

MINNESOTA • REVENUE

LAWFUL GAMBLING Bingo Hall Exemption Electronic Linked Bingo Tax Rate

April 13, 2015

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue

Analysis of H.F 296 (Knoblach) 1st Engrossment, As Proposed to be Amended (H0296A6)

	Fund Impact			
	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>	<u>F.Y. 2018</u>	<u>F.Y. 2019</u>
		(000's)		
General Fund	(\$260)	(\$290)	(\$300)	(\$310)

As proposed to be amended, effective for gross receipts received on or after July 1, 2015.

EXPLANATION OF THE BILL

This bill makes several changes to lawful gambling taxes. First, receipts from electronic linked bingo are currently taxed as part of the combined net receipts tax structure. The bill would move electronic linked bingo receipts to the 8.5% tax on net receipts from bingo, raffles, and paddlewheels. Second, the bill creates a definition of the term bingo hall. Net receipts from paper pull-tabs would be exempt from taxation under the combined net receipts tax when sold at a bingo hall. **As proposed to be amended**, paper pull-tabs sold at a bingo hall would be taxed at 9% of gross receipts less prizes actually paid. The proposed amendment also clarifies that electronic linked bingo receipts would not be subject to the combined net receipts tax.

REVENUE ANALYSIS DETAIL

- The Minnesota Gambling Control Board (GCB) provided gambling activity information for bingo hall sites for fiscal year 2013. The GCB estimates that eight organizations would currently have a site that qualifies as a bingo hall.
- Department of Revenue tax filings were used to calculate a charity's total paper pull-tab sales for fiscal year 2013. A charity may have other sites that are not a bingo hall.
- The site totals from the GCB were combined with game purchasing data to calculate the amount of paper pull-tabs that would be subject to the new 9% tax and the rest of a charity's paper pull-tab sales would remain subject to the combined net receipts tax.
- Department of Revenue tax filings for fiscal year 2014 were used to calculate the impact of changing how electronic linked bingo is taxed.
- Annual growth was estimated using historic and projected growth of lawful gambling tax revenue according to the February 2015 state revenue forecast.
- The estimate for fiscal year 2016 was adjusted for eleven months of impact in the first year.

Source: Minnesota Department of Revenue
Tax Research Division
[www.revenue.state.mn.us/research_stats/Pages/
Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)

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