

March 6, 2019

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

Department of Revenue

Analysis of S.F. 1894 (Chamberlain) As Proposed to be Amended (SCS1894A-5)

	<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	\$0	Unknown	Unknown	Unknown

Tax provisions are effective the day following final enactment.

Regulation provisions are effective September 1, 2020, or the day following the effective date of a law making wagering on sporting events legal, whichever is later.

**EXPLANATION OF THE BILL**

**Current Law:** Sports bookmaking and sports betting are illegal. A tax of six percent is imposed on illegal sports bookmaking. If sports betting is legalized, income or corporate franchise tax could apply to earnings by participating businesses.

**Proposed Law:** The bill creates a regulatory and tax structure for future authorization of sports wagering. It establishes the Minnesota Sports Wagering Commission for the regulation of sports wagering. Sports wagering includes wagers, parlay card wagers, individual wagers, proposition wagers, or any other type of wager authorized by the commission.

The bill provides for two groups to be licensed for sports wagering: 1) a federally recognized Indian tribe or group of tribes located in the state to conduct sports wagering on tribal land, and 2) racetracks currently licensed for wagering. Both groups would be allowed to provide online sports betting statewide. Equipment and software providers are required to be licensed, also. Equipment and software providers licensed in Nevada would be eligible for an equipment and software license.

Income from sports wagering would be exempt from both income and corporate franchise taxes. Sports wagering net revenue is defined as cash received from sports wagering less winnings and would be taxed at a rate of 6.75%.

**REVENUE ANALYSIS DETAIL**

- The bill does not have an impact until the date of a law that makes sports wagering legal.
- There are 21 tribal casinos and two racetracks operating in Minnesota.

**REVENUE ANALYSIS DETAIL (cont.)**

- The bill exempts sports betting revenues from income and corporate franchise taxes. The impact would be negative and depend on the date of legalization. The impact would be for racetracks that become licensed. The revenue impact of the exemptions is unknown.
- Concurrently, with the prospective legalization of sports betting, there would be a revenue impact from the 6.75% excise tax provision. The impact would be positive and depend on the date of legalization and the number and size of licensed tribal casinos and racetracks. The revenue impact is unknown.
- One-half of one percent of the tax on sports wagering net revenue would be used for compulsive gambling treatment programs.
- Three states recently authorized sports betting and report about \$175 per capita in annual wagers. Two of the three states allow online betting. Assuming net revenues of 11% of total annual wagers and applying a tax rate of 6.75% to the average of the sports betting experience in the three states yields approximately \$1.30 per capita in tax annually.

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)