

**SALES AND USE TAX**

## Charitable Gambling

March 11, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of H.F. 169 (Robbins) as Proposed to be Amended (H0169A1)

*Corrected four-year total in Revenue Analysis Detail*

	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
		(000's)		
General Fund	(\$139,600)	(\$159,800)	(\$160,900)	(\$162,100)

Effective for games played after June 30, 2025.

**EXPLANATION OF THE BILL**

**Current Law:** The combined net receipts tax is imposed on lawful gambling organizations' net receipts after prizes from pull-tabs (paper and electronic), non-sports-themed tipboards, and electronic linked bingo games at the following graduated rates:

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

In addition, one percent of total gambling revenues each year is appropriated to the Department of Human Services to address problem gambling. While the gross receipts from Lawful Gambling are taxed at a flat 8.5% rate, Sports Themed Tip boards are excluded. In addition, admission, commission, cover, or other charges imposed on participants in lawful gambling activity as a condition for or cost of participation and interest, dividends, annuities, profit from transactions, or other income derived from the accumulation or use of gambling proceeds are taxed as part of the Combined Net Receipts formula.

**Proposed Law:** The bill as proposed would eliminate the graduated nature of Combined Net Receipts and would establish a 5% flat tax for both Combined Net Receipts and Lawful Gambling. This bill would also change admission, commission, cover, or other charges imposed on participants in lawful gambling activity as a condition for or cost of participation and interest, dividends, annuities, profit from transactions, or other income derived from the accumulation or use of gambling proceeds combined net receipts tax to being completely exempt from any tax.

**REVENUE ANALYSIS DETAIL**

- Estimates are based on the February 2025 forecast for charitable gambling taxes.
- During the forecast window:
  - Combined net receipts taxes would decrease by approximately \$622.4 million.
  - The appropriations to the Department of Human Services for problem gambling would decrease by \$6,224,000.
- The fiscal year 2026 estimate is adjusted for eleven months of impact.

**Number of Taxpayers:**

1,390 charitable organizations paid combined net receipts and lawful gambling taxes in FY24.

Minnesota Department of Revenue  
Tax Research Division  
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