MINNESOTA · REVENUE

LAWFUL GAMBLING TAX
Rate Changes

April 4, 2007

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 309 (Kubly)/ H.F. 1474 (Koenen), As Proposed to be Amended

	Fund Impact			
	F.Y. 2008	**F.Y. 2009**	**F.Y. 2010**	**F.Y. 2011**
	(000's)			
General Fund	($24,460)	($25,580)	($25,580)	($25,580)

Effective July 1, 2007, as proposed to be amended.

EXPLANATION OF THE BILL

The tax rates for lawful gambling would be changed as follows:

	Current Law	**Proposed Law**
Bingo, raffles, and paddlewheels	8.5%	4.25%
Pull-tabs and tipboards	1.7%	0.85%
Combined receipts:		
First $500,000	0%	0%
500,001 – 700,000	1.7%	0.85%
700,001 – 900,000	3.4%	1.70%
Over 900,000	5.1%	2.55%

The tax refund rate for unsold pull-tab or tipboard tickets would change from 1.7% to 0.85% of the face value of the unsold tickets. **As proposed to be amended**, the unsold pull-tab and tipboard rate for the February 2008 return would be 1.275%.

REVENUE ANALYSIS DETAIL

- The February 2007 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 are estimated to account for about 26% of the total ideal gross of pull-tabs and tipboards.
- The fiscal year 2008 estimate was adjusted to reflect the impact of the effective date on collections.

REVENUE ANALYSIS DETAIL (Continued)

Number of Taxpayers: Based on the latest data, there are 770 organizations that paid the combined receipts tax and 820 organizations that paid tax on bingo, raffles, and paddlewheels. There are thirteen licensed distributors of pull-tabs and tipboards.

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

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