

May 12, 2022

| | | |
|----------------------------------|------------|-----------|
| | Yes | No |
| DOR Administrative Costs/Savings | X | |

Department of Revenue
Analysis of H.F. 778 (Stephenson) 5th Engrossment

| | Fund Impact | | | |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>F.Y. 2022</u> | <u>F.Y. 2023</u> | <u>F.Y. 2024</u> | <u>F.Y. 2025</u> |
| | | | (000's) | |
| Special Revenue Fund | \$0 | \$0 | \$5,300 | \$12,200 |

Effective for sports betting net revenue received after June 30, 2023.

EXPLANATION OF THE BILL

Current Law: It is not legal in the state of Minnesota for individuals to wager on sporting events.

Proposed Law: The bill legalizes wagering on sporting events for any individual 21 years of age or older within the state of Minnesota. Wagering is allowed at licensed facilities or online through licensed providers. Bets can be placed on sports or esports that meet defined standards. Wagers cannot be placed on horse racing, youth sports or fantasy contests.

A tax is imposed on sports wagering equal to 10% of net revenues on wagers placed online through a website or mobile application. Net revenue is defined as wagers placed minus prizes paid (both cash and cash equivalent) in a given month. Any wagers placed on tribal land are not subject to the tax, even if placed with an online provider.

The proceeds of the tax will be deposited in a newly created sports betting revenue account in the special revenue fund. Funds from the tax are dedicated as follows: \$4,053,000 is allocated to the Commissioners of Public Safety and Revenue for administration and regulation; 50% of the remaining funds for problem gambling; and 50% of the remaining funds for amateur sports.

REVENUE ANALYSIS DETAIL

- Data from sports betting taxes in Colorado, Iowa, Michigan, and Pennsylvania was used.
- Estimated growth is based on the experiences of the comparison states.
- It is assumed that rulemaking and licensing will be completed and first bets will be placed by July 1, 2023.
- The fiscal year 2024 estimate includes eleven months of collections.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>