

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 1176  
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**Subject:** Lawful gambling tax reductions

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### Overview

This bill reduces taxes for lawful gambling organizations by: allowing those organizations to subtract compensation paid to employees from gross receipts subject to taxation; subjecting electronic linked bingo to the lower 8.5% flat tax on gross receipts; extending the brackets for the graduated tax rates applied under the combined net receipts tax; eliminating the fixed dollar amounts owed under the combined net receipts tax; lowering the threshold for the combined net receipts tax's lower rate structure; and creating a new tax exemption under this section.

This bill also eliminates the mandatory audit of gambling organizations who have over \$750,00 in gross receipts per year and doesn't require reporting of electronic pull-tab receipts until the game has been closed.

Under the proposed language of the bill, subdivision 1's 8.5% flat tax rate would apply to paper and electronic linked bingo, raffles and paddlewheels. Subdivision 2's higher, graduated rate would apply to electronic and paper pull-tabs, and tipboards.

#### Section

- 1** **Definitions.** Creates a definition of "compensation" for purposes of calculating the proposed portion of gross receipts subject to taxation under 297E.02, subdivisions 1 and 6.
- 2** **8.5% flat tax.** Exempts electronic linked bingo from the combined net receipts tax under subdivision 6 and taxes it preferentially under subdivision 1 at the 8.5% flat rate. Allows the

## **Section**

cost of compensation to be subtracted from gross receipts for purposes of determining the tax owed under this subdivision.

### **3 Combined net receipts tax.**

- Exempts electronic linked bingo from the combined net receipts tax under subdivision 6 and taxes it preferentially under subdivision 1 at the 8.5% flat rate.
- Allows the cost of compensation to be subtracted from gross receipts for purposes of determining the tax owed under this subdivision.
- Extends the brackets for the combined net receipts tax and eliminates the fixed dollar amount owed for each bracket in addition to what is calculated under the given rate.
- Lowers the revenue threshold used to trigger the application of the lower combined net receipts rate structure under subdivision 6(b).
- Extends the brackets for the lower combined net receipts rate structure under subdivision 6(b) and eliminates the fixed dollar amount owed for each bracket in addition to what is calculated under the given rate.
- Exempts \$50,000 less prizes paid from both the 8.5% flat tax and combined net receipts tax.

### **4 Reporting.** Directs the commissioner of revenue not to require reporting of gross receipts from electronic pull-tabs until the game is closed.

### **5 Mandatory audit.** Eliminates the requirement for a mandatory audit of gambling organizations who have over \$750,000 per year in gross receipts.