DEPARTMENT OF REVENUE

LAWFUL GAMBLING
Tax Rates

February 6, 2019

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 81 (Lueck) / S.F. 549 (Ruud)

	Fund Impact			
	F.Y. 2020	**F.Y. 2021**	**F.Y. 2022**	**F.Y. 2023**
		(000's)		
8.5% Net Receipts Tax	($1,400)	($1,500)	($1,500)	($1,600)
Combined Net Receipts Tax	($64,000)	($68,600)	($73,500)	($78,700)
General Fund Total	($65,400)	($70,100)	($75,000)	($80,300)

Effective July 1, 2019.

EXPLANATION OF THE BILL

Current Law: A tax of 8.5% is imposed on the net receipts, after prizes, for paper bingo, raffles, and paddlewheels at lawful gambling organizations.

A tax is imposed on the combined net receipts, after prizes, on pull-tabs, tipboards, and electronic linked bingo games. The tax rates are graduated, as shown in the following table:

Combined Net Receipts Tax

Net Receipts			Rate
$0	to	$87,500	9%
$87,501	to	$122,500	18%
$122,501	to	$157,500	27%
$157,501		or more	36%

Fiscal year gambling tax revenues in excess of $36.9 million are transferred for stadium-related expenses or to the stadium reserve fund in the General Fund.

Proposed Law: The net receipts tax rate would be reduced from 8.5% to 4.25%. The combined net receipts tax would change as shown in the following table.

Proposed
Combined Net Receipts Tax

Net Receipts			Rate
$0	to	$200,000	4.5%
$200,001	to	$500,000	9.0%
$500,001		or more	13.5%

REVENUE ANALYSIS DETAIL

- The estimates are based on fiscal year 2018 gambling tax returns filed with the Department of Revenue.
- Over the four fiscal years, the proposal would reduce gambling revenues by $290.8 million. The amount transferred for stadium funding would decrease by $260.8 million.
- There are appropriations to the Commissioner of Human Services of one-half of one percent of tax revenues for a compulsive gambling treatment program and one-half of one percent of tax revenues for a grant to increase public awareness of problem gambling and support for effective treatment services. The total appropriations for problem gambling of 1% would be reduced by $2.9 million.

Number of Taxpayers: About 900 charitable organizations pay the 8.5% net receipts tax and about 1,100 pay the combined net receipts tax, including fraternal organizations, veterans' organizations, religious institutions, and various other charities including youth hockey leagues.

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

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