MINNESOTA · REVENUE

LAWFUL GAMBLING TAXES
Tax Structure Changed
New Forms of Gambling Allowed

December 14, 2011

Revised Estimates

	Yes	No
DOR Administrative Costs/Savings	X	

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

	Fund Impact			
	F.Y. 2012	**F.Y. 2013**	**F.Y. 2014**	**F.Y. 2015**
		(000's)		
Tax Rate & Gambling Activity Changes[1]	$0	$9,100	($4,600)	(5,900)
Appropriation to Com. of Human Services	$0	($210)	($160)	($160)
Appropriation to Gambling Control Board	$0	($210)	($160)	($160)
General Fund Total	$0	$8,680	($4,920)	($6,220)
Appropriation to Gambling Control Board from Special Revenue Fund, Lawful Gambling Regulation Account	$0	($440)	($880)	($880)
Total – All Funds	$0	$8,240	($5,800)	($7,100)

[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 the day after enactment for authorization of new forms of gambling. This estimate assumes that the date of enactment would be prior to March 1, 2012.
Effective July 1, 2012, all electronic games are subject to the net receipts tax.
Effective July 1, 2013, all charitable gambling is subject to only the net receipts tax.

EXPLANATION OF THE BILL

Current Law: Charitable gambling in Minnesota is subject to the following taxes:

Net Receipts Tax on Bingo, Raffles, Paddlewheels	8.5%
Distributor Tax on Pull-tabs and Tipboards	1.7%
Combined Receipts Tax on Pull-tabs and Tipboards (organization basis)	
Not over $500,000	0%
Over $500,000, but not over $700,000	1.7%
Over $700,000, but not over $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.

EXPLANATION OF THE BILL (Cont.)

Under the bill, starting July 1, 2012, the charitable gambling tax rates and structure will be:

Net Receipts Tax on All Bingo, Raffles, Paddlewheels, and Electronic Pull Tabs	8.5%
Distributor Tax on Paper Pull-tabs and Tipboards	1.7%
Combined Receipts Tax on Paper Pull-tabs and Tipboards (organization basis)	
Not over $500,000	0%
Over $500,000, but not over $700,000	1.7%
Over $700,000, but not over $900,000	3.4%
Over $900,000	5.1%

Under the bill, starting July 1, 2013, the charitable gambling tax rates and structure will be:

Net Receipts Tax on All Charitable Gambling	9.0%
Distributor Tax on Paper Pull-tabs and Tipboards	eliminated
Combined Receipts Tax on Paper Pull-tabs and Tipboards (organization basis)	
Not over $500,000	eliminated
Over $500,000, but not over $700,000	eliminated
Over $700,000, but not over $900,000	eliminated
Over $900,000	eliminated

The bill also makes several changes to charitable gambling regulations.

The bill appropriates $440,000 in fiscal year 2013 and $880,000 in fiscal year 2014 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 following assumptions were provided by the Gambling Control Board:

- Electronic linked bingo will be available at 1,500 sites in Minnesota. Sites with two hundred seats or less would on average have three machines and sites with more than two hundred seats would have nine machines. On average, each machine will have $90 of gross receipts and $13.50 of net receipts per day.

- Electronic pull-tabs will be available at 2,500 sites in Minnesota. Sites with two hundred seats or less would on average have four machines and sites with more than two hundred seats would have twelve machines. On average, each machine will have $225 of gross receipts and $33.75 of net receipts per day.
- Approximately 85% of the new electronic gaming would be electronic pull-tabs and 15% would be electronic linked bingo.
- The estimates of daily machine receipts assume that the new forms of electronic gambling would allow for the replay of winning credits.
- The introduction of electronic pull-tabs and electronic linked bingo will reduce the amount of paper pull-tabs sold by 20%.
- The Gambling Control Board estimates that it will take four to six months to write regulations and to have the electronic machines installed at the sites.

The Department of Revenue used the following data and assumptions to complete this estimate:

- Baseline revenues are from the November 2011 forecast.
- Baseline gross receipts and organizational receipts data is from the Department's fiscal year 2011 filing records.
- Department of Revenue data on gross receipts by organization for fiscal year 2011 was scaled to match the projected gross receipts under this proposal and then the tax was calculated.
- Gambling refunds are assumed to maintain their historical ratio of 21% of the pull-tab and tipboard tax paid.
- Net receipts are estimated to be 15% of gross receipts.
- Fiscal year 2013 receipts are reduced to reflect eleven months of collections.
- Due to the estimated four to six months needed to implement the new forms of gambling, the date of enactment would have a significant impact on collections in fiscal year 2013. For each month of delay after March 1, 2012, the estimate for fiscal year 2013 would be reduced by about $800,000.
- 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, and 580 organizations pay the combined receipts tax.

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

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