

HOUSE BILL REPORT

SHB 1447

As Passed Legislature

Title: An act relating to tax exemptions related to thoroughbred horses.

Brief Description: Providing tax exemptions related to thoroughbred horses.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Robertson, L. Thomas, Clements, Kastama and Cooke).

Brief History:

Committee Activity:

Finance: 1/29/98, 2/4/98 [DPS].

Floor Activity:

Passed House: 2/27/98, 97-0.

Passed Legislature.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Boldt; Butler; Conway; Kastama; Mason; Morris; Pennington; Schoesler; Thompson and Van Luven.

Staff: Linda Brooks (786-7153).

Background: Washington's major business tax is the business and occupation (B&O) tax. In 1997, the Legislature eliminated the distinction between financial services, selected business services, and other services and consolidated these activities into a single tax rate. These changes will take place July 1, 1998. After July the principal B&O tax rates will be:

Manufacturing, wholesaling, & extracting	0.484	percent
Retailing	0.471	percent
Services	1.5	percent

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.

Persons who sell or lease thoroughbred racing horses pay the 0.471 percent retailing B&O tax on their gross receipts earned from selling horses at retail. Persons who sell thoroughbred racing horses at wholesale, however, are exempt from paying the 0.484 percent wholesaling B&O tax. A horse is sold at wholesale if the horse is resold within 60 days, there is not intervening use, and the seller receives a resale certificate from the buyer.

Horse breeders pay the 1.5 percent service B&O tax on gross receipts earned from stud fees. Persons who train, race, groom, or shoe the horses pay the 1.5 percent service B&O tax on their gross receipts received as compensation for their services. Owners of thoroughbred racing horses pay the 1.5 percent service B&O tax on gross receipts earned from racing purses and other awards.

Summary of Bill: Persons who race, raise, ride, exercise, groom, breed, train, or sell thoroughbred race horses are exempt from paying B&O taxes on any amounts received as compensation for these services or sales transactions. Compensation includes, but is not limited to, amounts received from purse winnings or awards.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: For 60 years persons connected with the horse racing industry did not pay B&O taxes. Our problems with the B&O tax began when the Department of Revenue reinterpreted the law about four years ago and determined that the B&O tax exemption for persons conducting race meets applied only to the operators of a race track. Operators of a race track are not the only persons required to obtain a license from the Horse Racing Commission. Other persons such as jockeys must also be licensed. It would be impossible to conduct a meet without jockeys, trainers, and other support personnel. The fact that jockeys, trainers, and breeders are paying B&O taxes now is the result of the decision of an administrative agency, but such a decision should be made by the Legislature.

Testimony Against: None.

Testified: Representative Eric Robertson, sponsor; and Frank Warnke, Larry Holis, and Ralph Vacca, Washington Horsemen's Action Committee (pro).