

SENATE BILL REPORT

SB 6728

As of 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: Senators Loveland, Prince, Heavey, Deccio, Snyder, Rasmussen, West and Roach.

Brief History:

Committee Activity: Ways & Means: 2/1/96.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: The state imposes a tax on the gross receipts of parimutuel machines at licensed horse racing events. 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 rate of tax 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. Of the proceeds from these taxes, 50.0 percent is retained by the Horse Racing Commission with the excess deposited into the general fund, 1.0 percent is deposited into the general fund, 3.0 percent is deposited in to the state trade fair fund, and 46.0 percent is deposited into the fair fund.

If daily receipts are \$250,000 or less, the licensee may retain 12.5 percent of the receipts. If daily receipts are over \$250,000, the licensee may retain 14.0 percent of the receipts.

Washington's major business tax is the business and occupation (B&O) 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. Although there are several different rates, the principal rates are:

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| Manufacturing/wholesaling/extracting | 0.506% |
| Retailing | 0.471% |
| Services | |
| - Business Services | 2.0% |
| - Financial Services | 1.6% |
| - Other activities | 1.83% |

The B&O tax is not applied to farmers who sell any agricultural product at wholesale but does apply to retail sales by farmers of agricultural products. For purposes of the B&O tax, agricultural product means any product of plant cultivation or animal husbandry, but does not include animals intended to be pets. The B&O tax does not apply to race meets requiring a license from the Horse Racing Commission.

The sales tax is imposed on each retail sale of most articles of tangible personal property and certain services. Retail sale is defined to exclude the sale of feed, seed, or fertilizer to farmers for the producing for sale any agricultural product. The retail sales tax does not apply to the purchase of feed for purebred livestock for breeding purposes where the animal is registered in a nationally recognized breed association. Thus, feed purchased for gelded or spayed horses technically is subject to the retail sales tax as is feed for non-registered horses.

Summary of Substitute Bill: The 1.0 percent parimutuel tax rate if daily receipts are \$250,000 or less is decreased to 0.5 percent and the 2.5 percent parimutuel tax rate if daily receipts are greater than \$250,000 is decreased to 2.0 percent.

The amount of daily receipts that can be retained by licensees is increased from 12.5 percent to 13.0 percent if receipts are \$250,000 or less and from 14.0 percent to 14.5 percent if daily receipts are over \$250,000.

B&O tax exemptions are provided for:

- 1) The raising, breeding, training, or selling of thoroughbred race horses; and
- 2) Amounts received as purses for thoroughbred races.

Sales and use tax exemptions are provided for feed sold for thoroughbred race horses.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill is necessary for the health of the industry. The fiscal note does not reflect increased revenues from the industry returning to its previous state of health. Playfair will not survive without this. It will not operate in 1996 in any event. A \$400 million industry has shrunk to 50 to 60 percent.

Testimony Against: None.

Testified: Ron Crockett, Northwest Racing Association (pro); Ralph Vacca, WA Thoroughbred Breeders (pro); Lee Brauer, WNIBPA (pro); Barbara Shinpoch, Horse Racing Commission (pro); Dan Hillyard, Playfair Race Course (pro); Senator Rasmussen (pro).