

HOUSE RESEARCH

Bill Summary

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Authors: Seifert and others

Subject: Lawful gambling; allowable expenses and reporting requirements

Analyst: Elisabeth Long

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Overview

This bill modifies two 2005 legislative changes to lawful gambling law. First, it eliminates the requirement that lawful gambling organizations comply with allowable expense restrictions on a biennial basis. Second, it requires the Department of Revenue ("department") and the Gambling Control Board ("board") to develop one form that lawful gambling organizations can use to comply with statutory reporting requirements.

Section

- 1 Expenditure restrictions.** Eliminates the requirement, enacted during the 2005 legislative session, that lawful gambling organizations comply with statutory allowable expense caps *on a biennial basis*. Makes this section effective the day following final enactment.

Minnesota has long restricted the percentage of gross profits from gambling that an organization can use for "allowable expenses" (expenses directly related to the conduct of gambling). Until July 1, 2005, a lawful gambling organization could use up to 70 percent of bingo gross profits and up to 55 percent of other lawful gambling gross profits for allowable expenses. Under current law, a lawful gambling organization can use up to 70 percent of bingo gross profits and up to *60 percent* of other lawful gambling gross profits for allowable expenses. This bill would *not* affect the current cap on allowable expenses.

Prior to July 1, 2005, compliance with allowable expense caps was not measured during a specific time period, meaning that an organization could comply with the 55 percent cap

Section

even if it spent more than 55 percent of its gross profits on allowable expenses during a given period, as long as the organization spent no more than 55 percent of its gross profits on allowable expenses in the long run. Pursuant to 2005 legislative changes, organizations receiving lawful gambling licenses after June 30, 2006, or renewing lawful gambling licenses after July 1, 2008, have to comply with allowable expense caps *on a biennial basis*. This bill would eliminate the requirement that organizations must comply with expense caps on a biennial basis, as a condition of receiving or renewing a lawful gambling license, effective the day following final enactment.

- 2** **Reports.** Requires the commissioner of revenue and the board to develop a single form that licensed lawful gambling organizations will use to report required information to the department (*e.g.*, gross receipts, expenses, profits, expenditures of profits) and to the board (*e.g.*, gross receipts, prizes paid, allowable expenses, lawful purpose expenditures, the percentage of gross profits used for charitable contributions, the percentage of gross profits used for taxes and fees). Licensed organizations are required to file monthly reports with the department and annual reports with the board under current law. Makes this section effective August 1, 2006.