

MINNESOTA • REVENUE

LAWFUL GAMBLING TAXES Tax Structure Changed New Forms of Gambling Allowed

May 23, 2011

Department of Revenue
Analysis of H.F. 1485 (Kriesel) 3rd Engrossment

	Yes	No
DOR Administrative Costs/Savings	X	

	Fund Impact			
	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>
	(000's)			
Tax Rate & Gambling Activity Changes ¹	\$1,700	\$130	\$490	\$490
Appropriation to Com. of Human Services	(\$170)	(\$180)	(\$180)	(\$180)
Appropriation to Gambling Control Board	<u>(\$170)</u>	<u>(\$180)</u>	<u>(\$180)</u>	<u>(\$180)</u>
General Fund Total	\$1,360	(\$230)	\$130	\$130
 Appropriation to Gambling Control Board from Special Revenue Fund, Lawful Gambling Regulation Account	 <u>(\$440)</u>	 <u>(\$880)</u>	 <u>(\$880)</u>	 <u>(\$880)</u>
 Total – All Funds	 \$920	 (\$1,110)	 (\$750)	 (\$750)

¹ According to the Gambling Control Board, the new forms of gambling authorized in the bill are expected to increase charitable gambling activity, and the estimates reflect this increased activity.

Effective July 1, 2011.

EXPLANATION OF THE BILL

Current Law: The current bingo, raffle, and paddlewheel tax rate is 8.5% of gross receipts less prizes paid. The current pull-tab and tipboard tax rate is 1.7% of the ideal gross of each pull-tab or tipboard deal sold by a distributor. The taxes are due on the 20th of the following month. The combined receipts tax has four brackets based on fiscal year gross receipts of the organization:

<u>Fiscal Year Receipts by Organization</u>	<u>Tax Rate</u>
First \$500,000	0%
\$500,001 - \$700,000	1.7%
\$700,001 - \$900,000	3.4%
Over \$900,000	5.1%

Proposed Law: The bill would allow for two new types of electronic charitable gambling in Minnesota: electronic linked bingo games and electronic pull-tabs. The bill would expand the availability of electronic linked bingo compared to bingo under current law.

The bill makes several changes to the charitable gambling tax structure. The new electronic forms of gaming will be subject to the net receipts tax and not the pull-tab and tipboard tax or the combined receipts tax starting on July 1, 2011. On July 1, 2012 all forms of lawful gambling will be subject to the net receipts tax, and the pull-tab and tipboard tax and the combined receipts tax will be eliminated. The rate for the net receipts tax starting July 1, 2012, will be 9%.

EXPLANATION OF THE BILL (Cont.)

The bill also makes several changes to charitable gambling regulations.

The bill appropriates \$440,000 in fiscal year 2012 and \$880,000 in fiscal year 2013 from the Lawful Gambling Regulation Account in the Special Revenue Fund to the Gambling Control Board for operating expenses related to the oversight of lawful gambling.

The bill creates two new appropriations. One-half of one percent of the revenue deposited in the General Fund under Section 297E.02 sub. 3 would be appropriated to the Commissioner of Human Services for the compulsive gambling treatment program. Secondly, an equal amount would be appropriated to the Gambling Control Board for a grant to the state affiliate recognized by the National Council on Problem Gambling for the purposes specified.

REVENUE ANALYSIS DETAIL

- The February 2011 forecast is the base for these estimates.
- The Gambling Control Board estimates that the new electronic games would be available at 3,500 sites. This estimate assumes that there will be 2,600 sites in FY 2012, 3,200 sites in FY 2013, and 3,500 sites starting in FY 2014.
- The Gambling Control Board estimates there would be an average of 8 machines per site and each machine would average \$250 in gross receipts per day for 364 days per year. The \$250 is based on industry data from Florida. The Gambling Control Board estimates that 50% of the increase in gross receipts would be from bingo and 50% would be pull tabs.
- This estimate assumes that 50% of paper pull-tabs and tip boards would be eliminated in FY 2012, 75% in FY 2013, and, by FY 2014, 95% of paper pull-tabs and tip boards would be eliminated. This estimate assumes no reduction in activity for the current forms of bingo, raffles, and paddleboards.
- Department of Revenue data on combined receipts by licensee for fiscal year 2010 was scaled to match the projected combined receipts under this bill for fiscal year 2012. This data was used to calculate the estimated combined receipts tax for fiscal year 2012, an approximately 75% reduction in tax collections from the February forecast.
- Net receipts are estimated to be 15% of gross receipts.
- Fiscal year 2012 receipts are reduced to reflect eleven months of collections.
- It is assumed that the appropriations from the General Fund would occur in the same fiscal years as revenues are received.

Number of Taxpayers: About 720 organizations pay the bingo, raffle, and paddleboard tax, 12 distributors remit the pull-tab and tipboard tax, 580 organizations pay the combined receipts tax.

Source: Minnesota Department of Revenue
Tax Research Division

http://www.taxes.state.mn.us/taxes/legal_policy