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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 2207

03/15/2021 Authored by Dettmer, Novotny, Urdahl and Erickson
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; lawful gambling; modifying the combined net receipts tax;
1.3 modifying the calculation for the stadium reserve; amending Minnesota Statutes
1.4 2020, sections 297E.02, subdivision 6; 297E.021, subdivision 2; 349.15, subdivision
1.5 1; 349.151, subdivision 4.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2020, section 297E.02, subdivision 6, is amended to read:

1.8 Subd. 6. Combined net receipts tax. (a) In addition to the taxes imposed under
1.9 subdivision 1, a tax is imposed on the combined net receipts of the organization. As used
1.10 in this section, "combined net receipts" is the sum of the organization's gross receipts from
1.11 lawful gambling less gross receipts directly derived from the conduct of paper bingo, raffles,
1.12 and paddlewheels, as defined in section 297E.01, subdivision 8, and less the net prizes
1.13 actually paid, other than prizes actually paid for paper bingo, raffles, and paddlewheels, for
1.14 the fiscal year. The combined net receipts of an organization are subject to a tax computed
1.15 according to the following schedule:

Table with 2 columns: 'If the combined net receipts for the fiscal year are:' and 'The tax is:'. Rows include tax rates for different income brackets: Not over \$87,500 (nine eight percent), Over \$87,500 but not over \$122,500 (\$7,875 plus 16 percent), Over \$122,500 but not over \$157,500 (\$14,175 plus 24 percent), and Over \$157,500 (\$23,625 plus 32 percent).

2.1 (b) Gross receipts derived from sports-themed tipboards are exempt from taxation under
 2.2 this section. For purposes of this paragraph, a sports-themed tipboard means a sports-themed
 2.3 tipboard as defined in section 349.12, subdivision 34, under which the winning numbers
 2.4 are determined by the numerical outcome of a professional sporting event.

2.5 **EFFECTIVE DATE.** This section is effective for games reported as played after June
 2.6 30, 2021.

2.7 Sec. 2. Minnesota Statutes 2020, section 297E.021, subdivision 2, is amended to read:

2.8 Subd. 2. **Determination of revenue increase.** By March 15 of each fiscal year, the
 2.9 commissioner of management and budget, in consultation with the commissioner, shall
 2.10 determine the estimated increase in revenues received from taxes imposed under this chapter
 2.11 over ~~the estimated revenues under the February 2012 state budget forecast for that fiscal~~
 2.12 ~~year. For fiscal years after fiscal year 2015, the commissioner of management and budget~~
 2.13 ~~shall use the February 2012 state budget forecast for fiscal year 2015 as the~~ a baseline of:
 2.14 (1) \$..... in fiscal year 2022; (2) \$..... in fiscal year 2023; and (3) \$..... in fiscal year 2024
 2.15 and thereafter. All calculations under this subdivision must be made net of estimated refunds
 2.16 of the taxes required to be paid.

2.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.18 Sec. 3. Minnesota Statutes 2020, section 349.15, subdivision 1, is amended to read:

2.19 Subdivision 1. **Expenditure restrictions, requirements, and civil penalties.** (a) Gross
 2.20 profits from lawful gambling may be expended only for lawful purposes or allowable
 2.21 expenses as authorized by the membership of the conducting organization at a monthly
 2.22 meeting of the organization's membership.

2.23 (b) For each 12-month period beginning July 1, a licensed organization will be evaluated
 2.24 by the board to determine a rating based on the percentage of annual lawful purpose
 2.25 expenditures when compared to available gross profits for the same period. The rating will
 2.26 be used to determine the organization's profitability percent and is not a rating of the
 2.27 organization's lawful gambling operation. An organization will be evaluated according to
 2.28 the following criteria:

2.29 (1) an organization that expends ~~50~~ 70 percent or more of gross profits on lawful purposes
 2.30 will receive a five-star rating;

2.31 (2) an organization that expends ~~40~~ 55 percent or more but less than ~~50~~ 70 percent of
 2.32 gross profits on lawful purposes will receive a four-star rating;

3.1 (3) an organization that expends ~~30~~ 40 percent or more but less than ~~40~~ 55 percent of
3.2 gross profits on lawful purposes will receive a three-star rating;

3.3 (4) an organization that expends ~~20~~ 25 percent or more but less than ~~30~~ 40 percent of
3.4 gross profits on lawful purposes will receive a two-star rating; and

3.5 (5) an organization that expends less than ~~20~~ 25 percent of gross profits on lawful
3.6 purposes will receive a one-star rating.

3.7 (c) An organization that fails to expend a minimum of ~~30~~ 40 percent annually of gross
3.8 profits on lawful purposes, or ~~20~~ 25 percent annually for organizations that conduct lawful
3.9 gambling in a location where the primary business is bingo, is automatically on probation
3.10 effective July 1 for a period of one year. The organization must increase its rating to the
3.11 required minimum or be subject to sanctions by the board. If an organization fails to meet
3.12 the minimum after a one-year probation, the board may suspend the organization's license
3.13 or impose a civil penalty as follows:

3.14 (1) in determining any suspension or penalty for a violation of this paragraph, the board
3.15 must consider any unique factors or extraordinary circumstances that caused the organization
3.16 to not meet the minimum rate of profitability. Unique factors or extraordinary circumstances
3.17 include, but are not limited to, the purchase of capital assets necessary to conduct lawful
3.18 gambling; road or other construction causing impaired access to the lawful gambling
3.19 premises; and flood, tornado, or other catastrophe that had a direct impact on the continuing
3.20 lawful gambling operation; and

3.21 (2) notwithstanding section 349.151, subdivision 4, paragraph (a), clause (10), the board
3.22 may impose a civil penalty under this subdivision up to \$10,000.

3.23 **EFFECTIVE DATE.** This section is effective July 1, 2021.

3.24 Sec. 4. Minnesota Statutes 2020, section 349.151, subdivision 4, is amended to read:

3.25 Subd. 4. **Powers and duties.** (a) The board has the following powers and duties:

3.26 (1) to regulate lawful gambling to ensure it is conducted in the public interest;

3.27 (2) to issue licenses to organizations and gambling managers, and to issue licenses and
3.28 renewals to distributors, distributor salespersons, manufacturers, and linked bingo game
3.29 providers;

3.30 (3) to collect and deposit fees due under this chapter;

4.1 (4) to receive reports required by this chapter and inspect all premises, records, books,
4.2 and other documents of organizations, distributors, manufacturers, and linked bingo game
4.3 providers to insure compliance with all applicable laws and rules;

4.4 (5) to make rules authorized by this chapter;

4.5 (6) to register gambling equipment and issue registration stamps;

4.6 (7) to provide by rule for the mandatory posting by organizations conducting lawful
4.7 gambling of rules of play and the odds and/or house percentage on each form of lawful
4.8 gambling;

4.9 (8) to report annually to the governor and legislature on its activities and on recommended
4.10 changes in the laws governing gambling, including an annual report that provides: a tabulation
4.11 of the number of compliance reviews completed; the percentage of organizations reviewed;
4.12 an average of the number of months between reviews; the number, location, and organization
4.13 of site inspections; and the number of allegations awaiting investigation by the board;

4.14 (9) to report annually to the governor and legislature a financial summary for each
4.15 licensed organization identifying the gross receipts, prizes paid, allowable expenses, lawful
4.16 purpose expenditures including charitable contributions and all taxes and fees as per section
4.17 349.12, subdivision 25, paragraph (a), clauses (8) and (18), and the percentage of annual
4.18 gross profit used for lawful purposes;

4.19 (10) to impose civil penalties of not more than \$1,000 per violation on organizations,
4.20 distributors, distributor salespersons, manufacturers, linked bingo game providers, and
4.21 gambling managers for violating or failing to comply with any provision of this chapter,
4.22 chapter 297E, or any rule or order of the board;

4.23 (11) to issue premises permits to organizations licensed to conduct lawful gambling;

4.24 (12) to delegate to the director the authority to issue or deny license and premises permit
4.25 applications and renewals under criteria established by the board;

4.26 (13) to delegate to the director the authority to approve or deny fund loss requests,
4.27 contribution of gambling funds to another licensed organization, and property expenditure
4.28 requests under criteria established by the board;

4.29 (14) to suspend or revoke licenses and premises permits of organizations, distributors,
4.30 distributor salespersons, manufacturers, linked bingo game providers, or gambling managers
4.31 as provided in this chapter;

4.32 (15) to approve or deny requests from licensees for:

5.1 (i) waivers from fee requirements as provided in section 349.16, subdivision 6; and

5.2 (ii) variances from Gambling Control Board rules under section 14.055; and

5.3 (16) to register employees of organizations licensed to conduct lawful gambling;

5.4 (17) to require fingerprints from persons determined by board rule to be subject to
5.5 fingerprinting;

5.6 (18) to delegate to a compliance review group of the board the authority to investigate
5.7 alleged violations, issue consent orders, and initiate contested cases on behalf of the board;

5.8 (19) to order organizations, distributors, distributor salespersons, manufacturers, linked
5.9 bingo game providers, and gambling managers to take corrective actions; and

5.10 (20) to take all necessary steps to ensure the integrity of and public confidence in lawful
5.11 gambling.

5.12 (b) The board, or director if authorized to act on behalf of the board, may by citation
5.13 assess any organization, distributor, distributor salesperson, manufacturer, linked bingo
5.14 game provider, or gambling manager a civil penalty of not more than \$1,000 per violation
5.15 for a failure to comply with any provision of this chapter, chapter 297E, or any rule adopted
5.16 or order issued by the board. Any organization, distributor, distributor salesperson, gambling
5.17 manager, linked bingo game provider, or manufacturer assessed a civil penalty under this
5.18 paragraph may request a hearing before the board. Appeals of citations imposing a civil
5.19 penalty are not subject to the provisions of the Administrative Procedure Act.

5.20 (c) All penalties received by the board must be deposited in the general fund.

5.21 (d) All fees imposed by the board under sections 349.16 to 349.167 must be deposited
5.22 in the state treasury and credited to a lawful gambling regulation account in the special
5.23 revenue fund. Receipts in this account are available for the operations of the board up to
5.24 the amount authorized in biennial appropriations from the legislature.

5.25 **EFFECTIVE DATE.** This section is effective July 1, 2021.