
This publication summarizes the taxes and fees imposed on nonprofit organizations for lawful (or charitable) gambling activities.

What is lawful gambling in Minnesota?

Minnesota law authorizes nonprofit, charitable organizations to conduct the following types of gambling activities: pulltabs (electronic and paper), tipboards (including sports-themed), bingo (paper and electronic), paddle tickets, and raffles.¹ Minnesota laws regarding the regulation of lawful gambling can be found in [Minnesota Statutes, chapter 349](#).

Sports betting remains illegal in Minnesota. The Minnesota Legislature has not authorized legal sports betting in Minnesota despite the 2018 ruling by the U.S. Supreme Court in *Murphy v. National Collegiate Athletic Association*, that lifted the federal ban on states' administration of commercial sports betting. See *Murphy v. National Collegiate Athletic Ass'n*, 138 S. Ct. 1461 (2018).

What types of taxes apply to lawful gambling?

Gambling receipts are subject to either a flat tax or a combined net receipts tax, depending on the form of gambling.

Sales tax. Prizes and equipment purchased by a charitable organization for use in lawful gambling activities are subject to state and local sales tax.

Flat tax. A tax of 8.5 percent is imposed on an amount equal to the organization's gross receipts less prizes paid (or net receipts) from bingo (paper only), paddle tickets, and raffles. The rate does not vary based on an organization's receipts. Each month of the fiscal year beginning in July and ending in June, the organization calculates its receipts and remits tax owed to the Department of Revenue. [Minn. Stat. § 297E.02](#), subd. 1.

Combined net receipts tax. This tax is imposed on lawful gambling activities not subject to the flat tax—pulltabs (paper and electronic), tipboards,² and bingo (electronic only). Like the flat tax, this tax is imposed and paid monthly. [Minn. Stat. § 297E.02](#), subd. 6. However, unlike the flat tax, the rate of this tax is based on an organization's total annual net receipts and increases marginally as the annual net receipts exceed various thresholds, as shown in the following table:

¹ State-run lottery games are also lawful in Minnesota, however they are not subject to the taxes described in this publication and are generally not included in the term "lawful gambling."

² [Minnesota Statutes, section 297E.02](#), subdivision 6(c) exempts sports-themed tipboards from both the flat tax and combined net receipts tax.

Annual combined net receipts thresholds	Tax ³
\$87,500 and under	9%
\$87,501 - \$122,500	\$7,875 plus 18% of the amount between \$87,500 and \$122,500
\$122,501 – \$157,500	\$14,175 plus 27% of the amount between \$122,500 and \$157,500
\$157,501 and over	\$23,625 plus 36 % of the amount over \$157,500

Each current month's liability is calculated based on the rate structure outlined above by taking the amount of the organization's net receipts from activities subject to this tax (plus interest and other income) and adding it to the previous months' net receipts to determine which of the graduated rates the organization should use to calculate its tax. The organization should multiply the corresponding rate by the difference between its current total net receipts and the maximum receipts from the tier below. Finally, the total amount of tax paid in the previous months of the fiscal year is subtracted from the amount owed in the current month so that the organization is not paying tax twice on the same total receipts.

Below is an example of how to calculate an organization's monthly tax liability based on gambling activities that are subject to the flat rate tax and activities that are subject to the combined net receipts tax.

Example Scenario: Pinetree Lions Club

The Pinetree Lions Club hosts paper bingo on Monday nights, raffles on Wednesday nights, paper pulltabs on Friday nights, and electronic bingo on Saturday nights. Here is how the club would calculate its tax liability for a three-month period⁴:

Tax Liability Calculation: Month 1

In July 2019, the club raised \$10,000 from paper bingo and \$15,000 from raffles. The club also raised \$20,000 from paper pulltabs, and \$13,000 from electronic bingo. The club paid out prizes in July totaling \$7,000 from paper bingo and raffles, and \$10,000 from paper pulltabs and electronic bingo.

How much tax does the Pinetree Lions Club owe in August 2019?

Flat rate tax

$$= (\text{July gross receipts} - \text{July prizes paid}) \times \text{rate}$$

$$= ((\$10,000 \text{ from paper bingo} + \$15,000 \text{ from raffles}) - (\$7,000 \text{ in prizes})) \times 8.5\%$$

³ The set dollar amounts included in a tax is the maximum amount of tax from the preceding threshold tier. For example, in the second tier, \$7,875 represents 9 percent of the maximum tax amount from the first tier's maximum of \$87,500.

⁴ The example does not reflect a typical amount of revenue raised in a month by an average organization; monthly receipts are inflated so all phases of the calculation can be shown in a three-month period.

$$= (\$25,000 - \$7,000) \times 8.5\%$$

$$= \$18,000 \times 8.5\%$$

August Liability = \$1,530

Combined net receipts tax

Step 1: Determine current month's net receipts

$$= \text{July total receipts} - \text{July total prizes paid}$$

$$= (\$20,000 \text{ from paper pull tabs} + \$13,000 \text{ electronic bingo}) - (\$10,000 \text{ prizes})$$

$$= \$33,000 \text{ receipts} - \$10,000 \text{ prizes}$$

$$= \$23,000 \text{ net receipts}$$

Step 2: Add net receipts from all previous months

$$= \text{July net receipts only because fiscal year begins July 1}$$

$$= \$23,000$$

Step 3: Determine corresponding tax rate

Annual combined net receipts thresholds	Tax
\$87,500 and under	9%
\$87,501 - \$122,500	\$7,875 plus 18% of the amount between \$87,500 and \$122,500
\$122,501 – \$157,500	\$14,175 plus 27% of the amount between \$122,500 and \$157,500
\$157,501 and over	\$23,625 plus 36 % of the amount over \$157,500

Step 4: Subtract maximum combined net receipts from tier below

$$= \$23,000 - \$0$$

$$= \$23,000$$

Step 5: Multiply by corresponding tax rate

$$= \$23,000 \times 9\%$$

$$= \$2,070$$

Step 6: Add maximum tax from tier below

$$= \$2,070 + \$0$$

$$= \$2,070$$

Step 7: Subtract tax from previous month

$$\begin{aligned} &= \$2,070 - \$0 \\ &= \$2,070 \end{aligned}$$

August Liability = \$2,070

For all gambling activities, the Pinetree Lions Club owes a total of \$3,600 in August 2019.

Tax Liability Calculation: Month 2

Over the next month, activities hosted by the Pinetree Lions Club increase dramatically.

In August 2019, the club raised \$18,000 from paper bingo and \$25,000 from raffles. The club also raised \$65,000 from paper pulltabs, and \$25,000 from electronic bingo. The club paid out prizes in August totaling \$10,500 from paper bingo and raffles, and \$13,000 from paper pulltabs and electronic bingo.

How much tax does the Pinetree Lions Club owe in September 2019?

Flat rate tax

$$\begin{aligned} &= (\text{August gross receipts} - \text{August prizes paid}) \times \text{rate} \\ &= ((\$18,000 \text{ from paper bingo} + \$25,000 \text{ from raffles}) - (\$10,500 \text{ in prizes})) \times 8.5\% \\ &= (\$43,000 - \$10,500) \times 8.5\% \\ &= \$32,500 \times 8.5\% \end{aligned}$$

September Liability = \$2,762.50

Combined net receipts tax

Step 1: Determine current month's net receipts

$$\begin{aligned} &= \text{August total receipts} - \text{August total prizes paid} \\ &= (\$65,000 \text{ from August pulltabs} + \$25,000 \text{ August electronic bingo}) - (\$13,000 \text{ August prizes}) \\ &= \$90,000 \text{ receipts} - \$13,000 \text{ prizes} \\ &= \$77,000 \text{ net receipts} \end{aligned}$$

Step 2: Add net receipts from all previous months

$$\begin{aligned} &= \text{August net receipts} - \text{July net receipts} \\ &= \$77,000 + \$23,000 \\ &= \$100,000 \end{aligned}$$

Step 3: Determine corresponding tax rate

Annual combined net receipts thresholds	Tax
\$87,500 and under	9%
\$87,501 - \$122,500	\$7,875 plus 18% of the amount between \$87,500 and \$122,500
\$122,501 - \$157,500	\$14,175 plus 27% of the amount between \$122,500 and \$157,500
\$157,501 and over	\$23,625 plus 36 % of the amount over \$157,500

Step 4: Subtract maximum combined net receipts from tier below

$$= \$100,000 - \$87,500$$

$$= \$12,500$$

Step 5: Multiply by corresponding tax rate

$$= \$12,500 \times 18\%$$

$$= \$2,250$$

Step 6: Add maximum tax from tier below

$$= \$2,250 + \$7,875$$

$$= \$10,125$$

Step 7: Subtract tax from all previous months in the fiscal year

$$= \$10,125 - \text{July tax}$$

$$= \$10,125 - \$2,070$$

$$= \$8,055$$

September Liability = \$8,055

For all gambling activities, the Pinetree Lions Club owes a total of \$10,817.50 in September 2019.

Tax Liability Calculation: Month 3

Over the next month, activities hosted by the Pinetree Lions Club increase dramatically again.

In September 2019, the club raised \$22,000 from paper bingo and \$28,000 from raffles. The club also raised \$46,000 from paper pulltabs, and \$35,000 from electronic bingo. The club paid out prizes in September totaling \$23,500 from paper bingo and raffles, and \$23,000 from paper pulltabs and electronic bingo.

How much tax does the Pinetree Lions Club owe in October 2019?

Flat rate tax

$$\begin{aligned}
 \text{October Liability} &= (\text{September gross receipts} - \text{September prizes paid}) \times \text{rate} \\
 &= ((\$22,000 \text{ from paper bingo} + \$28,000 \text{ from raffles}) - (\$23,500 \text{ in prizes})) \times 8.5\% \\
 &= (\$50,000 - \$23,500) \times 8.5\% \\
 &= \$26,500 \times 8.5\%
 \end{aligned}$$

October Liability = \$2,252.50

Combined net receipts tax

Step 1: Determine current month's net receipts

$$\begin{aligned}
 &= \text{September total receipts} - \text{September total prizes paid} \\
 &= (\$46,000 \text{ from September paper pulltabs} + \$35,000 \text{ September electronic bingo}) - (\$23,000 \\
 &\text{September prizes}) \\
 &= \$81,000 \text{ receipts} - \$23,000 \text{ prizes} \\
 &= \$58,000 \text{ net receipts}
 \end{aligned}$$

Step 2: Add net receipts from all previous months

$$\begin{aligned}
 &= \text{September net receipts} + \text{August net receipts} + \text{July net receipts} \\
 &= \$58,000 \text{ September receipts} + \$77,000 \text{ August receipts} + \$23,000 \text{ July receipts} \\
 &= \$158,000
 \end{aligned}$$

Step 3: Determine corresponding tax rate

Annual combined net receipts thresholds	Tax
\$87,500 and under	9%
\$87,501 - \$122,500	\$7,875 plus 18% of the amount between \$87,500 and \$122,500
\$122,501 - \$157,500	\$14,175 plus 27% of the amount between \$122,500 and \$157,500
\$157,501 and over	\$23,625 plus 36% of the amount over \$157,500

Step 4: Subtract maximum combined net receipts from tier below

$$\begin{aligned}
 &= \$158,000 - \$157,500 \\
 &= \$500
 \end{aligned}$$

Step 5: Multiply by corresponding tax rate

$$\begin{aligned}
 &= \$500 \times 36\% \\
 &= \$180
 \end{aligned}$$

Step 6: Add maximum tax from tier below

$$\begin{aligned} &= \$180 + \$23,625 \\ &= \$23,805 \end{aligned}$$

Step 7: Subtract tax from all previous months in the fiscal year

$$\begin{aligned} &= \$23,805 - \text{August tax} - \text{July tax} \\ &= \$23,805 - \$8,055 - \$2,070 \\ &= \$13,680 \end{aligned}$$

October Liability = \$13,680

For all gambling activities, the Pinetree Lions Club owes a total of \$15,932.50 in October 2019.



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