

Payments to Counties with Casinos

March 14, 2001

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue
 Analysis of H.F. 1042 (Howes)

	Revenue Gain or (Loss)			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>FY2005</u>
		(000's)		
General Fund	(\$800)	(\$800)	(\$800)	(\$800)

Effective for payments made after December 31, 2001.

EXPLANATION OF THE BILL

Current Law: A county in which an Indian gaming casino is located receives from the state 10% of the state share of all taxes collected under a tax agreement with the tribal government. The total payments to all counties cannot exceed \$1.1 million per year.

If the payments would exceed \$1.1 million per year, an adjustment is first made to counties other than “qualified counties”. A county is a qualified county if it has either per capita personal income less than 80% of the state per capita personal income or exempt market value that is 30% or more of total market value.

Proposed Law: A county with a casino would receive a larger payment if it meets specified conditions. For each of the three conditions that it meets, a county would receive an additional 10% of the state share of taxes under an agreement. The three conditions are:

- County per capita personal income is less than 80% of the state per capita personal income.
- The value of exempt property is 30% or more of the total market value of real property in the county.
- The county has more than one casino owned by the same tribal government.

If a county meets two of the conditions, it would receive an additional 20% of the state share of taxes. If it meets all three conditions, it would be an additional 30%.

The limit on the annual payments would be increased from \$1.1 million to \$5 million.

REVENUE ANALYSIS DETAIL

- Eleven counties received payments of \$733,000 in March 2001 under this provision.
- Under the current agreements and the current levels of taxes, the payments are expected to be \$762,000 per year through fiscal year 2005, as reflected in the February 2001 forecast.
- Based on information from the web site of the U.S. Bureau of Economic Analysis, 8 of the 11 counties had per capita personal income less than 80% of the state per capita personal income for 1998, the latest year available. The counties are Carlton, Cass, Itasca, Mahnomon, Mille Lacs, Pine, Redwood, and Yellow Medicine.
- According to the 1998 exempt value information provided by all counties to the Department of Revenue, none of the 11 counties had exempt property equal to 30% or more of total market value.
- Cass County has two casinos. It was assumed that the two facilities in Scott County (Little Six Casino and Mystic Lake Casino) would be counted as two casinos.
- The increase in payments was estimated based on the payments made in 2001.
- The \$5 million limit would have no impact during the forecast period.

Number of Counties Affected: Of the 11 counties currently receiving payments, 8 counties qualify under one of the conditions and would receive additional payments equal to 10% of the state share of taxes. Cass County qualifies under two conditions and would receive an additional payment equal to 20% of the state share of taxes. Two counties, Cook and St. Louis, would receive no additional amounts.

ADMINISTRATIVE/OPERATIONAL IMPACT

There will no significant administrative or operational costs or savings to the department in administering this proposal.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>