MINNESOTA · REVENUE

LAWFUL GAMBLING TAXES
Constitutional Amendment
Authorization of Casino License
Minnesota Scholarship Fund
Reduce Gambling Tax Rates

May 10, 2004

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

Department of Revenue
Analysis of S.F 2888 (Pariseau)/H.F. 2571 (Boudreau) – **Preliminary Analysis**

	Revenue Gain or (Loss)			
	F.Y. 2004	**F.Y. 2005**	**F.Y. 2006**	**F.Y. 2007**
	(000's)			
General Fund – Lawful Gambling Taxes	$0	($4,220)	($6,680)	($6,680)
General Fund – Onetime Lump Sum/License Fee*	$0	Unknown	Unknown	Unknown
Minnesota Scholarship Fund**	$0	$0	Unknown	Unknown

* The bill provides for the payment of a onetime lump sum payment and an annual license fee.
** The bill provides for a 25% tax on gross gaming receipts (money received for gaming less prizes).

Effective December 1, 2004, if the constitutional amendment is adopted.

EXPLANATION OF THE BILL

Current Law: There are limited and specific provisions regarding gambling venues.

For lawful gambling, the tax rates are 8.5% for bingo, raffles, and paddlewheels, and 1.7% on pull-tabs and tipboards. The combined receipts tax is 0% for less than $500,000, 1.7% for over $500,000 but not over $700,000, $3,400 plus 3.4% for over $700,000 but not over $900,000, and $10,200 plus 5.1% for over $900,000.

Proposed Law: The bill provides for a constitutional amendment (submission to voters at the 2004 election) to allow the legislature to authorize the issuance of a single license for a privately owned casino in the state as long as the tax on the casino gaming proceeds is dedicated to a merit-based higher education scholarship program. A Casino Control Commission and a Minnesota Casino Board are created. The Minnesota Students Taking Academic Responsibility (STAR) Scholarship Program is established. A gaming tax on the licensed casino is imposed. The tax is 25% of gross gaming receipts (money received for gaming less prizes).

EXPLANATION OF THE BILL (Continued)

The bill also proposes to change the lawful gambling tax rates. The tax rates would be reduced to 7.5% for lawful gambling and 1.5% on pull-tabs and tipboards. The combined receipts tax would remain at 0% for less than $500,000. The combined receipts tax would be reduced to 1.5% for over $500,000 but not over $700,000, $3,000 plus 3.0% for over $700,000 but not over $900,000, and $9,000 plus 4.5% for over $900,000.

REVENUE ANALYSIS DETAIL

Lump Sum – Annual License Fee

- The bill provides for a onetime lump sum payment to be paid to the state upon issuance of the license. The fee is to be deposited into the general fund. Based on deadlines listed in the bill, the awarding of the license and payment of the fee could occur prior to the end of fiscal year 2005.
- The annual license fee would be deposited into the general fund. The fee compensates the general fund only for 1) costs to the commission and the board for carrying out their regulatory duties, 2) the appropriation for compulsive gambling programs, and 3) revenue reductions that the commissioner of revenue determines are attributable to lawful gambling tax reductions.

Gaming Receipts Tax

- The bill provides for the monthly payment of a tax at the rate of 25% on the gross gaming receipts. The tax is payable within 30 days of the end of the month and must be deposited in the Minnesota scholarship fund.

Lawful Gambling Tax Reduction

- The February 2004 forecast of lawful gambling revenue is used for this analysis. The tax bases derived from the current revenue estimates are multiplied by the proposed new tax rates. The difference between the resulting revenue and the current law revenue is the impact of this bill.
- Unsold pull-tab and tipboard tickets account for 22.5% of the total ideal gross of pull tabs and tipboards.
- The fiscal year 2005 estimate was adjusted to reflect the impact of the effective date on collections.

NUMBER OF TAXPAYERS AFFECTED: There are 822 organizations that paid the combined receipts tax and 775 organizations that paid tax on bingo, paddlewheels and raffles. There are eighteen licensed distributors of pull-tabs and tipboards.

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