

March 25, 2019

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>		<b>X</b>

Department of Revenue  
Analysis of H.F. 293 (Lien) 1<sup>st</sup> Engrossment

	<b>Fund Impact</b>			
	<b><u>F.Y. 2020</u></b>	<b><u>F.Y. 2021</u></b>	<b><u>F.Y. 2022</u></b>	<b><u>F.Y. 2023</u></b>
			(000's)	
General Fund	(\$30,400)	(\$32,600)	(\$34,900)	(\$37,400)

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%

Gambling tax revenues were directed to stadium funding in 2012. Gambling tax revenues in excess of \$36.9 million impact the stadium reserve fund balance 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 or to the types of games would be the same. The 8.5% net receipts tax rate on bingo, raffles, and paddlewheels would also 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	24%

## 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 \$135.3 million.
- The proposal reduces all rates proportionally by one-third. Total tax revenue is also reduced by one-third.
- 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 \$1.35 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)