

SENATE BILL REPORT

ESHB 2926

As Reported By Senate Committee On:
Labor, Commerce & Trade, February 22, 1996

Title: An act relating to the thoroughbred industry.

Brief Description: Requiring less money from and providing tax exemptions for the thoroughbred industry.

Sponsors: House Committee on Finance (originally sponsored by Representatives Silver, Mastin and Robertson).

Brief History:

Committee Activity: Labor, Commerce & Trade: 2/21/96, 2/22/96 [DP-WM].

Ways & Means: 3/7/96.

SENATE COMMITTEE ON LABOR, COMMERCE & TRADE

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Pelz, Chair; Heavey, Vice Chair; A. Anderson, McDonald and Newhouse.

Staff: Traci Ratzliff (786-7452)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: The sales tax is imposed on retail sales of most items of tangible personal property and some services. The state tax rate is 6.5 percent and is applied to the selling price of the article or service.

Farmers are exempt from sales tax on feed, seed, and fertilizer. This exemption is not available to some horse trainers/breeders because they do not fit the statutory definition of farmer. However, under Department of Revenue practice the sales of feed for registered breeding horses is not subject to retail sales tax. Sales of feed for gelded horses is subject to sales tax.

The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business.

B&O tax applies to the gross incomes of the participants in horse racing who are not race meet operators. For example, some horse sales are subject to retailing B&O tax, horse owners pay B&O service tax on income from race purses and bonuses, horse owners pay B&O service tax on gross income from breeding activities, and income from boarding,

training, exercising, riding, grooming, and shoeing horses is taxable under the B&O service rate.

An exemption from the B&O tax is provided for operators of licensed horse racing meets. Instead, these meets pay the parimutuel tax on the gross amount wagered on races. The rate of tax is 0.5 percent for nonprofit races of no more than 10 days with daily receipts of less than \$120,000. The tax rate for other races is 1.0 percent if daily receipts are \$250,000 or less, and 2.5 percent if daily receipts are greater than \$250,000.

Fifty percent of the tax proceeds is used by the Horse Racing Commission for administration. The remainder is deposited into the fair fund (46 percent), the state trade fair fund (3.0 percent), and the general fund (1.0 percent). The fair fund is administered by the Director of Agriculture for assisting county, district, and community agricultural fairs, and youth shows and fairs. The state trade fair fund is administered by the Director of Community, Trade, and Economic Development and is allocated to state international trade fairs.

Licensed race meet operators are authorized to retain 12.5 percent of gross amount wagered if daily receipts are \$250,000 or less. If daily receipts are over \$250,000, the licensee may retain 14.0 percent.

Summary of Bill: Feed sold for thoroughbred race horses is exempt from sales and use tax.

Raising, breeding, training, or selling thoroughbred race horses is exempt from B&O tax. Amounts received as purses for thoroughbred races are exempt from B&O tax.

The 1.0 percent parimutuel tax rate on race meets with daily receipts of \$250,000 or less is decreased to 0.8 percent. The 2.5 percent parimutuel tax rate on race meets with daily receipts greater than \$250,000 is decreased to 2.3 percent.

The amount of daily receipts that can be retained by race meet operators is increased from 12.5 percent to 12.7 percent if receipts are \$250,000 or less, and from 14.0 percent to 14.2 percent if daily receipts are over \$250,000.

Until January 1, 2001, horse race meets of 30 days or longer located in counties with population over 350,000 but less than one million do not pay the parimutuel tax.

The distribution of the parimutuel tax revenue is changed to 50 percent to the Horse Racing Commission and 50 percent to the fair fund. Distributions to the state trade fair fund and the general fund are ended.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill will provide a solution to some of the current problems faced by the thoroughbred industry. It will help the industry get back on its feet in preparation for the opening of the new track.

Testimony Against: None.

Testified: PRO: Rep. Silver, prime sponsor; Rep. Mastin; Ted Martin, Playfair; Jay Healy, Playfair Horseman; Chuck Fabel, Playfair Horseman; Carl Baze, President WHBPA; Ralph Vacca, WA Thoroughbred Breeders Assn.; Marlyta Deck, WA State Fairs Assn.; Barbara Shinpoch, Chair, Horse Racing Commission.