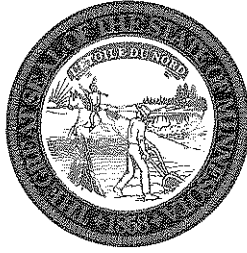


Gregory M. Davids
State Representative
District 28B
Fillmore and Houston Counties



Minnesota House of Representatives

COMMITTEES:
CHAIR, TAXES
COMMERCE AND REGULATORY REFORM
VETERANS AFFAIRS DIVISION
WAYS AND MEANS

June 2, 2016

116 Veterans Service Building
20 W 12th Street
St. Paul, MN 55155

Dear Governor Dayton,

This letter is to memorialize our agreement regarding two issues of concern in the 2016 Tax Bill (H.F. 848) raised by your administration following the conclusion of session. Our commitment to resolving those items removes any obstacle to signing into law tax relief for farmers, college graduates, working families and millions more Minnesotans.

First, non-partisan legal and fiscal experts have examined the bingo hall issue, and believe the Department of Revenue has several options for administering the law as it was intended prior to a formal correction:

- Use of the term “bingo hall” implies a premise that is devoted, at least in major part, to conducting bingo. A place where bingo games are occasionally held, even if regularly, but that is clearly something else would not be consistent with the common meaning of “bingo hall.” A bar with a pull-tab booth where bingo is held once a month or week would not be a bingo hall under any common understanding of the term.
- “Regularly conducts” bingo can be narrowly construed to exclude facilities that hold bingo only weekly or a few times a month, or that derive a comparatively small amount of revenue from those games compared to the common understanding of bingo halls. Reasonably read together, “regularly conducts” and “bingo hall” require that bingo be a primary revenue generating activity conducted by the organization on the premises.
- Construe “or” as a conjunctive because any other construction would be inconsistent with the clear intent and structure. Reading “or” as a disjunctive renders clause (1) of the definition virtually meaningless. The Legislature would not define “bingo hall” through a precise statutory test of the percentage of gambling receipts, only to disregard that element of the definition in situations where only one organization conducts lawful gambling.
- The Legislature and Department of Revenue regularly use Revenue Estimates to construe the meaning of provisions; holding that this provision applies to premises that derive small shares of their revenue from bingo would be inconsistent with that practice.

It is common for the Legislature to clarify the meaning of statutory language in letters of legislative intent. In 2003, the governor’s administration exercised discretion and opted to administer 2003 LGA formula based on legislative intent. In 2008, legislative leaders issued a letter of legislative intent and during the



following legislative session, they corrected two drafting errors in the 2008 Omnibus Tax Bill (H.F. 3149). In 2015, lawmakers explained their intent after a drafting error was discovered in the State Government Finance Bill (S.F. 888), and committed to resolve it during the next legislative session. Your commissioners accepted the letter, and the Legislature resolved the issue with a technical correction this year.

Moreover, the bingo hall language would only have the impact suggested by Commissioners Bauerly and Frans *if the drafting error remained uncorrected for three years*. Even if the language were enacted “as is” the stadium reserve account would remain fully funded through FY 2017, per MMB and non-partisan analysts, leaving ample opportunity for remedy. With this letter and a commitment to repair the language as soon as possible, the 2016 Tax Bill need not have any impact on the stadium-related revenue stream.

Second, we agree to permanently reinstate the Minnesota State High School League’s sales tax exemption. Our intention is to introduce and enact a separate bill that includes these two agreed-upon provisions as early as possible, either during a special session or the next legislative session.

With these two issues resolved, there should be nothing further preventing you from approving the strongly bipartisan 2016 Omnibus Tax Bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Davids". The signature is fluid and cursive, with the first name "Greg" being more prominent than the last name "Davids".

Representative Greg Davids
Chair, House Taxes Committee

Copies: Senator Tom Bakk, Majority Leader
Representative Kurt Daudt, Speaker of the House
Commissioner Cynthia Bauerly, Minnesota Department of Revenue
Commissioner Myron Frans, Minnesota Management & Budget

Enclosures