



DISTRIBUTION OF SIN TAX REVENUE

This memorandum provides information on the distribution of revenue from alcohol, tobacco, and gaming taxes, which are commonly categorized as sin taxes.

ALCOHOLIC BEVERAGE TAXES

Tax is imposed on alcoholic beverages at a set amount per wine gallon, which varies based on the type of alcohol. The tax imposed per wine gallon is 8 cents for beer in bulk containers, 16 cents for beer in bottles and cans, 50 cents for wine containing less than 17 percent alcohol by volume, 60 cents for wine containing 17 to 24 percent alcohol by volume, \$2.50 for distilled spirits, and \$4.05 for alcohol. Alcoholic beverage tax revenue is deposited in the general fund.

CIGARETTE AND TOBACCO TAXES

Tax is imposed on cigarettes and tobacco products at various rates based on the weight and type of the product. A tax of 22 mills per cigarette, or 44 cents per pack of 20 cigarettes, is imposed on cigarettes weighing not more than 3 pounds per 1,000 cigarettes. A tax of 22.5 mills per cigarette is imposed on cigarettes weighing more than 3 pounds per 1,000 cigarettes. A tax of 28 percent of the wholesale purchase price is imposed on cigars and pipe tobacco. A tax of 60 cents per ounce, and a proportionate tax on each fraction of an ounce, is imposed on snuff. A tax of 16 cents per ounce, and a proportionate tax on each fraction of an ounce, is imposed on chewing tobacco. The revenue received from the levy and assessment of 1.5 mills on each class of cigarettes, equal to 3 cents per pack of 20 cigarettes, is allocated to incorporated cities on a per capita basis based on the population of each city according to the last official federal census. All remaining cigarette and tobacco tax revenue is deposited in the general fund. Revenue from cigarette and tobacco tax collected from wholesalers and distributors operating on the Standing Rock Sioux Reservation under a collection agreement between the Tax Commissioner and the Standing Rock Sioux Tribe is allocated 86 percent to the tribe and 13 percent, plus a 1 percent administrative fee, to the general fund.

GAMING TAXES

A gaming tax of 1 percent is levied on the first \$1,500,000 of gross proceeds received from conducting games of chance. A gaming tax of 2.25 percent, plus \$15,000, is levied on gross proceeds in excess of \$1,500,000 received from conducting games of chance. Authorized games of chance include poker, twenty-one, punchboards, pull tabs (including electronic pull tabs), bingo, raffles, calcuttas, paddlewheels, and sports pools. Seven percent of gaming taxes, less refunds, are deposited in the gaming tax allocation fund and allocated to cities and counties, pursuant to legislative appropriation, in proportion to the taxes collected from licensed organizations conducting games within each city or county. The 2019 Legislative Assembly appropriated up to \$510,000 to the Attorney General's office from the gaming tax allocation fund for the 2019-21 biennium for grants to cities and counties for gaming enforcement. The remainder of gaming tax revenue is deposited in the general fund.

A pari-mutuel tax is levied on the amount wagered on live horse racing, simulcast wagering, and account wagering. A tax of 2 percent of the amount wagered is levied on live horse racing. The tax consists of tax of one-half of 1 percent levied for deposit in the general fund, a tax of one-half of 1 percent levied for deposit in the breeder's fund, a tax of one-half of 1 percent levied for deposit in the purse fund, and a tax of one-half of 1 percent levied for deposit in the racing promotion fund. A tax of four-sixteenths of 1 percent of the amount wagered is levied on simulcast and account wagering. The tax consists of a tax of one-sixteenth of 1 percent levied for deposit in the general fund, a tax of one-sixteenth of 1 percent levied for deposit in the breeder's fund, a tax of one-sixteenth of 1 percent levied for deposit in the purse fund, and a tax of one-sixteenth of 1 percent levied for deposit in the racing promotion fund.

All revenue received from the sale of lottery tickets, interest received on money in the lottery operating fund, and all other fees and money collected related to the lottery, with the exception of the prize amount on a lottery promotion, the prize amount on a winning ticket paid by a retailer, and a retailer's commission, must be deposited in the lottery operating fund. The 2019 Legislative Assembly appropriated \$3,156,500 from the lottery operating

fund for the administrative and operating costs of the lottery for the 2019-21 biennium. Money from the lottery operating fund also may be expended for the payment of winning tickets, marketing expenses that are directly offset by collected cosponsorship funds, gaming system or related service expenses, retailer record and credit check fees, game group dues, and retailer commissions. From the net proceeds of the lottery, \$80,000 must be transferred quarterly for deposit in the gambling disorder prevention and treatment fund, \$200,000 must be transferred quarterly for deposit in the Attorney General's multijurisdictional drug task force grant fund, an amount necessary for the lottery's share of a game's prize reserve pool must be transferred to the multistate lottery association, and all remaining net proceeds, less holdback of any reserve funds required for continuing operations, must be transferred annually for deposit in the general fund.