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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. **3325**

04/01/2014 Authored by Atkins and Hoppe
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 imposition of tax for electronic
1.3 linked bingo; modifying rates; amending Minnesota Statutes 2012, sections
297E.01, by adding a subdivision; 297E.02, subdivisions 1, 6; 297E.06, by
adding a subdivision; Minnesota Statutes 2013 Supplement, section 297E.06,
subdivision 4.

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

1.8 Section 1. Minnesota Statutes 2012, section 297E.01, is amended by adding a
1.9 subdivision to read:

1.10 Subd. 3a. **Compensation.** "Compensation" means the wages actually paid by an
1.11 organization to its employees for the conduct of lawful gambling and any payroll taxes
1.12 imposed on those wages.

1.13 Sec. 2. Minnesota Statutes 2012, section 297E.02, subdivision 1, is amended to read:

1.14 Subdivision 1. **Imposition.** A tax is imposed on all lawful gambling other than (1)
1.15 paper or electronic pull-tab deals or games; (2) tipboard deals or games; and (3) electronic
1.16 linked bingo; and (4) items listed in section 297E.01, subdivision 8, clauses (4) and (5), at
1.17 the rate of 8.5 percent on the gross receipts as defined in section 297E.01, subdivision 8,
1.18 less prizes and compensation actually paid. The tax imposed by this subdivision is in lieu
1.19 of the tax imposed by section 297A.62 and all local taxes and license fees except a fee
1.20 authorized under section 349.16, subdivision 8, or a tax authorized under subdivision 5.

1.21 The tax imposed under this subdivision is payable by the organization or party
1.22 conducting, directly or indirectly, the gambling.

1.23 Sec. 3. Minnesota Statutes 2012, section 297E.02, subdivision 6, is amended to read:

2.1 Subd. 6. **Combined net receipts tax.** (a) In addition to the taxes imposed under
 2.2 subdivision 1, a tax is imposed on the combined receipts of the organization. As used
 2.3 in this section, "combined net receipts" is the sum of the organization's gross receipts
 2.4 from lawful gambling less gross receipts directly derived from the conduct of paper
 2.5 bingo, electronic linked bingo, raffles, and paddle wheels, as defined in section 297E.01,
 2.6 subdivision 8, and less the compensation and net prizes actually paid, other than prizes
 2.7 actually paid for paper bingo, electronic linked bingo, raffles, and paddle wheels, for the
 2.8 fiscal year. The combined net receipts of an organization are subject to a tax computed
 2.9 according to the following schedule:

2.10 If the combined net 2.11 receipts for the fiscal year 2.12 are:	The tax is:
2.13 Not over \$87,500 <u>\$100,000</u>	nine percent
2.14 Over \$87,500, but not over 2.15 \$122,500 <u>\$100,000 but not</u> 2.16 <u>over \$200,000</u>	\$7,875 plus 18 percent of the amount over \$87,500 <u>\$100,000</u> , but not over \$122,500 <u>\$200,000</u>
2.17 Over \$122,500, but not 2.18 over \$157,500 <u>\$200,000</u> 2.19 <u>but not over \$300,000</u>	\$14,175 plus 27 percent of the amount over \$122,500, but not over \$157,500 <u>\$200,000 but not over \$300,000</u>
2.20 Over \$157,500 <u>\$300,000</u>	\$23,625 plus 36 percent of the amount over \$157,500 <u>\$300,000</u>

2.22 (b) On or before April 1, 2016, the commissioner shall estimate the total amount of
 2.23 revenue, including interest and penalties, that will be collected for fiscal year 2016 from
 2.24 taxes imposed under this chapter. If the amount estimated by the commissioner equals
 2.25 or exceeds \$94,800,000, the commissioner shall certify that effective July 1, 2016, the
 2.26 rates under this paragraph apply in lieu of the rates under paragraph (a) and shall publish a
 2.27 notice to that effect in the State Register and notify each taxpayer by June 1, 2016. If the
 2.28 rates under this section apply, the combined net receipts of an organization are subject to a
 2.29 tax computed according to the following schedule:

2.30 If the combined net 2.31 receipts for the fiscal year 2.32 are:	The tax is:
2.33 Not over \$87,500 <u>\$100,000</u>	8.5 percent
2.34 Over \$87,500, but not over 2.35 \$122,500 <u>\$100,000 but not</u> 2.36 <u>over \$200,000</u>	\$7,438 plus 17 percent of the amount over \$87,500, but not over \$122,500 <u>\$100,000 but not over \$200,000</u>
2.37 Over \$122,500, but not 2.38 over \$157,500 <u>\$200,000</u> 2.39 <u>but not over \$300,000</u>	\$13,388 plus 25.5 percent of the amount over \$122,500, but not over \$157,500 <u>\$200,000 but not over</u> <u>\$300,000</u>
2.41 Over \$157,500 <u>\$300,000</u>	\$22,313 plus 34 percent of the amount over \$157,500 <u>\$300,000</u>

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

3.5 Sec. 4. Minnesota Statutes 2012, section 297E.06, is amended by adding a subdivision
 3.6 to read:

3.7 Subd. 1b. **Electronic pull-tab activity.** The commissioner shall not require
 3.8 organizations to report the gross receipts and prizes from an electronic pull-tab game
 3.9 until the game is closed by the organization.

3.10 Sec. 5. Minnesota Statutes 2013 Supplement, section 297E.06, subdivision 4, is
 3.11 amended to read:

3.12 ~~Subd. 4. **Annual audit, Certified inventory, and cash count.** (a) An organization~~
 3.13 ~~licensed under chapter 349 with gross receipts from lawful gambling of more than~~
 3.14 ~~\$750,000 in any year must have an annual financial audit of its lawful gambling activities~~
 3.15 ~~and funds for that year.~~

3.16 ~~(b) The commissioner may require a financial audit of the lawful gambling activities~~
 3.17 ~~and funds of an organization licensed under chapter 349, with gross receipts less than~~
 3.18 ~~\$750,000 annually, when an organization has:~~

- 3.19 (1) failed to timely file required gambling tax returns;
 3.20 (2) failed to timely pay the gambling tax or regulatory fee;
 3.21 (3) filed fraudulent gambling tax returns;
 3.22 (4) failed to take corrective actions required by the commissioner; or
 3.23 (5) failed to otherwise comply with this chapter.

3.24 ~~(e) (b)~~ Audits under this subdivision must be performed by an independent
 3.25 accountant licensed in accordance with chapter 326A.

3.26 ~~(d) (c)~~ An organization licensed under chapter 349 must perform an annual
 3.27 certified inventory and cash count at the end of its fiscal year and submit the report to
 3.28 the commissioner within 30 days after the end of its fiscal year. The report shall be on
 3.29 a form prescribed by the commissioner.

3.30 ~~(e) (d)~~ The commissioner of revenue shall prescribe standards for the audits,
 3.31 certified inventory, and cash count reports required under this subdivision. The standards
 3.32 may vary based on the gross receipts of the organization. The standards must incorporate
 3.33 and be consistent with standards prescribed by the American Institute of Certified Public

- 4.1 Accountants. A complete, true, and correct copy of the audits, certified inventory, and
- 4.2 cash count report must be filed as prescribed by the commissioner.