

# MINNESOTA • REVENUE

## Gambling Tax Racetrack Gaming Machines

April 9, 2003

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

Department of Revenue

Analysis of H.F. 646 (Buesgens), As Amended by House Tax Committee (H646A2)

- Tax Provisions Only -

	<b>Revenue Gain or (Loss)</b>			
	<b><u>F.Y. 2004</u></b>	<b><u>F.Y. 2005</u></b>	<b><u>F.Y. 2006</u></b>	<b><u>F.Y. 2007</u></b>
	(000's)			
Revenue from Gaming Machines *	\$27,566	\$73,508	\$62,301	\$63,547
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	\$22,346	\$59,587	\$44,898	\$45,797
Environmental Trust Fund	<u>\$626</u>	<u>\$1,670</u>	<u>\$2,088</u>	<u>\$2,130</u>
Total – All Funds	\$22,972	\$61,257	\$46,986	\$47,927

\* 52.8% for FY 2004 and FY 2005, 35.8% for FY 2006 and FY 2007, and 41.8% thereafter.

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 a percentage of the adjusted gross revenue (amounts wagered less prizes paid out). **As amended**, the percentage would change over time as follows: 51% for fiscal years 2004 and 2005, 34% for fiscal years 2006 and 2007, and 40% thereafter.

### **Proposed Law (Cont.)**

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.

### **REVENUE ANALYSIS DETAIL**

- The estimates are based on information in 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. Their estimates of adjusted gross revenues are \$52,207,000 for fiscal year 2004, \$139,220,000 for fiscal year 2005, \$174,025,000 for fiscal year 2006, and \$177,506,000 for fiscal year 2007.
- For fiscal years 2004 and 2005, the state general fund receives 51% of the adjusted gross revenue. For fiscal years 2006 and 2007 the percentage is 34%. Thereafter the percentage is 40%. In addition, the state receives 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 52.8% of adjusted gross revenue would be deposited in the general fund for fiscal years 2004 and 2005. The percentage for fiscal years 2006 and 2007 would be 35.8% and the percentage for later years would be 41.8%.
- 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>