

MINNESOTA • REVENUE

GAMBLING TAX Card Club at Canterbury Park

April 15, 2004

Department of Revenue
Analysis of H.F. 3177 (Abrams)

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

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
General Fund	\$0	\$1,330	\$1,440	\$1,550

Effective for revenues received after June 30, 2004.

EXPLANATION OF THE BILL

Current Law: Unlike other legal gambling activities in Minnesota, including pari-mutuel betting at Canterbury Park, there is no tax on legal gambling at the card club at Canterbury Park.

Proposed Law: Under the proposal, a franchise fee of five percent of the card club's gross revenue would be charged as a condition of operating the card club. The fee would be payable to the Minnesota Racing Commission for deposit into the state's general fund.

REVENUE ANALYSIS DETAIL

- Currently, the card club's revenue is generated by charging a fee called the "rake" for each hand of poker or other card game played at the club. The rake is removed from the pot by the dealer as the hand is played. Though it can vary, a typical rake for a hand of poker is about \$4.00. There is no admission fee charged for admission to the card club, but there is no prohibition against one being charged if the card club management should want to do so.
- The information on the rake must be reported to the Minnesota Racing Commission. The commission provided the following annual information on the rake since the opening of the card club:
 - 2000 \$10.6 million
 - 2001 \$16.3 million
 - 2002 \$17.4 million
 - 2003 \$22.2 million
 - 2004 \$ 6.7 million for the 1st three months of the year.
- Information obtained from an official at Canterbury Park indicated that the large annual growth in revenue realized in recent years should moderate in the near future if the limitation on the number of tables permitted in the card club remains at the current level of fifty tables.
- The estimated revenue for 2004 per the Canterbury Park official is \$25.6 million and an estimated annual growth factor of 8% for later years is assumed for this estimate.

Number of Taxpayers: One taxpayer, Canterbury Park, would be affected.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf3177_1.doc/cej