

March 14, 2022

	<b>Yes</b>	<b>No</b>
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of S.F. 3695 (Nelson) As Proposed to be Amended (SCS365A-2)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2022</u></b>	<b><u>F.Y. 2023</u></b>	<b><u>F.Y. 2024</u></b>	<b><u>F.Y. 2025</u></b>
		(000's)		
General Fund	\$0	(\$27,200)	(\$28,500)	(\$30,000)

Effective for games played after June 30, 2022.

**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.

Gambling tax revenue in excess of \$36.9 million in a fiscal year is allocated to the stadium reserve account within the General Fund. In addition, one percent of total gambling revenues each year is appropriated to the Department of Human Services to address problem gambling.

**Proposed Law:** The bill as proposed to be amended would lower tax rates as follows:

<u>Net Receipts for fiscal year</u>	<u>Current</u>	<u>Proposed</u>
Not more than \$87,500	9%	7%
Over \$87,500 but not more than \$122,500	18%	15%
Over \$122,500 but not more than \$157,500	27%	22%
Over \$157,500	36%	30%

The bill would also modify the base revenue estimates for calculating tax revenue that is transferred to the stadium fund within the General Fund. Base receipts would equal \$9.9 million in fiscal year 2023; \$8.7 million in fiscal year 2024; and \$7.2 million in fiscal year 2025 and thereafter.

**REVENUE ANALYSIS DETAIL**

- Estimates are based on data from fiscal year 2021 tax returns.
- Growth is based on the February 2022 forecast.
- During the forecast period, stadium reserve funds would be increased by \$200,000.
- The appropriation for problem gambling would decrease by \$900,000.
- The fiscal year 2023 estimate is adjusted for eleven months of impact.

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