



**GAMBLING TAXES**  
**Legalizing Sports Betting**  
*Preliminary Estimates*

May 18, 2022

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue  
 Analysis of H.F. 778 6<sup>th</sup> Engrossment, as proposed to be amended by A22-0482

	<b>Fund Impact</b>			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
		(000's)		
Special Revenue Fund	\$0	\$2,500	\$9,100	\$17,500

Assumed effective August 2022, with first bets occurring on January 1, 2023.

**EXPLANATION OF THE BILL**

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

**Proposed Law:** The 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 (racetracks or Tribal-owned casinos) 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 betting equal to 10% of net revenues on wagers placed at allowed locations. Net revenue is defined as wagers placed minus prizes paid (both cash and cash equivalent) in a given month. Any wagers placed on tribal land are not subject to the tax, even if placed with an online provider.

The proceeds of the tax will be deposited in a newly created sports betting revenue account in the special revenue fund. Funds from the tax are dedicated as follows: 33% for adult mental health initiatives, 33% for grants to MN Sports and Events, and 33% for payments to licensed lawful gambling organizations. These payments will be on a pro rata basis according to the organization's combined net receipts.

**REVENUE ANALYSIS DETAIL**

- Data from sports betting taxes in Colorado, Iowa, Michigan, 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 January 1, 2023.
- The fiscal year 2023 estimate includes five months of collections.

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