

Minnesota revenue notice number 99-11

Sales and Use Tax/Lawful Gambling - Local Sales Tax On Sales From Distributors to Organizations

Issue

What impact, if any, does Minnesota Statutes, § 349.213, subd. 3, have on a local jurisdiction charging sales tax on sales from distributors licensed to sell gambling equipment to organizations licensed to conduct lawful gambling?

Statutory Authority

Minnesota Statutes, § 349.213, subd. 3, **Local Gambling Tax**, provides:

"A statutory or home rule charter city that has one or more licensed organizations operating lawful gambling, and a county that has one or more licensed organizations outside incorporated areas operating lawful gambling, may impose a local gambling tax on each licensed organization within the city's or county's jurisdiction. The tax may be imposed only if the amount to be received by the city or county is necessary to cover the costs incurred by the city or county to regulate lawful gambling. The tax imposed by this subdivision may not exceed three percent of the gross receipts of a licensed organization from all lawful gambling less prizes actually paid out by the organization. A city or county may not use money collected under this subdivision for any purpose other than to regulate lawful gambling. **A tax imposed under this subdivision is in lieu of all other local taxes and local investigation fees on lawful gambling.** A city or county that imposes a tax under this subdivision shall annually, by March 15, file a report with the board in a form prescribed by the board showing (1) the amount of revenue produced by the tax during the preceding calendar year, and (2) the use of the proceeds of the tax." [emphasis added]

General Rule

When a local jurisdiction chooses to provide for a local gambling tax under Minnesota Statutes, § 349.213, such a local tax is in lieu of other local taxes and local investigation fees on lawful gambling. Therefore, when a local jurisdiction imposes the local gambling tax under Minnesota Statutes, § 349.213, subd. 3, there is no authority for the imposition of a local sales tax on the sale of gambling equipment from distributors to organizations used in the conduct of lawful gambling activity. Examples of lawful gambling equipment include: pulltabs or tipboards, bingo paper, bingo balls, bingo ball blowers, and bingo scoreboards.

Dated: October 11, 1999

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