MINNESOTA · REVENUE

LAWFUL GAMBLING
Exempt Paper Pull-Tabs Sold at Bingo Halls From Combined Receipts Tax

April 22, 2013

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1407 (Pederson, J.) As Amended in Senate Tax Committee (SCS1407A-1)

	Fund Impact			
	F.Y. 2014	F.Y. 2015	F.Y. 2016	F.Y. 2017
	(000's)			
General Fund	($310)	($310)	($310)	($310)

Effective August 1, 2013.

EXPLANATION OF THE BILL

As amended, the bill would exempt from the combined net receipts tax paper pull-tabs sold by an organization that has a location where the primary business is bingo. The sales of paper pull-tabs would then be subject to a new tax of 9% on actual net receipts. The combined net receipts tax is graduated from 9% to 36%. The bill as amended would keep all paper pull tab receipts at the first bracket for organizations that conduct gambling at bingo halls.

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 The 1.7% tax on the ideal gross of pull-tabs and tipboards was repealed at the same time.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.
- There are eleven organizations which conduct charitable gambling at a location where the primary business is bingo and pay taxes at a rate higher than 9% on their paper pull-tabs.
- The estimates reflect that all the organization's paper pull tab activity would be subject to the 9% flat tax, whether the activity occurred at the bingo hall or at another location.

Source: Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx

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