

April 16, 2024

*Revised for updated assumptions and industry data*  
Department of Revenue  
Analysis of S.F. 1949 (Klein) 6<sup>th</sup> Engrossment

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>	X	

	<b>Fund Impact</b>			
	<b><u>F.Y. 2024</u></b>	<b><u>F.Y. 2025</u></b>	<b><u>F.Y. 2026</u></b>	<b><u>F.Y. 2027</u></b>
		(000's)		
Special Revenue Fund	\$0	\$0	\$4,300	\$19,100

Effective for sports betting net revenue received on or after the start date.

**EXPLANATION OF THE BILL**

The bill would legalize wagering on athletic events, esports events, college sports events, or other approved events for any individual 21 years of age or older within the state of Minnesota. Up to 11 mobile sports betting operator licenses can be issued to an Indian Tribe that lawfully conducts class III gaming in a casino located in this state. Wagers cannot be placed on horse racing, youth sports or fantasy contests. Certain wager types would not be allowed, including in-game betting. The bill would allow the commissioner of public safety to address and prevent compulsive and problem gambling. Default loss limits of \$500 in a 24-hour period and \$3,000 in a 30-day period would be established for new accounts. A person would be prohibited from gambling once those limits are reached. Licensing and application fees would be established. Fee impacts are not included in the revenue estimate.

A tax is imposed on sports betting net revenue equal to 20% on wagers placed online through a website or mobile application. Any wagers placed on tribal lands are not subject to the tax, even if placed with an online provider. Sports betting net revenue is defined as cash and cash equivalents received minus cash and noncash equivalent paid out for winnings in a month. Federal excise taxes paid are allowed as a subtraction. When sports betting net revenue is less than zero in a month, losses are allowed to carry over for returns filed in subsequent months. Losses are not allowed to be applied to earlier months. Promotional credits and free bets are allowed to be subtracted from taxable sports betting net revenue according to the following schedule:

- For wagers placed before January 1, 2028: 100%
- For wagers placed after December 31, 2027, and before January 1, 2029: 75%
- For wagers placed after December 31, 2028, and before January 1, 2030: 50%
- For wagers placed after December 31, 2029, and before January 1, 2031: 25%
- For wagers placed after December 31, 2030: 0%

The proceeds from the tax will be distributed in a new Special Revenue Fund account called Sports Betting Revenue Account. From that account, the proceeds after refunds will be distributed as follows:

- 5% annually appropriated to the Minnesota Racing Commission for grants to licensed racetracks

- 15% appropriated to the director of Explore Minnesota Tourism for grants to Minnesota Sports and Events
- 10% appropriated to the commissioner of human services for compulsive gambling treatment programs and the state affiliate of the National Council on Problem Gambling
- 20% appropriated to the commissioner of revenue to make tax relief payments to lawful gambling organizations
- 5% appropriated to the commissioner of education for grants to the Minnesota State High School League
- 45% appropriated to the commissioner of revenue to deposit in the general fund

The commissioner of public safety would determine the start date for sports betting. It is assumed that the start date will be January 1, 2026.

### **REVENUE ANALYSIS DETAIL**

- Data from sports betting taxes in various states was used.
- Estimated growth is based on the experiences of comparison states.
- It is estimated that there will be a 5% reduction to revenues due to rulemaking restrictions on problem gambling.
- It is estimated that the prohibition on in-game betting would reduce revenues by 20-40%.
- It is assumed that the loss carried forward provisions would have an unknown negative impact on revenues.
- It is estimated that the excise tax subtraction would reduce revenues by approximately 5%.
- Licensing and application fees are not included in the revenue estimate.
- It is assumed that rulemaking and licensing will be completed, and first bets will be placed by January 1, 2026.
- The fiscal year 2026 estimate is adjusted for five months of collections.

Minnesota Department of Revenue  
Tax Research Division  
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