

May 14, 2025

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
 Analysis of S.F. 3414 (Frentz)

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(000's)			
General Fund	\$0	\$17,200	\$54,620	\$71,570

Effective the day following final enactment.

EXPLANATION OF THE BILL

Sports Betting

The bill would legalize wagering on athletic events, esports events, college sports events, a fantasy sports contest, 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 or youth sports. Certain wager types would not be allowed, including player injuries. 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. Provisional licenses would be granted to mobile sports betting platform providers licensed to conduct sports betting in the state of Iowa as of February 1, 2024. A sports betting equalization account would be established and make equal payments among each eligible Indian Tribe.

A tax is imposed on sports betting net revenue equal to 22% 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. Cash equivalent is defined as the cash value of any free bets, promotional credits, and any other noncash form of consideration, payment, or compensation. 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.

The proceeds from the tax will be distributed in a new Special Revenue Fund account called Sports Betting Revenue Account. From that account, the proceeds after refunds will be distributed as follows:

- 40% appropriated to the commissioner of revenue to make tax relief payments to lawful gambling organizations
- 15% transferred to the sports betting equalization account
- 10% transferred to the sports marketing and awareness account
- 10% appropriated to the commissioner of human services
- 10% transferred to the amateur sports integrity and participation account
- The lesser of \$3 million or 15% to the racing economic development account

If \$3 million is transferred to the racing economic development account, any leftover amount would be distributed among the other sources in proportion to their percentages.

The commissioner of public safety would determine the start date for sports betting. It is assumed that the start date will be January 1, 2027.

Charitable Gambling

The bill would expand the definition of lawful purpose regarding charitable gambling expenditures. An expenditure made after June 30, 2024, and before August 1, 2029, for the repair, maintenance, or improvement of real property and capital assets for certain organizations that can no longer be repaired. The organizations that would qualify are the American Legion, Veterans of Foreign Wars of the United States, Jewish War Veterans of the United States of America, Military Order of the Purple Heart, AMVETS, Marine Corps League, Paralyzed Veterans of America, and Disabled American Veterans. The expenditure must be limited to 50 percent of gross profits from the previous fiscal year.

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 10% reduction to revenues due to rulemaking restricting problem gambling.
- Licensing and application fees are not included in the revenue estimate.
- It is assumed that first bets will be placed January 1, 2027.
- It is assumed that federal excise taxes paid are not a subtraction from the tax base.
- The fiscal year 2027 estimate is adjusted for five months of collections.

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