

MINNESOTA • REVENUE

GAMBLING TAX Racetrack Gaming Machines

May 10, 2004

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

Department of Revenue
Analysis of S.F. 576 (Day), As Proposed to be Amended (A-1) – Article 1 Only, Tax Provisions Only

	<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)		
Revenue from Gaming Machines *	\$0	\$28,967	\$63,452	\$72,607
Appropriation to:				
Dept. of Human Services (1.0%)	<u>\$0</u>	<u>(\$693)</u>	<u>(\$1,518)</u>	<u>(\$1,737)</u>
General Fund Net Impact	\$0	\$28,274	\$61,934	\$70,870
Environmental Trust Fund	<u>\$0</u>	<u>\$832</u>	<u>\$1,822</u>	<u>\$2,084</u>
Total – All Funds	\$0	\$29,106	\$63,756	\$72,954

* 41.8% for all fiscal years.

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). The percentage for all fiscal years is 40%.

One percent of the adjusted gross revenue is annually appropriated to the Department of Human Services from the amounts deposited in the general fund for the compulsive gambling treatment program.

REVENUE ANALYSIS DETAIL

- The estimates are based on information in a fiscal note prepared by the Minnesota State Lottery in 2004. The starting point for their analysis was a report received from the Innovation Group for Canterbury Park. This fiscal note has slightly different assumptions than the fiscal note prepared in 2003. The main differences are that the estimated number of machines in a temporary facility was increased from 1,000 to 1,200 and that it would take approximately one month less time to get both the temporary and permanent facilities up and running after passage of the bill. The estimates of adjusted gross revenues are zero for fiscal year 2004, \$69,300,000 for fiscal year 2005, \$151,800,000 for fiscal year 2006, and \$173,700,000 for fiscal year 2007.
- For all fiscal years, the state general fund receives 40% of the adjusted gross revenue. 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 41.8% of adjusted gross revenue would be deposited in the general fund for each fiscal year
- 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.
- The analysis is based on the assumption that gaming machines will be placed at Canterbury Park racetrack.

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

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