

Lawful Gambling Tax Expenditure Evaluation Summary

Objective

There are six tax expenditure provisions related to the lawful gambling taxes. The four exclusions and one exemption share the objective of simplifying compliance with and enforcement of lawful gambling and reducing administrative burden. The objective of the sixth, a credit, is to direct a higher amount of net raffle proceeds to be used exclusively to relieve the effects of poverty, homelessness, or disability.

Background

Minnesota has four lawful gambling exclusions, one exemption, and one nonrefundable credit. Lawful gambling is allowed to be conducted by fraternal, religious, veterans, and other nonprofit organizations.¹ Lawful gambling may be conducted by an organization without a license and is exempt from the lawful gambling tax if it meets specific conditions outlined in statute. The nonrefundable credit may be claimed against the lawful gambling tax equal to the tax resulting from a raffle.

Summary Information

Years Enacted	1984-2000
Statute	Minnesota Statutes 2024, section 349.166 and section 297E.02
Tax Type	Lawful Gambling Taxes
Provision Type	Exclusions; Exemption; Credit
Latest Fiscal Impact Estimate	See Table 1 Below
Latest Claims Estimate	See Table 1 Below
Expiration Date	None

Figure 1: Fiscal Impacts and Claims Estimates FY 2024

Tax Expenditure Budget (TEB)	Latest Fiscal Impact Estimate	Claims Estimates FY2024
11.1.01: Bingo at Certain Organizations	N/A	N/A
11.1.02: Bingo at Fairs and Civic Celebrations	\$45,000	166
11.1.03: Infrequent Bingo Occasions	\$119,000	654
11.1.04: Smaller Raffles	\$267,000	1,766
11.1.05: Lawful Gambling Under Certain Conditions	\$2,672,000	2,300
11.2.01: Credit for Certain Raffles	\$21,000	28

¹ Minnesota Statutes 2024, section 349.166

Key Findings

Enforcement of Lawful Gambling Activities but for Current Exemptions

If the lawful gambling tax expenditures were to be repealed, the Gambling Control Board (GCB) estimates the following enforcement impacts.

- 11.1.01-11.1.03: The GCB could reasonably enforce up to 90-95 percent of use cases through voluntary compliance.
- 11.1.04: There is currently no way to know who is partaking in smaller raffles as a permit is not issued by the GCB.
- 11.1.05: May require additional resources and costs to the GCB to enforce. If the tax expenditure was changed to tax only groups that make a certain amount, that would be feasible. If the tax expenditure was changed to tax certain types of groups and not other types of groups, such as taxing a Minnesota non-profit but not a church, 501(c)(3), or veteran's group, that could be regulated by the GCB. However, that would require obtaining additional documentation from organizations to determine their eligibility.

Figure 2 displays the receipt and credit values for 11.2.01 Credit for Certain Raffles. Net Receipt values indicate the amount directed exclusively to relieve the effects of poverty, homelessness, or disability but for the credit.

Figure 2: Schedule ER, Lawful Gambling Tax Credit for Exempt Raffles, CY2024 Sum Totals

Line #	Line Title	Sum Totals
1	Gross receipts for exempt raffles	\$347,137
2	Prizes awarded for exempt raffles	\$102,717
3	Net receipts (subtract line 2 from line 1; the result cannot be more than Form G1, line 2C)	\$244,420
4	Exempt raffle tax credit (multiply line 3 by 8.5% [.085]). Also enter the result from G1, line 16	\$20,778

Contact Information and Disclaimer

- This tax expenditure evaluation was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission.
- For more information, please visit the [Tax Expenditure Review Commission website](#). For the complete report visit the [TERC report page](#).
- Contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov with questions.