

April 16, 2024

Department of Revenue  
Analysis of H.F. 2000 (Stephenson) 3<sup>rd</sup> Engrossment

	Yes	No
DOR Administrative Costs/Savings	X	

	<b>Fund Impact</b>			
	<b>F.Y. 2024</b>	<b>F.Y. 2025</b>	<b>F.Y. 2026</b>	<b>F.Y. 2027</b>
			(000's)	
Sports Betting	\$0	\$0	\$9,800	\$39,800
Fantasy Contests	\$0	\$0	\$500	\$1,200
Charitable Gambling	<u>\$0</u>	<u>\$0</u>	<u>(\$6,900)</u>	<u>(\$27,100)</u>
General Fund Total	\$0	\$0	\$3,400	\$13,900
Sports Betting Special Revenue Fund Total	\$0	\$0	\$2,500	\$9,900
Total – All Funds	\$0	\$0	\$5,900	\$23,800

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

**EXPLANATION OF THE BILL**

*Sports Betting*

The bill would legalize wagering on athletic events, esports events, college sports events, or other approved events for any individual 21 years of age or older within the state of Minnesota. Up to 11 mobile sports betting operator licenses can be issued to an Indian Tribe that lawfully conducts class III gaming in a casino located in this state. Wagers cannot be placed on horse racing, youth sports or fantasy contests. Certain wager types would not be allowed. In-game betting would be allowed. The bill would allow the commissioner of public safety to address and prevent compulsive and problem gambling. Licensing and application fees would be established. Fee impacts are not included in the revenue estimate.

A tax is imposed on sports betting net revenue equal to 20% on wagers placed online through a website or mobile application. Sports betting net revenue is defined as cash and cash equivalents received in a month minus cash and noncash equivalent paid out as winnings in a month. The sports betting net revenue tax will be imposed on promotional credits and free bets. Any wagers placed on tribal land are not subject to the tax, even if placed with an online provider.

Revenues derived from the tax would be deposited as follows:

- 80% to the General Fund
- 20% to the newly established Sports Betting Revenue Account in the Special Revenue Fund

The amount in the Sports Betting Revenue Account would be distributed as follows:

- 50% to the Commissioner of Human Services
  - 33% for the compulsive gambling treatment program
  - 33% for emergency services grants
  - 33% for a grant to the state affiliate recognized by the National Council on Problem Gambling

- 50% to the Amateur Sports Integrity and Participation Account

The commissioner of public safety would determine the start date for sports betting. It is assumed that the start date will be January 1, 2026.

#### *Fantasy Contests*

The bill would also authorize the participation in fantasy contests within the state of Minnesota for individuals 21 years of age or older. Fantasy contest is defined as any simulated game or contest, with an entry fee, in which the value of all prizes is known to participants in advance of the contest, all winning outcomes reflect the knowledge and skill of authorized participants, and participants assemble a fictional entry or roster of professional or amateur athletes. Licensing and application fees would be established. Fee impacts are not included in the revenue estimate.

A tax is imposed on fantasy contest operators equal to 10% of adjusted gross fantasy receipts. Adjusted gross fantasy contest receipts are defined as the total of all entry fees minus the total of all prizes paid out to all participants multiplied by the location percentage for Minnesota. The location percentage is the total entry fees collected from participants located in Minnesota divided by the total entry fees collected from all players in fantasy contest activity. All revenues derived from the tax on fantasy contests would be deposited in the General Fund.

#### *Charitable Gambling*

This bill would see a series of reductions in the tax rate paid on the combined net receipts for organizations involved with charitable gambling beginning on July 1, 2025. Combined net receipts are defined as the sum of the organization's gross receipts from lawful gambling less gross receipts directly derived from the conduct of paper bingo, raffles, and paddlewheels.

The new tax rate for Fiscal Year 2026 would be;

	<u>Current</u>	<u>Proposed</u>
Not more than \$87,500	8%	5.5%
Over \$87,500 but not more than \$122,500	17%	15%
Over \$122,500 but not more than \$157,500	25%	23%
Over \$157,500	33.5%	32.5%

For Fiscal Year 2027

	<u>Proposed</u>
Not more than \$87,500	4%
Over \$87,500 but not more than \$122,500	13%
Over \$122,500 but not more than \$157,500	20%
Over \$157,500	28.5%

For Fiscal Year 2028

	<u>Proposed</u>
Not more than \$87,500	3%
Over \$87,500 but not more than \$122,500	10%
Over \$122,500 but not more than \$157,500	18%
Over \$157,500	26%

## REVENUE ANALYSIS DETAIL

### *Sports Betting*

- Data from sports betting taxes in various states was used.
- Estimated growth is based on the experiences of comparison states.
- It is estimated that there will be a 5% reduction to revenues due to rulemaking restricting problem gambling.
- Licensing and application fees are not included in the revenue estimate.
- It is assumed that rulemaking and licensing will be completed, and first bets will be placed by January 1, 2026.
- The fiscal year 2026 estimate is adjusted for five months of collections.

### *Fantasy Contests*

- Data from fantasy contest revenue in various states was used.
- Estimated growth is based on the experiences of comparison states.
- Licensing and application fees are not included in the revenue estimate.
- It is assumed that rulemaking and licensing will be completed, and first taxable receipts will occur by January 1, 2026.
- The fiscal year 2026 estimate is adjusted for five months of collections.

### *Charitable Gambling*

- Estimates are based on data from fiscal year 2023 tax returns.
- Growth is based on the February 2024 forecast.
- The fiscal year 2026 estimate is adjusted for eleven months of impact.
- 1,133 charitable organizations paid combined net receipts taxes in FY23.

Minnesota Department of Revenue  
Tax Research Division  
[https://www.revenue.state.mn.us/  
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