

Guide for Cities

How Cities May Spend Annual 3% Lawful Gambling Regulatory Tax Required from Charities

Minnesota Gambling Control Board
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Minnesota Statutes, section 349.213, subdivision 3, allows local units of government to impose an up to 3% of gross receipts lawful gambling regulatory tax on licensed lawful gambling organizations within the city's jurisdiction. A city may only impose this lawful gambling tax on licensed charities if it incurred costs to regulate the five forms of lawful gambling.

The annual lawful gambling regulatory tax is designed to reimburse a city if lawful gambling regulatory expenses are incurred. However, if a city spends more on regulating lawful gambling than it receives by imposing the up to 3% regulatory tax, it may not carry a negative balance forward to the next year. Funds may not be retained for future regulatory costs, and funds collected but not used should be refunded to the charities.

A city or county may not impose any taxes on lawful gambling other than an investigation fee or a 3% lawful gambling regulatory tax. A city or county may not impose both the investigation fee and the regulatory tax.

- Accounting for the receipt and disbursement of the local lawful gambling regulatory tax is on a cash basis.
- Because the tax may only be imposed if a city incurred costs directly related to regulating lawful gambling, the city must account for any annual expenses and refund overages back to the charities from which the tax was collected. The regulatory tax is separate and distinct from the 10% lawful gambling contribution fund, and funds from one may not be commingled or used for the other.
- Regulating lawful gambling includes conducting site inspections, and compliance reviews of lawful gambling sites, and orders of corrective action.
- City documents pertaining to site inspections, compliance reviews, trade area monitoring, fines, penalties, or other corrective action involving local lawful gambling regulation must be provided to the Minnesota Gambling Control Board within 30 days of the inspection, compliance review, corrective action, etc. (*Minn. Stat. § 349.213, subd. 3*)
- Funds collected but not used for reimbursement of costs incurred must be refunded to the charities.

Form LG500 City or County Annual Report, Lawful Gambling Regulatory Tax, must be submitted to the Minnesota Gambling Control Board by March 15 of each year describing the amount of tax imposed, details of costs incurred, refunded amounts, and any balance. The LG500 is available at www.mn.gov/gcb.

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