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S.F. No. 1949 – Sports betting legalization and regulation (5th engrossment; as proposed to be amended by the A104 amendment)

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Article 1 – Lawful Sports Betting

Overview of Authorized Sports Betting

SF 1949 authorizes legal sports betting. Sports betting may be conducted through the internet (“mobile sports betting”) under regulation by the commissioner of public safety, or on Tribal lands, subject to new compacts negotiated by the governor with Indian Tribes.

Sports betting is allowed on professional, international, college, and amateur athletic events. The commissioner is authorized to approve events on which wagers can be placed and the types of wagers that can be accepted.

Wagerers must be at least 21 years old.

Sections 4-10 establish licensing requirements for mobile sports betting. The bill authorizes the commissioner of public safety to issue operator licenses to Indian Tribes to conduct mobile sports betting and engage in other related activities. To be eligible for an operator license, a tribe must lawfully conduct class III gaming in a casino in the state under a facility license approved by the National Indian Gaming Commission in accord with Tribal gaming ordinances.

The commissioner may issue up to eleven licenses to mobile sports betting platform providers to provide a sports betting platform and associated technology, applications, hardware and software to an operator.

The commissioner may issue sports betting supplier licenses to provide operators with information and support necessary to offer mobile sports betting, including data feeds and odds services, risk management, and integrity monitoring.

The bill specifies requirements for obtaining and renewing licenses and provides administrative procedures and penalties for license violations.

The terms and fees for licenses are as follows:

Type of License	Term	Fee
Mobile sports betting operator license	20 years	\$2,125 annually
Mobile sports betting platform provider and service provider	Three years	\$6,000 application fee; \$38,250 license fee; \$25,000 renewal fee
Supplier License	Three years	\$6,000 application fee; \$38,250 license fee; \$25,000 renewal fee

Fees are deposited in a sports betting revenue account in the special revenue fund.

Article 1 is effective July 1, 2024. Mobile sports betting can begin after the commissioner of public safety completes rulemaking. Because mobile sports betting can be conducted only by licensed entities, sports betting cannot begin until licenses are issued and effective. Sports betting on tribal lands can begin when compacts are negotiated.

Section 1 [Definitions] defines terms.

Section 2 [Scope] authorizes a person over 21 to participate in mobile sports betting by placing a wager with a licensed entity, unless the person is personally prohibited from wagering. States that it is unlawful to wager on sporting events except in accord with authorized sports wagering or sports wagering conducted by an Indian Tribe under a Tribal-state compact. Makes regulation inapplicable to sports wagering under Tribal-state compacts.

Section 3 [Powers and Duties of Commissioner] assigns responsibilities related to regulating sports betting to the commissioner of public safety.

Subd. 1 [Regulate sports betting] authorizes the commissioner of public safety to regulate sports wagering.

Subd. 2. [Rulemaking] authorizes the commissioner to adopt rules on specified topics. Rules for which notice is published before January 1, 2026, may be adopted using the expedited rulemaking process.

Subd. 3 [Delegation] authorizes the commissioner to delegate authority to the director of alcohol and gambling enforcement.

Subd. 4. [Requests for restrictions on wager types] establishes a process for a sports governing body to request restrictions or prohibitions on certain sports wagering.

Subd. 5 [Helpline] requires the commissioner to provide a helpline to assist people with gambling disorders.

Subd. 6 [Methods for identifying people at risk for gambling disorders] requires the commissioner to monitor the sports betting industry for the most effective methods to identify people with a gambling disorder and to adopt rules to implement best practices to prevent sports betting by people with, or being at risk to develop, a gambling disorder.

Subd. 7 [Exclusion audits] requires the commissioner to conduct periodic audits of platform providers and operators for compliance with certain sports betting restrictions on individuals.

Subd. 8 [Mobile sports betting start date] precludes mobile sports betting before the start date. Guarantees equal opportunity to timely applicants to first commence offering, conducting, and operating mobile sports betting on the same day.

Section 4 [License Types; Transfers Prohibited] requires the commissioner to issue three types of licenses for operators, platform providers, and suppliers. Licenses may not be transferred.

Section 5 [General Licensing Requirements; Disqualifications; Background Investigations] sets requirements for applications for licenses to offer mobile sports betting, including background investigations and criminal history record checks on applicants and certain individuals associated with the applicants. Elected or appointed representatives of Indian Tribes are exempt from requirements unless the person is also a full-time employee of an applicant or licensee for mobile sports betting.

Section 6 [License Application and Renewal; General Requirements; Procedure] sets requirements for applications and license renewal.

Section 7 [Duty to Update] requires applicants and licensees to update application and license information, including providing affidavits for people serving in specified positions with the applicant organization.

Section 8 [Mobile Sports Betting Operator License] authorizes the commissioner to issue up to 11 mobile sports betting operator licenses to Indian Tribes that conduct class III gaming. This section specifies mobile sports betting operator licensing requirements. Requires operators to report monthly to the commissioner on wager activity during the month.

Section 9 [Mobile Sports Betting Platform Provider License] authorizes the commissioner to issue up to 11 mobile sports betting platform provider licenses. This section specifies platform provider licensing requirements.

Section 10 [Sports Betting Supplier License] authorizes the commissioner to issue sports betting supplier licenses to offer information and support. This section specifies supplier licensing requirements.

Section 11 [Partnership Allowed] authorizes a mobile sports betting operator to contract with one platform provider to provide, create, or operate sports betting platforms, sports betting technology,

sports betting applications, or associated mobile sports betting hardware, software, or equipment. If the operator opts not to contract with a platform provider, the operator must comply with reporting and regulatory requirements imposed on platform providers. Requires a platform provider that has contracted with an operator to display a brand of the operator within its mobile application.

Section 12 [Deposit of fees] provides that all application, license, and renewal fees are deposited in a sports betting revenue account in the special revenue fund.

Section 13 [Advertising] specifies prohibited content in advertising related to sports betting and mobile sports betting and requires advertisements to carry a warning that gambling may be addictive and cause financial hardship.

Section 14 [Wagering] allows a person over 21 to place wagers and authorizes operators and platform providers to accept wagers of types previously approved by the commissioner. This section lists types of wagers the commissioner may approve, types of wagers prohibited, information that must be provided to the wagerer before accepting a wager, the required forms of consideration and information that must be provided on a receipt for the wager. Requires that consideration for wagers must be from a mobile sports betting account that a person may fund from any location. Requires a mobile sports betting account to set default limits on the use of a person's account for sports betting and allows the person the opportunity to change those personal limits.

Section 15 [Push Notifications] prohibits operators and platform providers from sending a message through a betting application or website when the application or website is inactive unless a user opts in or for notice of fraudulent activity on the user's account.

Section 16 [Exclusion List and Prohibition on Wagering] requires the commissioner to maintain a list of people who are not eligible to wager. A person may voluntarily add his or her name to the list for a specified time; a legal guardian can place a person on the list; operators, platform providers and suppliers can place a person's name on the list for good cause; and sports governing bodies can submit names. This section specifies the data protection classification for the list data. This section precludes specified people from wagering on a sporting event. This section precludes a person from wagering on behalf of a person prohibited from wagering.

Section 17 [Financial Responsibility] makes operators or platform providers responsible for the risk of loss on wagers for one year after the outcome of the bet is determined. Requires that operators maintain cash reserves or provide collateral in the form of a bond, securities, or a letter of credit to protect the financial interests of wagerers.

Section 18 [Integrity Monitoring] requires those offering sports betting to contract with an integrity monitoring provider to identify unusual betting activity or patterns and to report suspicious wagering to the commissioner of public safety, other operators and platform providers, and the sports governing body that governs the implicated sporting event. Specifies how the information must be maintained and disclosed.

Section 19 [Record Keeping; Information Sharing] requires operators or platform providers to maintain records of wagers and abnormal betting activity for three and a half years. Requires anonymization of specified information about wagerers and wagers. Provides for sharing certain information with sports governing bodies.

Section 20 [Inspection and Auditing] authorizes the commissioners of public safety and revenue and the director of the Division of Alcohol and Gambling Enforcement to inspect accounting records of operators and platform providers related to mobile sports betting operations. Exempts records related to Tribal gaming operators, Tribal governmental records, or class III sports betting operations conducted on Indian lands. Requires mobile operators and platform providers to submit annual financial audits to the commissioner of public safety.

Section 21 [License Violations; Enforcement] requires the commissioner to adopt rules that provide a graduated schedule of penalties for violations of license requirements. Authorizes the commissioner of public safety to take actions to enforce license requirements and penalize noncompliance.

Section 22 [Reporting] requires the commissioner of public safety to report to the legislature on specified topics.

Subd. 1. [Financial report] requires the commissioner of public safety to report annually to the legislature on the sports wagering activities with financial summary information on sports betting and on the sports betting industry.

Subd. 2. [License activity report] requires the commissioner to report annually to the legislature on licensing metrics, an overview of the sports betting market, revenue generated by sports betting, expenses in enforcing sports betting restrictions, and the enforcement actions taken against license holders.

Section 23 [Study on the Prevalence of Gambling] requires a baseline study on the prevalence of gambling before the implementation of sports betting and thereafter requires periodic studies on the prevalence of gambling, and the incidence and level of problem gambling.

Section 24 [Study on the Impact of Sports Betting on Problem Gambling, Gambling Disorders, Youth Gambling, and Suicide] requires a study on the impact of sports betting on specified topics related to effects of sports betting.

Section 25 [Data Protections] classifies certain data on individuals and authorizes the commissioner to revoke a license if the licensee sells data on individuals that is classified as private that is collected through the practice of sports betting.

Section 26 [Local Restrictions; Prohibition on Local Taxes or Fees] precludes political subdivisions from requiring a license or imposing a tax or fee to conduct sports betting.

Sec.27 [Review of Other States' Restrictions] requires the commissioner to review laws of other states, to adopt rules to implement advisable restrictions, and to report annually to the legislature with draft legislation to implement additional restrictions or safeguards.

Section 28 [Indian Tribes; Compacts to the Negotiated] requires the governor to negotiate new Tribal-state compacts regulating the conduct of class III sports betting on Indian lands. Precludes modifying existing compact.

Section 29 [Timeline] makes all licenses effective on the same day for applicants who have met all license application requirements by August 1, 2025. Requires the commissioner of public safety to

notify license applicants and the legislature of the anticipated date that licenses will be effective at least 30 days before licenses are effective.

Section 30 [Study on Motivations and Beliefs of Young Adult Gamblers] requires the commissioner to award a grant to a nonprofit, gambling-neutral organization to produce a report to the legislature with recommendations for policies and the use of financial resources to prevent and address problem gambling by young adults, after conducting a focus group and a qualitative survey.

Article 2 – Taxation of Sports Betting

Article 2 establishes definitions and requirements pertaining to the taxation of sports betting. All sections are effective for sports betting net revenue received on or after the date mobile sports betting is designated to begin pursuant to the provisions of Article 1.

Section 1. Tax relief payments. Requires the commissioner of revenue to issue payments to charitable organizations on a pro rata basis according to a lawful gambling organization’s combined net receipts and the combined net receipts from all lawful gambling organizations.

Section 2. Definitions. Defines terms applicable to the tax on sports betting. In pertinent part, “sports betting net revenue” means the total of all cash and cash equivalents received in a month by a mobile sports betting operator or mobile sports betting platform provider, excluding:

- Cash paid out as winnings in a month;
- The cash equivalent of noncash prizes paid out as winnings in a month, excluding cash and cash equivalents received for activities other than sports betting, and excise taxes paid to the federal government; and
- For wagers placed before January 1, 2028, the amount of cash or cash equivalents of promotional credits allowed or free wagers placed in a month.
 - Beginning January 1, 2028, the amount of promotional credits or free wagers that is excluded from the calculation of sports betting net revenue is phased out by 25 percentage points each year over four years. Beginning in 2031, promotional bets and free wagers will be included in the sports betting net revenue tax base.

Section 3. Tax on sports betting net revenue.

Subd. 1. Tax imposed. Imposes a 20 percent tax on sports wagering net revenue placed online through a website or mobile application. Wagers placed on Indian lands are not subject to the tax.

Subd. 2. Entities required to file and remit. Requires that mobile sports betting operators are required to file and remit and are liable for the tax. Mobile sports betting operators may enter into a contractual agreement with a mobile sports betting platform provider for the platform provider to file and remit the tax, in which case the platform provider would be liable for the tax. The mobile sports betting operator must notify the commissioner of the mobile sports betting platform provider with which the mobile sports betting operator has entered into the agreement.

Subd. 3. Sports betting net revenue in lieu of other taxes. Provides that income derived from sports wagering net revenue is not subject to income tax and that wagers accepted by a

mobile sports betting operator or mobile sports betting platform provider are not subject to sales or charitable gambling taxes. Allows a mobile sports betting operator or mobile sports betting platform provider to carry forward losses of sports betting net revenue from the previous month on its return for subsequent months.

Subd. 4. Returns; due dates. Requires that returns and tax payments are due on the 20th of each month for all wagers received, payouts made, sports betting taxes owed, for the preceding month. Returns must include any other information required by the commissioner.

Subd. 5. Public information. Classifies records concerning administration of the sports wagering tax as public information.

Subd. 6. Refunds. Provides for filing claims for refunds and appropriates the amount necessary to pay refunds.

Subd. 7. Extensions. Allows extensions for filing returns for up to six months if good cause exists.

Subd. 8. Distribution of funds. Establishes the sports betting revenue account in the special revenue fund. All tax revenue is deposited to the account and is distributed as follows, after issuing refunds:

Five percent to the Minnesota Racing Commission for grants to licensed racetracks for enumerated purposes;

Ten percent to the commissioner of human services for compulsive gambling treatment and problem gambling awareness programs;

15 percent to the director of Explore Minnesota Tourism for grants to Minnesota Sports and Events;

20 percent to the commissioner for payments made under section 1;

Five percent to the commissioner of education for grants to the Minnesota State High School League; and

45 percent to the general fund.

Section 3. Reports and records.

Subd. 1. Business records. Requires mobile sports betting operators and mobile sports betting platform providers to maintain records supporting sports betting activity and taxes owed. Records must be preserved for three-and-a-half years after each return is due or filed, whichever is later, and are subject to inspection by the commissioner.

Subd. 2. Audits. Provides that the commissioner may require an audit of a mobile sports betting operator or mobile sports betting platform provider's sports betting activities in case of failure to comply with the requirements set forth in the chapter.

Section 5. Audits. Specifies that the extension, limitation, civil and criminal penalty, and interest provisions in the charitable gambling chapter apply to the sports betting tax.

Article 3 – Crimes Related to Sports Betting

Article 3 establishes various penalties for illegal sports wagering ranging from a misdemeanor to a felony.

Article 4 –Appropriations

Section 1. Program. Expands a compulsive gambling program to families of compulsive gamblers.

Section 2. Department of Public Safety; Appropriation. Appropriates an undetermined amount in fiscal year 2025 from the general fund to the commissioner of public safety establish the regulation of sports betting.

Section 3. Department of Revenue; Appropriation. Appropriates an undetermined amount in fiscal year 2025 from the general fund to the commissioner of revenue to establish and enforce the taxation of mobile sports betting.

Section 4. Appropriations for studies. Appropriates amounts in fiscal year 2025 from the general fund to the commissioner of public safety for reports required in Article 1.

Article 5 – Conforming Amendments

Section 1 [Advance deposit wager] modifies the definition of “advance deposit wager” to mean a wager placed through advance deposit wagering provider on a horse race. Current law limits advance deposit wager to those placed on horse races outside the state.

Section 2 [Historic Horse Racing] specifies that chapter 299L.47 does not authorize historic horse race operations either in person or by means of electronic terminals.