

# MINNESOTA • REVENUE

## LAWFUL GAMBLING Exempt Bingo Halls From Combined Receipts Tax

March 28, 2013

Department of Revenue  
Analysis of S.F. 1407 (Pederson, J.) / H.F. 1613 (Dorholt)

	Yes	No
DOR Administrative Costs/Savings		X

	<u>Fund Impact</u>			
	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
General Fund	(Unknown)	(Unknown)	(Unknown)	(Unknown)

Effective August 1, 2013.

### EXPLANATION OF THE BILL

The bill would exempt organizations that conduct lawful gambling in a location where the primary business is bingo from taxation under the combined net receipts tax.

### REVENUE ANALYSIS DETAIL

- Paper bingo, raffles, and paddle wheels are subject to an 8.5% tax on net receipts and will not be impacted by this bill.
- Paper and electronic pull-tabs, tipboards, and electronic linked bingo are subject to the combined net receipts tax, and receipts from these games will be impacted by this bill.
- The combined receipts tax was changed in 2012. The point of taxation was moved from gross receipts to net receipts, and the effective tax rate was reduced slightly. The 1.7% tax on the ideal gross of pull-tabs and tipboards was repealed at the same time.
- Although organizations are paying more combined net receipts tax this fiscal year than they paid in combined receipts tax last fiscal year, they no longer pay the 1.7% tax on the ideal gross of each pull-tab and tipboard deal.
- Based on current activity, this bill would reduce combined net receipts tax collections by approximately \$600,000.
- However, this bill could lead to substantial future revenue losses if current bingo locations adopt the electronic games or expand their use of paper pull-tabs or tipboards. Currently no locations where the primary business is bingo offer either electronic pull-tabs or electronic linked bingo, but they are permitted to have up to fifty devices for both electronic pull-tabs and electronic linked bingo. New bingo locations that would qualify may also open.
- It is not clear whether just the organization's activity at a bingo hall or all the organization's activity, at any site, would become exempt because some gambling occurs at a bingo hall.

Source: Minnesota Department of Revenue  
Tax Research Division  
[www.revenue.state.mn.us/research\\_stats/Pages/  
Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)

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