

May 12, 2023

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 1949 (Klein), 3rd Engrossment, As Amended (SCS1949A16)

	Fund Impact			
	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
	(000's)			
Special Revenue Fund	\$0	\$13,700	\$29,500	\$40,900

Effective for sports betting net revenue received after June 30, 2024.

EXPLANATION OF THE BILL

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

Proposed Law: This 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 cash and cash equivalents received minus cash and noncash equivalent paid for winnings in a month. This does not include promotional credits or free bets. Any wagers placed on tribal land are not subject to the tax, even if placed with an online provider. Mobile sports betting operators may carry over returns to future months if the current month's return is negative. A person who has paid an amount of tax more than the amount legally due may file for a refund.

Proceeds from this tax, after refunds, are annually distributed as follows:

1. Up to 30% to the Minnesota Racing Commission until the total amount appropriated equals \$20 million, then \$3 million annually thereafter.
2. 50% to the Commissioner of Human Services (half to be used for compulsive gambling treatment programs and half is for a grant to the state affiliate of the National Council on Problem Gambling)
3. 50% to the amateur sports integrity and participation account.

REVENUE ANALYSIS DETAIL

- Data from sports betting taxes in Colorado, Michigan, Iowa, 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, 2024.
- The fiscal year 2025 estimate included eleven months of collections.

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