



March 7, 2007

To: The House Committee on Ways and Means

From: Henry Bogdan, Public Policy Director

Re: House Bill 125 – Task Force to Study Charitable and Commercial Gaming Activities in Maryland

Position: **SUPPORT**

The Maryland Association of Nonprofit Organizations is a statewide organization comprised of over 1650 member nonprofit agencies, associations and institutions, and our purpose is to support and enhance the effectiveness of the State's more than 24,000 nonprofit groups in carrying out their missions of public and community service. While we believe that the charge assigned to the Task Force could be clarified in one respect, we support House Bill 125.

House Bill 125 would provide for a study of charitable and commercial gaming in Maryland, reviewing the assortment of state and local regulations, economic impacts, and legal versus illegal activities. Hearings in recent years in this committee have demonstrated that while all of these activities are 'governed' in some form or other by state laws, there is very little state oversight or even specific information about the extent of this activity or the amounts of money involved.

Currently most gaming is authorized under Title 13 of the Criminal Law Article. The county-level arrangements under the local provisions in Title 13 are quite diverse, but the common factor is that all of the gaming must provide financial benefit to charitable or nonprofit fraternal or social welfare organizations. In most cases the gaming must be operated directly by the beneficiary organization.

Our Association has taken a leading role nationally in establishing standards to promote ethical and effective management of nonprofit organizations. Public confidence in the charitable nonprofit sector is a critical factor in sustaining public support for our work.

When nonprofit organizations derive financial support from gaming activities, the importance of credibility and transparency becomes even more significant.

Congressional committees have clearly signaled that they will exercise more aggressive oversight of the Internal Revenue Service's watchdog role, and will review standards of both management and reporting by tax-exempt nonprofits.

The IRS Form 1023 (application for recognition of charitable – 501c3 status) was revised in recent years to include specific reporting of gaming activities, including contractual arrangements, and revenues and expenses. The annual form 990 requires charities to report if they have received revenue from gambling and to list the type of events. The application for tax exempt status for other nonprofits must identify current revenue sources, including gaming events, and the amount of revenue derived from each.

**There is one aspect of the Task Force's charge that we recommend be clarified or amended.** In lines 6 through 8 on page two of the bill, the Task Force is directed to study the impact of charitable and other commercial gaming on other legalized gaming in the state, including the state lottery and horse racing. We strongly urge that this be 'clarified' to include the 'reverse effect' – that is, the impact of state-sponsored gaming such as the lottery (or hypothetically legalized slot machines) on the revenues of legally conducted charitable gaming.

While it is not specifically enumerated, given other components of the charge, it would appear that the Task Force's findings should include an estimate of the amount of money involved – wagers and proceeds – from current gaming activities.

We support House bill 125 and also encourage that these points be clarified in the Task Force's charge.