

HOUSE BILL REPORT

ESHB 1120

C 270 L 91

Synopsis as Enacted

Brief Description: Modifying disbursement of daily gross receipts in horse racing.

By House Committee on Revenue (originally sponsored by Representatives Roland, Forner, Leonard, Holland, Scott, Valle, Day, O'Brien, Prince, Bowman, R. Meyers, Tate, H. Myers, Hine, Fuhrman, Rayburn, Prentice, Jacobsen, R. King, Chandler, Wilson, Inslee, Wood, Rasmussen, Cooper, R. Johnson, Vance, Sheldon, Morris, Appelwick, Brumsickle, Hochstatter, Van Luven, Paris, Haugen, Kremen, Zellinsky, Edmondson, Brough, Phillips, Lisk, Betrozoff, Wynne, Nealey, Miller, Fraser, Wineberry, Sprengle, Orr, McLean and Anderson).

House Committee on Commerce & Labor
House Committee on Revenue
Senate Committee on Commerce & Labor
Senate Committee on Ways & Means

Background: Operators of horse racing events are licensed by the Horse Racing Commission. The "pari-mutuel tax" is a set percentage of the gross receipts of all pari-mutuel machines at each horse racing event in the state. Gross receipts are also referred to as the "handle." The tax is levied in lieu of other business taxes and is deducted from the licensee's "take out." The "take out" is a track's gross receipts from pari-mutuel machines less returns to bettors. Under current law, the take out for win/place/show wagers is 16 percent.

The Pari-mutuel Tax: The pari-mutuel tax is administered by the Horse Racing Commission. The following rates apply to win/place/show wagers: On an average daily handle of up to \$200,000, the tax rate is 0.5 percent (the licensee retains 14.5 percent); on an average daily handle of \$200,001-\$400,000, the tax rate is 1.0 percent (the licensee retains 14.0 percent); on an average daily handle of more than \$400,000, the tax rate is 4.0 percent (the licensee retains 11.0 percent).

The rates are slightly different for satellite locations: On an average daily handle of up to \$400,000, the tax rate is 0.5 percent (the licensee retains 14.5 percent); on an

average daily handle of more than \$400,000 the tax rate is 3.0 percent (the licensee retains 12.0 percent).

License Fees: If a track received over \$50 million in gross receipts from pari-mutuel machines in the preceding year, the fee to be paid in advance of the next year is \$500 per racing day. If the track received \$50 million or less, the license fee is \$200 per racing day. Newly authorized race meets must pay \$200 per racing day for the first year.

Distribution of Revenues: Revenues from both the pari-mutuel tax and license fees are distributed as follows:

Horse Racing Commission	22 percent
State General Fund	40 percent
Trade Fair Fund	3 percent
Fair Fund (agricultural)	35 percent

Washington-Bred Owner Award Funds: In addition to other taxes and fees, each licensee must pay 1 percent of its handle to the commission for Washington-bred owner awards.

Exotic Races: An "exotic wager" is any multiple horse wager. The take out for exotic wagers is higher than the take out for win/place/show wagers. For two selection wagers (daily doubles and exactas) the take out is the standard take out plus an additional 5.5 percent. From this additional portion of the handle, the racing association retains 3 percent (4.5 percent on satellite wagers) and the commission receives 2.5 percent (1 percent on satellite wagers).

For three or more selection wagers (trifectas and pick-threes) the take out is the standard take out plus an additional 9.5 percent. Of the additional funds, the racing association retains 6 percent (8.5 percent on satellite wagers) and the commission receives 3.5 percent (1 percent on satellite wagers). The commission retains 31 percent of the additional amount it receives from exotic wagers and forwards the remainder to the state general fund.

From the licensee's portion of the additional funds, 1 percent is dedicated to Washington-bred breeder awards (not to exceed 20 percent of the winner's share of the purse). The remainder is shared equally between the licensee and the participating horsemen.

Satellite Locations: A licensee may conduct pari-mutuel wagering at a satellite location with commission approval. The commission may approve only one satellite location per county, and that location cannot be within 50 air miles of the licensee's racing facility.

The commission may allow a licensee to conduct satellite pari-mutuel wagering at a satellite location within 50 air miles of another licensee that conducts race meets of 30 days or more, but, only if the licensee conducting satellite wagering has race meets of at least 30 days and suspends its program during the conduct of race meets of all licensees within 50 air miles.

The authority to conduct parimutuel wagering at satellite locations expires on June 30, 1992.

Ex officio Members: The Horse Racing Commission consists of seven members. In addition to the three voting members of the commission appointed by the governor, there are four ex officio nonvoting members, two members of the Senate and two members of the House of Representatives. The section of the code providing for the ex officio members expires on October 31, 1991.

Summary: Amendments are made to provisions in the horse racing code relating to: the pari-mutuel tax; the distribution of revenues; wagers on exotic races; satellite locations; and ex officio members of the Horse Racing Commission.

The Pari-mutuel Tax: The tax rates are made the same for racing facilities and satellite locations. The following rates apply to win/place/show wagers: On an average daily handle of up to \$250,000, including receipts from satellites, the tax rate is 1.0 percent (the licensee retains 14.0 percent); on an average daily handle of more than \$250,000, including receipts from satellites, the tax rate is 2.5 percent (the licensee retains 12.5 percent).

Distribution of Revenues: Revenues from both the pari-mutuel tax on win/place/show wagers and license fees are distributed as follows:

Horse Racing Commission	50 percent
State General Fund	1 percent
Trade Fair Fund	3 percent
Fair Fund (agricultural)	46 percent

Additional Take Out for Nonprofit Race Meets: One-tenth of one percent of the daily gross receipts of all parimutuel machines is to be disbursed to nonprofit race meets on a pro rata, per-race-day basis and only to race tracks that have been in operation for at least five years. This percentage is not to be charged against the licensees. The annual amount disbursed to all race tracks may not exceed \$150,000. Funds in excess of the \$150,000 are to be deposited in the General Fund.

The Washington Thoroughbred Racing Fund: Licensees who are nonprofit corporations and have race meets of 30 days or more must pay to the commission an additional 2.5 percent of their daily gross receipts. This percentage is roughly equal to the amount of the reduction of the parimutuel tax for tracks with an average daily handle of more than \$250,000. The commission is to deposit these additional funds into the Washington Thoroughbred Racing Fund which is created in the state treasury. The money in the fund may be spent only after legislative appropriation. Expenditures from the fund are to be used to benefit and support interim continuation of thoroughbred racing, capital construction of a new race track facility, and programs enhancing the general welfare, safety, and advancement of the Washington thoroughbred industry.

Washington-Bred Owner Award Funds: Fifty percent of the funds received by the commission from a new licensee for Washington-bred owner awards may be used for a period of five years to reimburse the new licensee for the capital construction costs of building a new race track.

Money refunded to the new licensee for capital costs may not be distributed until the end of the calendar year and does not include interest. The interest accrued on this money is disbursed to nonprofit tracks for the upkeep of tracks and training areas.

Exotic races: For all exotic races, the take out includes an additional 6 percent of the handle. The licensee retains 5 percent, and 1 percent is dedicated to Washington-bred breeder awards. Of that 1 percent, one-fourth is to be retained by a new licensee for reimbursement of capital construction costs for five years.

Satellite locations: A licensee may not conduct satellite betting within 20 ground miles of the licensee's racing facility. "Ground miles" means miles measured from point to point in a straight line.

The commission may allow a licensee that is conducting a live race meet to satellite within 50 ground miles of another licensee that is conducting a live race meet if the other track's race meet is 30 days or more and if the licensee conducting the satellite wagering suspends its program during the conduct of the meets of all licensee's within 50 ground miles. When a licensee is using another race track as a satellite facility, with the race track owner's permission, that licensee is allowed to use the other race track's satellite facilities, even if they are within a 50 ground mile radius.

The June 30, 1992 expiration of parimutuel wagering at satellite locations is repealed.

Ex officio members: The provision calling for the expiration of the ex officio memberships on the Horse Racing Commission is deleted.

Votes on Final Passage:

House	93	4	
Senate	39	4	Senate amended
Senate	38	5	Senate amended
House	95	2	House concurred

Effective: May 20, 1991