade associations, chambers of commerce (i.e., § 501(c)(6) organizations). Their non-bingo gaming revenues are subject to UBIT (unless conducted within the § 513(a)(1) volunteer labor exception) to the extent that such sales cannot be shown to casually be linked to outcomes improving one or more lines of business.

⁹There is the potential that a taxpayer's gaming operations will fit into exceptions from UBIT that are available through the various statutory bases that allow activities to fall outside of § 513(a)'s definition of "unrelated trade or business" characterization. In addition to the exception for certain bingo games pursuant to § 513(f), the three other exceptions are:

Exception No. 1: Operations undertaken substantially all by volunteers (pursuant to § 513(a)(1)).

Exception No. 2: An "entertainment or recreational activity of a kind traditionally conducted at" certain agricultural or educational fairs or expositions (and only applied to taxpayers exempt under § 501(c)(3), § 501(c)(4), or § 501(c)(5)) (pursuant to § 513(d)).

Exception No. 3: Operations undertaken under North Dakota law after October 22, 1986 (pursuant to section 311 of the Deficit Reduction Act 1984, as later amended).

¹⁰Unless the entirety of their sales to *fully* fit into the bingo/volunteer labor/North Dakota/certain public-agricultural-or-educational-exposition-activities exceptions enumerated at footnote 9. Thus it is only pure bingo operations, pure volunteer labor operations, and North Dakota-site activities that might only need consult a tax practitioner once to know they *need not* file a Form 990-T to self-assess UBIT liability from their gaming operations!

¹¹The list which follows ignores the existence of social clubs described in § 501(c)(7). These organizations' exempt function includes providing social or recreational activities for Members and their guests. However, since all their revenues from *non*-members are subjected to unrelated business income tax under the unrelated business taxable income calculation imposed upon § 501(c)(7) entities pursuant to § 512(a)(3), it is irrelevant whether the "substantial relationship" standard is met when these organizations conduct gaming operations.

- Fraternal beneficiary societies or domestic fraternal societies (i.e., § 501(c)(8) or (10) organizations, respectively), and veterans' organizations (i.e., § 501(c)(19) organizations) are subject to UBIT upon their non-bingo gaming revenues (unless conducted within the § 513(a)(1) volunteer labor exception) *except to the extent* the revenues are generated through sales to Members as part of providing social or recreational activities for members and their bona fide guests.

E. Resultant Form 990-T Reporting is Cumbersome, Expensive, and Not Building Treasury's Coffers

As illustrated above, the reporting of non-bingo gaming revenues by exempt organizations as unrelated business income receipts is almost always mandated. Such reporting obligates taxpayers to complete Form 990-T (to the extent gross receipts for the reporting year are greater than \$1,000) and calculate and self-assess unrelated business income taxes upon that Form. The latter tasks requires appropriate ascertainment of allowable expenses against such revenue. But here a quagmire exists, and some background is necessary.

Background Re What Related Expenses Are Deductible

In line with the Tax Court's decision in 1986, *South End Italian Independent Club, Inc. v. Comm'r*, 87 T.C. No. 11, the exempt community has asserted that the pay-out from gaming gross revenues of net proceeds to charities or other recipients given priority for such receipts¹² should constitute deductible expenses. Thus, those pay-outs, to the extent attributable to gross revenues subject to unrelated business income tax, would reduce the taxable income calculation in accord with the deductibility of "ordinary and necessary business expenses" allowed under Code section 162. That seemingly reasonable posture did not find a friend at the IRS. The agency instead took a position, which ultimately was rejected by the Tax Court in both *South End Italian Independent Club, Inc. v. Comm'r* and *Women in the Motion Picture Industry et al v. Comm'r*, T.C. Memo. 1997-518 (1997), that it was only amounts expended by exempt organizations from their gaming proceeds to § 501(c)(3) qualified charities and the government for public purposes that would be deductible, and then that such deductibility would only be permitted as *charitable contributions* in compliance with Code sections 170(c)(1) and (2)!¹³

It is important to note that the January 1995 "*McGovern memo*" (discussed supra at section C, at page 4) directed IRS' exempt organization field agents to follow the Court's holding in *South End Italian Independent Club, Inc.*, thus providing for Code section 162 dollar-for-dollar expensing (rather than section 170(c) limited "charitable contributions" deductibility) of State-defined-"charitable" disbursements from gaming operations. However, the litigation leading to the 1997 *Women in the Motion Picture Industry* holding demonstrates the fragility of the IRS' administrative position in two ways that have continued to burden Form 990-T filers:

first, the government in *Women in the Motion Picture Industry* challenged the position that exempt organizations had asserted under relevant State law (Texas) that their State-law-defined-charitable-payouts were in fact mandatory (the State statute set a pay-out threshold annually at 35% and the IRS argued that amounts paid-out above those thresholds were thus voluntary and not § 162 deductible—the Court disagreed)

second, the government in *Women in the Motion Picture Industry* convinced the Court that § 501(c)(3) charitable gaming operators, permitted under relevant State law to make charitable-payouts to their own non-gaming accounts (instead of to third parties), could not take § 162 deductions for such payouts without establishing that they had during the same year actually expended such amounts completely outside of the organization's coffers. The practical result of that seemingly logical holding is that § 501(c)(3) gaming operators are now singularly disadvantaged in computing their Form 990-T tax calculations: for every dollar from gaming they would spend on their own programming (versus a non-§ 501(c)(3) gaming operator who might make a payment to a § 501(c)(3)-qualified charity), they must demonstrate did *not* go to a depreciable asset or to reserves carried over to the following years. Such dem-

¹²In Minnesota, such contributions must be made either to certain § 501(c)(3) organizations or to those on a list of approved non-501(c)(3) recipients. In the latter category are youth sports programs and programs recognizing veterans' service to our country and promoting patriotism.

¹³Those charitable contributions provisions limit the amount of deductions to which corporations are entitled: to an annual cap of 10% of pre-contribution taxable income. Thus, corporations making such contributions must still pay taxes on no less than 90% of their otherwise-taxable income!

onstration is imprecise at best under current accounting standards for non-profits, and the evaluation of documentation to such ends is certainly outside the realm of most IRS field examiners' experience who bring their own subjective standards to bear!

Difficult Allocations Are Almost Always Required

Even ignoring the questions concerning to what extent charitable-payouts are deductible (and the concomitant § 501(c)(3) question of how to establish a current year payout exists!), a myriad of allocations are required to properly complete Form 990-T. The Internal Revenue Service's 1996 internal manual added over a dozen pages to illustrate how agents might calculate Form 990-T results for exempt organization gaming operations. Exhibit (22)00-1 from IRM 7(10)69, pages 197-201 (Illustration of Expense Allocations Where Organization Has Taxable Gambling Income, issued 10-25-96) directs agents in ascertaining "reasonable" allocation for direct and indirect expenses *when allocations are required*. Such allocations are almost always the norm, being generated when either an organization has bingo sales (excepted from 990-T reporting) and non-bingo sales, or in addition to that circumstance, is incurring staff and facilities costs covering both exempt functions and UBIT-taxable gaming functions (e.g., when a bookkeeper prepares financial statements covering the organization's entire operations, including gaming). The "science" here is non-existence, and ripe for dispute on audit. . . .

Appropriate Tax Planning and Reporting Currently and Historically Negates Bottom-line Tax Liability

With the years of scrutiny practitioners have had in evaluating the IRS' progress on these issues, the "state of the art" in properly having gaming operators self-report and self-assess UBIT from the portion of their gaming revenue streams that definitionally fail the "substantially related" standard of § 513(a) and lack circumstances fitting within any of the statutory exceptions is as follows:

1. Start the fastest statute of limitations each year by timely filing and reporting revenues from gaming operations on a Form 990-T.
- 2a. Hire a knowledgeable tax practitioner to support the organization's determination of required allocations to segregate only the appropriate portion of deductions against UBIT-taxable revenue streams.
- 2b. Make by year-end so-called 'lawful purpose'/charitable expenditures' payouts (i.e., those in accord with State law from otherwise net gaming proceeds) in an amount sufficient to "wash" down to zero (after all other activity expenses are taken) the organization's net taxable income in accord with the two Tax Court holdings allowing such expenditures to be taken as § 162 deductions: *South End Italian Independent Club, Inc. v. Comm'r*, 87 T.C. No. 11 (1986) and *Women in the Motion Picture Industry et al v. Comm'r*, T.C. Memo. 1997-518 (1997).
3. Pay \$-0—in UBIT tax and hope that neither of the above-cited cases are ever disputed by the IRS.

F. Expansion of Current Code section 513(f) to Embrace Other Games of Chance Beyond Bingo is Appropriate Public Policy

As drafted, H.R. 2237 will expand the existing coverage of Code section 513(f)(1) which now only covers "bingo games" (a term defined in three parts—section 513(f)(2)(A) specifically denotes what is meant by "bingo" (and the Regulations thereunder expand same); thereafter, sections 513(f)(2)(B) and 513(f)(2)(C) add on further "qualifications", which are discussed below) to include—in addition to such games—"qualified games of chance". The definition of that latter phrase, as proposed in H.R. 2237, would be situated under new sub-section 513(f)(3), which does no more than narrowly continue the existing "qualifications" that bingo games must meet (i.e., bingo games must meet the two qualifications that the conducting of them be *an activity ordinarily carried out on a commercial basis AND not violate any State or local law.*)

The two proposed "qualification" provisions (i.e., now-proposed sections 513(f)(3)(A) and 513(f)(3)(B)) for additional modes of games beyond bingo is designed to ensure that the expansion of 513(f) does no more than allow the *other forms of gaming that the States have solely reserved to nonprofit/exempt organization fundraising to be afforded the same exception from UBIT that bingo now enjoys*. Proposed 513(f)(3)(C) is identical to the qualification bingo games now must meet (i.e., requiring that the games' conduct not violate any State or local law). But proposed section 513(f)(3)(B) goes the existing bingo qualification requirement one better—it moves beyond 513(f)(2)(B)'s requirement that the game *not [be] an activity ordinarily carried out on a commercial basis* to instead set a standard that effectively only allows

the exception to games when it is “ONLY organizations which are . . . nonprofit corporations or are exempt from tax under section 501(a) [that] may be licensed to conduct such game within the State” (emphases added). This narrowing of the requirement for additional modes of games of chance will effectively embrace UBIT exception to exempt organizations who conduct sales of pull-tabs, paddlewheel and tipboard chances, video gaming, and the like, under licensure through jurisdictions that *only allow nonprofit and/or exempt organizations to so conduct such activities*.

And finally, given the huge burden the Form 990-T self-reporting, self-assessment requirement has imposed upon those in the exempt sector who conduct non-bingo games of chance under appropriate State statutes, adoption of the now-proposed amendments to 513(f) would keep the tax laws simpler, more understandable, and allow easier administration. It would also end the “pork barrel” dichotomy that (since 1986) has benefited organizations in North Dakota while leaving taxpayers conducting activities in the other 49 States wondering how to get their own “off-Code” exception!

For all the reasons alluded to in the preceding portions of this missive that explicate the reality of UBIT-taxation on non-bingo gaming activities, we respectfully urge the Subcommittee to favorably recommend H.R. 2237 as a lean, well-defined correction to the Code’s current UBIT foibles.

If we can provide you with any additional information or assistance in this matter, please call the undersigned, Eve Borenstein, at 612.822.2677. Thank you for consideration of these comments.

Respectfully submitted,

Eve Borenstein

Tax Counsel, Allied Charities of Minnesota, Inc.

American Legion Auxiliary Unit 225
Forest Lake, Minnesota 55025

Honorable Amo Houghton
1111 Longworth House Office Building
Washington, DC 20513

Dear Congressman Houghton, I am a Member of the American Legion Auxiliary in Forest Lake Minnesota and its gambling manager. Our organization is very active in the community supporting the schools, needy children and veterans programs, among other things. We use the income from our gambling sites, including bingo, to support these programs.

I understand you are working with HR 2237. I would like you to know, on behalf of the more than 250 Auxiliary Members and the 650 Legion Members that passage of HR 2237 is very important to us. We urge you to do everything in your power to assure passage of this law.

We need action now to ensure that the IRS doesn’t change its policy and begin taxing licensed nonprofit organizations involved in charitable gambling now or in the future.

We strongly believe that the UBIT exemption for Bingo be expanded to include other forms of gambling such as pull-tabs, raffles and the like.

We believe it is unfair that non-profits in North Dakota are exempted from UBIT while the rest of the non-profits in other states are not exempt.

Thank you for lending us your ear in this matter. Please advise of any way our group might assist in the passage of this law. We would be happy to contact other representatives if you feel that would be helpful.

Sincerely,

Nancy Immel

American Legion Post 314
Winthrop, Minnesota 55396
July 26, 2002

Honorable Amo Houghton
1111 Longworth House Office Building
Washington, DC 20515

Congressman Houghton

We encourage you to help in the passing of H.R. 2237, as it is important to the American Legion organization. The American Legion Membership consists of many wartime Members totaling 2.8 million people nationwide.

The American Legion supports Children and Youth programs, Legion baseball, Boy Scouts of America, Girl Scouts, needy families in local communities, and also

gives out Scholarships to young graduates to help them in their education. The list could go on and on in ways the Legion helps others people.

It is important that the IRS NOT tax non-profit organizations, such as the American Legion, which are involved in charitable gambling so we may continue to support these organizations in the future.

The American Legion would appreciate your support of H.R. 2237 and your work to ensure that this important legislation is passed and becomes law in 2002.

Thank you for the opportunity to provide written comments concerning this important issue.

Sincerely

Lawrence Conklin
Member

Church of the Holy Trinity
Winsted, Minnesota 55395
July 22, 2002

Honorable Amo Houghton
Longworth House Office Building
Washington DC 20515

Dear Congressman Houghton,

I am the gambling manager for a small community in Winsted, MN, and I have just found out about H.R. 2237. I'm writing today to ask you to please help this bill become law. We have about 1000 Members at Holy Trinity Parish, and we work very hard to keep out K-12 Catholic school going. One of our means of raising funds is through charitable gambling. As you know, we pay a lot of tax on this charitable gambling, and that's why it is so important to us the H.R. 2237 is passed. We need your help to make sure the IRS doesn't change its policy and begin taxing licensed nonprofit organizations that are involved in charitable gambling.

I agree that bingo should be exempt from UBIT tax, but I also think that the exemption should carryover to other forms of charitable gambling such as pulltabs, raffles and paddlewheels is conducted by licensed, nonprofit organizations such as ours.

I think it is unfair that nonprofit organizations that are involved in charitable gambling in North Dakota, for example, are exempted from UBIT tax, but our organization in Minnesota has to pay it. Why can't all charitable organizations in all states be exempt? I think it is discriminatory.

I respectfully request that you support H.R.2237 and do whatever you can to ensure that this important bill be passed into law in 2002. Thank you for your time.

Sincerely,

Elaine M. Kahle
Gambling Manager

Clearbrook Community Club
Clearbrook, Minnesota 56634-0217
August 6, 2002

Honorable Amo Houghton
1111 Longworth House Office Building
Washington, DC 20515

Dear Congressman Houghton,

The Membership of the Clearbrook Community Club is happy to hear that legislation may soon be enacted that will exempt all forms of charitable gambling in Minnesota from federal UBIT taxation. This exemption would put Minnesota on equal footing with our neighboring state of North Dakota.

Enforcement of the existing UBIT regulations would cost our club (and Community) about \$20,000.00, 1/3 of our annual donations back into the Community.

Thank you for your support and efforts related to passing H.R. 2237 in 2002.

Sincerely,

Jim Granley
Gambling Manager

Cottage Grove Athletic Association
Cottage Grove, Minnesota 55016

Honorable Amo Houghton
1111 Longworth House Office Building
Washington, DC

Dear Congressman Houghton

I need to let you know the H.R. 2237 is important to me and my organization the Cottage Grove Athletic Association. Our organization supplies youth athletics opportunities to over 6,000 youth in our community. We need action now this year to ensure that the IRS doesn't change its policy and start taxing licensed non-profit organizations involved in charitable gambling in the future. My organization and I strongly support HR 2237.

I feel it is definitely appropriate that UBIT exemption for bingo conducted by licensed non-profit should be expanded to include other "games of chance" such as pull-tabs, paddlewheels, raffles, tip boards, and so forth. It is very UNFAIR that non-profit involved in charitable in one state, North Dakota, are exempt from UBIT, and that licensed non-profits in all other states doing similar activities are not.

I would appreciate your support of HR2237 and working to ensure that this important legislation be passed into law in 2002. I would like to thank you for the opportunity to provide written comments.

Sincerely

Albert D. Boche, Jr.

Hamel Lions Club
Hamel, Minnesota 55340
July 18, 2002

Honorable Amo Houghton
1111 Longworth House Office Building
Washington, DC 20515

Dear Congressman Houghton,

I am writing to let you know that passing the H.R. 2237 bill is very important to the charitable gambling operation of the Hamel Lions Club of Hamel, Minnesota. This would allow the conducting of our pull-tab operation to be treated as an unrelated trade or business, and include pull-tabs as a "game of chance".

Our organization is able to do many great things in contributions to our community: developing parks, assisting handicapped and disabled, fire department equipment, children's programs, deaf, blind and diabetic programs, and aid to the poor to name only a few. Paying UBIT of 15-34% greatly effect the amount of money the Hamel Lions Club is able to contribute back to the community. Our growing organization has 52 Members who all work very hard for our community's programs.

Our club feels it is very appropriate that UBIT exemption for bingo conducted by licensed non-profits should be expanded to include other "games of chance" such as pull-tabs, paddlewheels, raffles, tip-boards, and so forth. We also feel it is very unfair that non-profit organizations involved in charitable gambling in one state (ND), are exempted from UBIT, and that licensed non-profits in all other states doing similar activities are not.

We would greatly appreciate your support of H.R. 2237 and working to ensure that this important legislation be passed into law in 2002.

Thank you for the opportunity to provide our written comments on this matter, it just takes more away from what we try to give back to our communities.

Sincerely,

Lil Jungels
President

Hebert-Kennedy Post 3979 VFW
Cloquet, Minnesota 55720

Honorable Amo Houghton
1111 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Houghton:

We would like you to know that H.R.2237 is important to Hebert-Kennedy Post 3979 VFW in Cloquet, Minnesota with over 500 Members. We need action this year of 2002 so that the IRS does not change its policy and start taxing licensed non-profit organizations involved in charitable gambling in the future.

It is appropriate that UBIT exemptions for bingo conducted by licensed non profits should be expanded to include" games of chance" such as pull tabs, paddlewheels, raffles, tipboards, and so forth.

It is unfair that non profits involved in charitable gambling in North Dakota are exempted from UBIT and that licensed non-profits in all other states doing similar activities are not.

We certainly appreciate your efforts on behalf of H.R. 2237 to insure that this piece of important legislation by passed into law in 2002.

Thank you for the chance to provide written comments. We appreciate what you are doing.

Sincerely,

Louie Hubbell
Commander

Light Brigade, Inc.
Roseville, Minnesota 55113
July 22, 2002

Honorable Amo Houghton
1111 Longworth House Office Building
Washington, DC 20515

Dear Congressman Houghton,

Thank you for supporting and advancing H.R. 2237, a bill to amend the Internal Revenue Code 1986 to provide that the conducting of certain games of chance shall not be treated as an unrelated trade or business, sponsored by Representative Jim Ramstad (R-MN).

The Light Brigade, Inc is a Minnesota regulated non-profit charity that has raised over \$2.8 Million in the past 12 years to support our local school district (Mounds View School District 621) and the surrounding area (Roseville, Arden Hills, Mounds View & New Brighton). Our organization touches over 12,000 families by supporting education programs, athletics and youth programs in our area.

We need action as soon as possible to ensure the IRS doesn't change its policy and start taxing licensed nonprofit organizations involved in charitable gambling in the future. It is definitely appropriate that UBIT exemption for bingo conducted by licensed non-profits should be expanded to include other "games of chance" such as pull-tabs, paddlewheels, raffles, tipboards, and so forth.

We sincerely appreciate your support of H.R. 2237 and our local school families and city citizens will thank you for preserving a great community self-help program, the Light Brigade, Inc.

Respectfully

Donald Hewitt
Vice President and Gambling Manager

Merrick, Inc.
Maplewood, Minnesota 55109
15 July 2002

Honorable Amo Houghton
1111 Longworth House Office Building
Washington, DC 20515

Dear Congressman Houghton:

On behalf of Merrick, Inc., I am submitting written comments for the record on H.R. 2237.

Merrick, Inc., is a private, non-profit 501(c)(3) charitable corporation licensed by the Minnesota Department of Human Services as a Day Training & Habilitation (DT&H) provider. Established in 1964, we began by serving 15 young adults who lived at home and needed services beyond what the public schools were capable of providing. From this we have expanded our service to nearly 300 people, employing 110 professional staff, maintaining a fleet of 45 vehicles, and developing job sites with over 60 businesses in the Minneapolis and St. Paul area. Most of the clients at Merrick have a primary diagnosis of mental retardation (approximately 48%, 25%, 19%, and 8% in the mild, moderate, severe, and profound range of retardation respectively) and range from 21 to 72 years of age with approximately 60% men and 40% women in the program. A number of the clients are non-ambulatory, hearing impaired/deaf, sight impaired/blind, do not communicate verbally, or have special dietary concerns (i.e. G-Tubes, dietary restrictions, modified diets, and so forth.). In

addition, many clients have secondary diagnoses that include autism, cerebral palsy, seizure disorders, and other related conditions.

We currently operate three (3) charitable gambling sites that offer games of chance that include pull-tabs, paddlewheels, raffles, and tip boards. The proceeds from our charitable gambling operations are used to fund client services such as self-advocacy groups, supplemental transportation, communication programs, volunteer activities, unpaid service days, and multiple social events. Any loss in these proceeds directly effect client services. That is why we strongly support H.R. 2237 and respectfully request your leadership in passing this important legislation.

Thank you for the opportunity to provide written comments.

Sincerely,

John Wayne Barker
Chief Executive Officer

Minneapolis Jaycees Charitable Foundation
Minneapolis, Minnesota 55404
July 15, 2002

Honorable Amo Houghton
1111 Longworth House Office Building
Washington, DC 20515

Dear Congressman Houghton:

I would like to let you know our organizations strong support for H.R. 2237. The Minneapolis Jaycees Charitable Foundation represents over 4,750 current and past Members of the Minneapolis Junior Chamber by providing funding for community development programs that directly impact inner city youth.

We believe the potential exists for the IRS to change its current policy and begin to tax state licensed non-profit organizations involved in lawful, charitable, gambling without the just protection afforded by H.R. 2237. We also believe strongly that local civic and charitable organizations are best suited and prepared to swiftly and efficiently address needs within their own communities, for which these funds are earned.

While Bingo and North Dakota non-profit groups have received special exemption from Unrelated Business Income Tax (UBIT), it is time to apply "equal protection" to all non-profits engaged in this activity that helps our communities so much.

We thank you sincerely for the opportunity to provide written comments on this vital issue. We would also ask for your personal support of H.R. 2237 as this process unfolds.

Respectfully yours,

William C. Steele
Executive Director

Minnesota Youth Athletic Services
Columbia Heights, Minnesota 55421

Dear Chairman Houghton and Committee,

I am writing you today to urge the passage of H.R. 2237. Our organization, the Minnesota Youth Athletic Services, is a 501c3 not-for-profit organization that has supplemented our revenues via charitable gaming since 1996. Last year, over 10% of our income was derived from charitable gaming.

I have always been convinced that this income derived from charitable gaming should be viewed as related business income, for the following reason:

* * * Monies derived from charitable gaming are used to help pay referees, umpires, awards, program advertisements and facility rent. Aren't all of those expenditures business related to a youth sports organization? As I see it, the MYAS is paying it's staff to produce youth sport camps, clinics, leagues, tournaments, educational sessions and special events that generate dollars for all of our overhead expenses. We are not concerned with making a profit, but we are concerned about "breaking even." In order for us to break even and to keep our service fees at a reasonable rate, we need those funds from charitable gaming. Please note that I said that we needed those funds, I didn't say that we wanted those funds. And if those funds are vital to sustain this organization, I fail to see how they could be labeled as "unrelated."

Being a fiscal conservative myself, I would be the first person to jump up and require truly unrelated business income to be taxed as such, but if the money derived from charitable gaming is utilized to promote and conduct the organizations primary

purpose, I can't understand why this money should be treated as UBIT. Those dollars are necessary for us to survive and grow. Our charitable gaming income is every bit as essential to our organization as the entry fees that we collect.

Should you need any further comments, please feel free to contact me at 763-781-2220 extension #14.

Thank You

Dan Klinkhammer
Executive Director

National Association of Fund-Raising Ticket Manufacturers
St. Paul, Minnesota 55104
July 25, 2002

Hon. Amo Houghton
Member of Congress
1111 Longworth House Office Building
Washington D.C. 20515

Dear Congressman Houghton and Members of the Subcommittee:

I am writing on behalf of the National Association of Fund-Raising Ticket Manufacturers (NAFTM) in support of H.R. 2237. NAFTM is a non-profit trade association comprised of companies that manufacture bingo and "games of chance" products for use by licensed non-profit organizations for charitable fund-raising. The thousands of non-profit organizations in this country engaged in charitable gaming generate more than \$700 million dollars per year for charity, social service organizations, veterans' assistance programs, conservation efforts, community service projects, disaster relief, and a myriad of other worthwhile purposes. We support these efforts and encourage the subcommittee to support these efforts by passing H.R. 2237.

NAFTM strongly supports expansion of the unrelated business income tax (UBIT) exemption for bingo games to include "games of chance" conducted by nonprofit organizations that are regulated by States other than the State of North Dakota. Imposing unrelated business income tax on the activities of a nonprofit organization whose sole purpose for conducting "games of chance" is to generate funds for lawfully approved purposes serves only to lessen the amount available for those lawful purposes. With a sluggish economy and growing state and Federal government budget deficits, non-profit organizations are more dependent than ever on the revenue generated from non-government sources. Charitable gaming is one of those sources. Eliminating the unrelated business income tax on "games of chance" will have a minimal effect on Federal tax collections, but a profound effect on those individuals and groups that are the beneficiaries of charitable gaming proceeds.

Charitable gaming does not only generate money for charitable and other lawful purposes. Another contribution that is unseen, but present in the conduct of charitable gaming, is the commitment of hundreds of thousands of veterans, wildlife enthusiasts, parent-teacher Members and common citizens who volunteer to conduct charitable gaming activities for the sole purpose helping their fellow Americans. The unseen contribution of these generous people should not be ignored, but rewarded by ensuring that all of the proceeds from their efforts are available to fund lawful and charitable purposes.

NAFTM supports a definition of the term "games of chance" is that encompasses bingo and the various other games permitted by state law for non-profit fundraising purposes. The history of charitable gaming is that it is based on tradition, local preference, and successful revenue generation that is unique to each State. To attempt to create another definition would have the potential of creating confusion and discontent among the organizations whose successful work should be supported.

Finally, NAFTM has no position on the issue of other changes to the definition of unrelated trade or business in section 513 of the Code, except that to the extent that these other issues cloud or delay consideration of H.R. 2237. It is our sincere hope that the Subcommittee focuses on H.R. 2237 and takes supportive action as soon as possible.

Thank you for your consideration. If you have any questions, please feel free to contact me.

Respectfully,

Mary B. Magnuson

National Ataxia Foundation
 Minneapolis, Minnesota 55447-4752
July 18, 2002

Honorable Amo Houghton
 1111 Longworth House Office Building
 Washington, DC 20515

Dear Congressman Houghton,

I am pleased to learn that the Subcommittee on Oversight of the Committee on Ways and Means is requesting written public comment regarding H.R. 2237. This letter is a strong endorsement of H.R. 2237.

The National Ataxia Foundation is a Membership supported nonprofit organization established in 1957 to help families suffering from ataxia. Ataxia is an often fatal degenerative neurological disorder which affects an estimated 150,000 Americans. The Foundation's main purpose is to help these families through research, education, and patient services.

In order for the Foundation to support these important programs requires support from various sources, including charitable gambling. The Foundation does not receive any government funding.

H.R. 2237 would exempt nonprofit organizations in paying unrelated business income tax (UBIT) on profits gained from charitable gambling. Those funds derived from charitable gambling significantly help the Foundation to support meaningful programs for ataxia families across the country. Currently only bingo is exempt from this tax. H.R. 2237 would exempt various games of chance including pull tabs, raffles, tipboards, and paddlewheels.

It is not fair that under current law only one state in the union, North Dakota, is exempt from UBIT for all forms of charitable gambling. H.R. 2237 would correct this discrepancy.

Thank you for your support of H.R. 2237 and in helping to ensure that this important legislation is passed into law this year.

My best regards,

Michael Parent
Director of Development

Nelsen-Horton American Legion Post 104
 Litchfield, Minnesota 55355
July 17, 2002

Honorable Amo Houghton
 1111 Longworth House Office Bldg.
 Washington, DC 20515

Dear Congressman Houghton,

On behalf of the Nelsen-Horton American legion Post 104 located in Litchfield, Minnesota with a Membership of (372 veterans) I would like you to know that our interest in H.R.2237 is great. We believe that action must be taken as quickly as possible, this year, to prevent the IRS change in policy that would result in additional taxation of nonprofit organizations involved in charitable gambling in the future.

Non-profit charitable gambling donations support worthwhile activities in local communities. This support is vital, to small rural communities such as ours, and has a positive impact on our community quality of life.

We feel that it is right and proper for the UBIT exemption for bingo conducted by non-profit organizations be expanded to include all other legal "games of chance", such as pull-tabs, paddle-wheels, raffles, tipboards, ect. . . ., conducted by non-profits.

It is difficult for us to understand why the non-profit organizations in one state, North Dakota, are exempt from UBIT and licensed non-profit organizations in all other states are not. This can not be considered equal or fair.

We appreciate this opportunity to provide our opinion on this important legislation and thank you for your support and hard work to ensure H.R. 2237 is passed into law this year.

Sincerely

Everett Reilly Jr.
Commander

TO: Congressman Amo Houghton Chairman, Subcommittee on Oversight
FROM: Dick Lueben
Treasurer, North Country Snowmobile Club
P.O. Box 251
Bemidji, Minnesota 56619
218-751-9194
SUBJECT: HR 2237 Concerning non-profit groups and Unrelated Business Income Tax

Dear Congressman:

Our non-profit organization is registered with the state and is licensed to sponsor legal gambling. Our operations net about \$150,000.00 annually after paying out prizes, the costs of conducting the gambling and existing state and Federal taxes.

We use the profits of our gambling operations to help provide approximately 500 miles of snowmobile trails in northern Minnesota which are open for public use and are marked as public trails. In addition to supporting public trails, we donate about \$30,000.00 annually to the worthwhile needs of other local organizations. All these processes are strictly controlled by the state's Gambling Control Board.

Our state permits legal gambling to provide funds, which are raised and spent locally on activities which local citizens think, are deserving of support. Our efforts to take care of our local needs are in danger of increasingly being siphoned off by state and Federal governments, which have many other sources for the funds they need.

We ask your Subcommittee to protect us from potential changes in IRS policy, which would cause groups such as ours to be subjected to the Unrelated Business Income Tax. HR 2237 helps to accomplish this goal.

Thank you,

Dick Lueben

Sibley Hockey Booster Club
West St. Paul, Minnesota 55118

Honorable Amo Houghton
1111 Longworth House Office Bldg.
Washington, DC 20515

Dear Congressman Houghton,

On behalf of the Sibley Hockey Booster Club I wanted you to know that we are strongly in favor of the passage of H.R. 2237. We are an organization of 100 members whose sole purpose is to support youth hockey. It's very important to our continued existence that the IRS doesn't change its policy and start taxing our non-profit charitable gambling proceeds.

It is definitely appropriate that UBIT exemption for bingo conducted by licensed non-profits should be expanded to include other "games of chance" such as pull-tabs, paddlewheels, raffles, tipboards, and so forth.

It is very UNFAIR that non-profits involved in charitable gambling in 1 state, North Dakota, are exempted from UBIT, and that licensed non-profits in all other states doing similar activities are not.

On behalf of all our clubs Members we would appreciate your support of H.R. 2237 and working to ensure that this important legislation be passed into law in 2002. Thank you for the opportunity to express our concern.

Sincerely,

Frank L. Gerten
Gambling Manager

TapeMark Charity Pro-Am
West St. Paul, Minnesota 55118
July 15, 2002

Honorable Amo Houghton
1111 Longworth House Office Building
Washington, DC 20515

Dear Congressman Houghton:

I am writing to express my very strong support for H.R. 2237. As President of the TapeMark Charity Pro-Am Golf Tournament, I represent 3 non-profit agencies serving over 50, 000 children and adults with developmental and learning disabilities in Minnesota. These agencies rely on funds generated through our charity golf tournament and charitable gambling activities (bingo and pulltabs) to support their constituencies in the areas of education, housing, employment, and health care.

We believe it appropriate that the UBIT exemption for bingo conducted by licensed non-profit organizations should be expanded to include other "games of chance", such as pulltabs, raffles, and so forth. We also believe that the law should treat licensed non-profit organizations in all 50 states equitably; the current law exempting North Dakota organizations from UBIT should be altered to include organizations in all states doing similar activities.

Without H.R. 2237, we face significant cuts in the funds we are able to distribute to our benefiting charitable organizations. In 2001, our charitable donations totaled more than \$312,000 for people with learning and developmental disabilities.

We would greatly appreciate your support of H.R. 2237, and we thank you for your efforts to pass this bill into law. I appreciate the opportunity to provide comments on this important piece of legislation.

Sincerely,

Philip L. Callen
President

Upper Red Lake Area Association
Waskish, Minnesota 56685

Honorable Amo Houghton
1111 Longworth House Office Bldg.
Washington, DC. 20515

Dear Congressman Houghton,

I am the President of the Upper Red Lake Area Association located in northern Minnesota. The purpose of our Association is to promote our area and improve the economic and social interest of our citizens. We use our gambling receipts from our pull tab sites to support our schools, senior citizen programs, and opportunities for families in need. Last year we gave over 87,000.00 dollars to these causes and it has made a difference in our communities and lessened the burden of government.

I am writing you in support of H.R. 2237 as it would preserve this benefit to our community. We feel very strongly that this legislation needs to be passed into law.

If we can be of further assistance to you or your Committee, or need any other information, please feel free to contact me.

Thank you in advance for your consideration in this matter.

Sincerely

Al Otto
President

Vacationland Figure Skating Club
Brainerd, Minnesota 56401
July 26, 2002

Honorable Amo Houghton
1111 Longworth House Office Building
Washington, DC 20515

Dear Congressman Houghton,

On behalf of Vacationland Figure Skating Club in Brainerd, Minnesota, I would like to strongly support H.R. 2237.

Our non-profit club serves 120 children in a 3-county area with figure skating lessons, testing and opportunities for competitive events and performances. Over the years we have used charitable gambling proceeds from bingo, pulltabs and raffles to keep the figure skating costs down for our Members and their families and to provide additional services we couldn't do otherwise.

We support H.R. 2237 Unrelated Business Income Tax Bill and we need action now to ensure that IRS doesn't change its policy and start taxing us in the future. We support the expansion of the bingo exemption to pulltabs, raffles and tipboards. Since North Dakota currently has this exemption, it should be extended to the remaining states.

We appreciate your support of H.R. 2237 and will let our congressman and Senators know how important passing this bill into law would be for us in 2002. Thank you for giving us a chance to comment on it.

Sincerely yours,

Gloria Vande Brake
Gambling Manager