

February 6, 2019

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 578 (Draheim)

	Fund Impact			
	<u>F.Y. 2020</u>	<u>F.Y. 2021</u>	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>
		(000's)		
General Fund	(\$24,600)	(\$26,300)	(\$28,200)	(\$30,200)

Effective July 1, 2019.

EXPLANATION OF THE BILL

Current Law: The combined net receipts tax is imposed on the net receipts after prizes from pull-tabs, tipboards, and electronic linked bingo games of a lawful gambling organization. Tax rates are graduated from 9% to 36%, 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 proposal would change the combined net receipts tax rates as shown in the table below. The definition of net receipts and the types of games would be the same. The 8.5% net receipts tax rate on bingo, raffles, and paddlewheels also would remain the same.

Proposed Combined Net Receipts Tax			
Net Receipts			Rate
\$0	to	\$87,500	6%
\$87,501	to	\$122,500	12%
\$122,501	to	\$157,500	18%
\$157,501		or more	27%

REVENUE ANALYSIS DETAIL

- The estimates are based on data from fiscal year 2018 gambling tax returns filed with the Department of Revenue.
- Over the four fiscal years, the proposal will reduce gambling tax revenues, and amounts transferred for stadium purposes, by \$109.3 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 of 1% would be reduced by \$1.1 million.

Number of Taxpayers: About 1,100 charitable organizations pay 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](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)