

MINNESOTA • REVENUE

Vikings' Stadium

April 27, 2012

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 2391 (Rosen) Third Engrossment

	Fund Impact			
	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>
	(000's)			
Lawful Gambling Taxes				
Tax Rate & Gambling Activity Changes ¹	\$0	\$40,800	\$59,000	\$59,000
Appropriation to Com. of Human Services	\$0	(\$200)	(\$290)	(\$290)
Appropriation to Gambling Control Board	\$0	(\$200)	(\$290)	(\$290)
Appropriation to the City of St. Paul for Sports Facilities	<u>\$0</u>	<u>\$0</u>	<u>(\$1,300)</u>	<u>(\$1,300)</u>
General Fund Total²	\$0	\$40,400	\$57,120	\$57,120
Appropriation to Gambling Control Board from Special Revenue Fund, Lawful Gambling Regulation Account	<u>\$0</u>	<u>(\$779)</u>	<u>(\$779)</u>	<u>(\$779)</u>
Total – All Funds^{3,4}	\$0	\$39,621	\$56,341	\$56,341

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.

² The total does not include income tax reductions from the sales of commemorative bricks.

³ The suites surcharge would likely not produce revenue until FY 2016.

⁴ This estimate does not include any funds from the racinos authorized in Article 6 of the bill.

Effective the day after enactment for authorization of new forms of gambling. This estimate assumes that the date of enactment would be prior to May 1, 2012.

All changes in gambling tax structure and rates are effective July 1, 2012.

Effective the day after enactment for commemorative brick sales.

EXPLANATION OF THE BILL

The bill creates the Minnesota Sports Facilities Authority to provide for the construction, financing, and long-term use of a football stadium. The Metropolitan Sports Facilities Commission would be eliminated.

Lawful Gambling Taxes

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.)

The bill would eliminate the distributor tax. The combined receipts tax would be eliminated and replaced with a tax on net receipts by organization. Electronic linked bingo, all pull-tabs, and all tipboards would be subject to this new tax on net receipts. The new net receipts tax will have four brackets, with an initial rate of 9.1%. Each bracket adds an additional 9.1% to the tax rate and the maximum rate is 36.4% in the fourth bracket.

The bill would change the tax structure and rates to the following:

Net Receipts Tax on Existing Bingo, Raffles, Paddlewheels	8.5%
Distributor Tax on Pull-tabs and Tipboards	eliminated
Combined Receipts Tax	eliminated
New Net Receipts Tax on All Pull-tabs, All Tipboards, and Electronic Linked Bingo (organization basis)	
Not over \$87,500	9.1%
Over \$87,500, but not over \$122,500	18.2%
Over \$122,500, but not over \$157,500	27.3%
Over \$157,500	36.4%

The bill also makes several changes to charitable gambling regulations.

The bill appropriates \$779,000 in fiscal year 2013 and in fiscal years 2014 and 2015 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 related to gambling. One-half of one percent of the increase in revenue deposited in the General Fund from the lawful gambling taxes 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.

Note: In the current bill language, the appropriation is one-half of one percent split between the two appropriations. The intent is to have two appropriations, each equal to one-half of one percent.

Suites Surcharge

The bill creates a 10% surcharge on the sale or rental of suites for NFL team games and events at the stadium. Proceeds from the surcharge are dedicated for bond debt service. The authority to impose the surcharge expires the day after all stadium bonds, including fees and interest, have been paid.

EXPLANATION OF THE BILL (Cont.)

Racino

The bill would allow for gaming machines at class A licensed racetracks. The Minnesota Lottery would be responsible for contracting for the operation of these gaming facilities. A fee based on adjusted gross gaming machine revenue would be deposited in the general fund. The annual fee is 25% of the first \$150 million of adjusted gross gaming machine revenue, 30% of the revenue between \$150 million and \$200 million, and 40% of revenue in excess of \$200 million.

Appropriation to the City of St. Paul

The City of St. Paul is annually appropriated \$1.3 million for fiscal years 2014 to 2034. This appropriation is a grant for the operating or capital costs of existing or new sports facilities.

Commemorative Bricks

The authority shall sell commemorative bricks to be displayed at a prominent location in the new stadium. The authority shall work with the commissioner to ensure that the purchase of a brick is a tax deductible donation on the part of the donating person or organization. Proceeds from the sale of bricks fund a grant to the Minnesota Sports Facilities Authority.

REVENUE ANALYSIS DETAIL

Lawful Gambling Taxes

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.

REVENUE ANALYSIS DETAIL (Cont.)

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

- Baseline revenues are from the February 2012 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 from the new electronic games under this proposal.
- This estimate assumes that the new electronic games will have net receipts that are 15% of gross receipts.
- Fiscal year 2013 receipts are reduced to reflect nine months of collections. Fiscal year 2013 has also been adjusted to reflect two months of existing activity at the new tax rates.
- Due to the estimated four to six months needed to implement the new forms of gambling, the date of enactment will have a significant impact on collections in fiscal year 2013. For each month of delay after May 1, 2012, the estimate for fiscal year 2013 would be reduced by about \$4.6 million.

Suites Surcharge

- The Vikings provided estimates of the sales of suites at the new stadium. They estimate that the sales will be in the \$10 - \$12 million range per season. A 10% surcharge would probably generate about \$1 million per year.
- The Vikings' first season in the new stadium will be the 2016 season, so the surcharge will not produce revenue until fiscal year 2016 at the earliest.

Sales of Commemorative Bricks

- The amount of commemorative bricks to be sold and their price is not known at this time.
- If this provision increases charitable giving in Minnesota, then corporate and individual income tax receipts will be reduced by an unknown amount as the deductions for charitable giving increase.

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