

MINNESOTA • REVENUE

Gambling Tax Racetrack Gaming Machines

March 31, 2003

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

Department of Revenue

Analysis of H.F. 646 (Buesgens), 1st Engrossment of House Bill – Tax Provisions Only

	Revenue Gain or (Loss)			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
Revenue from Gaming Machines (41.8%)	\$21,823	\$58,194	\$72,743	\$74,197
Appropriation to:				
Dept. of Human Services (5%)	(\$2,610)	(\$6,961)	(\$8,701)	(\$8,875)
Dept. of Corrections (2%)	(\$1,044)	(\$2,784)	(\$3,481)	(\$3,550)
District Courts (2%)	(\$1,044)	(\$2,784)	(\$3,481)	(\$3,550)
Board of Public Defense (1%)	<u>(\$522)</u>	<u>(\$1,392)</u>	<u>(\$1,740)</u>	<u>(\$1,775)</u>
General Fund Net Impact	\$16,603	\$44,273	\$55,340	\$56,447
Environmental Trust Fund	<u>\$626</u>	<u>\$1,670</u>	<u>\$2,088</u>	<u>\$2,130</u>
Total – All Funds	\$17,229	\$45,943	\$57,428	\$58,577

Effective the day following final enactment of the bill.

EXPLANATION OF THE BILL

Current Law: Under current Minnesota law, gaming machines are not allowed at Canterbury Park racetrack.

Proposed Law: The proposed law would allow the Minnesota State Lottery to place gaming machines at Canterbury Park racetrack. In lieu of sales tax, the state general fund would receive at least 40% of the adjusted gross revenue (amounts wagered less prizes paid out).

The following are annually appropriated from the amounts deposited in the general fund:

- 5% of the adjusted gross revenue to the Department of Human Services,
- 2% of the adjusted gross revenue to the Department of Corrections,
- 2% of the adjusted gross revenue to the district courts, and
- 1% of the adjusted gross revenue to the Board of Public Defense.

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REVENUE ANALYSIS DETAIL

- The estimates are from the fiscal note prepared by the Minnesota State Lottery. The starting point for their analysis was a report received from the Innovation Group for Canterbury Park.
- The state general fund receives 40% of the adjusted gross revenue plus 60% of the unused proceeds that are earmarked for the Minnesota State Lottery for operational expenses. Since the lottery estimates operational expense at 12% of adjusted gross revenue, the unused portion is 15% less 12% or 3%. Therefore an additional 1.8% (60% of 3%) for a total of 41.8% of adjusted gross revenue would be deposited in the general fund.
- The total general fund revenue for fiscal year 2005 from the fiscal note was reduced by 3,446,000 to be consistent with the adjusted gross revenue.
- Forty percent of the unused proceeds that are earmarked for the Minnesota State Lottery for operational expenses go to the Environmental Trust Fund. Therefore the fund receives 1.2% (40% of 3%) of adjusted gross revenue.

Number of Entities Affected: One entity, the Minnesota State Lottery.

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

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