

March 30, 2022

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 778 (Stephenson) 3rd Engrossment, as Proposed to be Amended (H0778A8)

	Fund Impact			
	<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	\$0	\$5,300	\$12,200

Effective for sports betting net revenue received after June 30, 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, as proposed to be amended, 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 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 wagering equal to 10% of net revenues on wagers placed online through a website or mobile application. Net revenue is defined as wagers placed minus prizes paid and federal excise taxes 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: 10% to the Department of Public Safety for licensing and enforcement; 40% for problem gambling grants; and 50% for the amateur sports commission.

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 July 1, 2023.
- The fiscal year 2024 estimate includes eleven months of collections.

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