

# FINAL BILL REPORT

## SHB 2192

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Synopsis as Enacted

**Brief Description:** Taxing parimutuel machines.

**Sponsors:** By House Committee on Finance (originally sponsored by Representatives Cody and Clements).

### House Committee on Finance

#### Background:

The parimutuel tax is a state tax that applies to the gross receipts of parimutuel machines within the state, used in connection with horse racing meets. Parimutuel wagering is a system of betting on races whereby the total amount wagered, less management expenses, is divided among the winners in proportion to the sums they have wagered individually. The rate of the base tax depends on whether the race is for-profit or nonprofit, and whether the annual receipts of the licensee in the previous year was greater than \$50 million:

<u>Race Type/Annual Receipts</u>	<u>Base Tax Rate</u>
Nonprofit (maximum of 10 days/yr.)	0 percent
For profit	
Annual receipts less than \$50 million	0.52 percent
Annual receipts at least \$50 million	1.30 percent

Additional tax rates also apply: 0.1 percent, for the purpose of providing additional funding to support nonprofit race meets; and 1.0 percent, which applies only to the receipts of large race meets to provide additional prize money for the owners of the top four finishing horses.

The parimutuel tax applies to parimutuel wagering that occurs on-site at the race track and at off-track satellite betting facilities. For the purpose of determining odds and computing payoffs for a particular race, the track owner must combine the pool of wagers at both on-site and off-track locations. In addition to in-state races, parimutuel wagering is permitted on out-of-state races through simulcasts. Simulcasts are transmittals of live races that occur out-of-state, where the transmitted signals are received at track facilities or off-track satellite facilities.

Activity in the state horse racing industry has decreased in recent years. The only

operating track is Emerald Downs, located in Auburn; facilities at Yakima Meadows and at Playfair in Spokane shut down in 1998 and 2001, respectively.

In June 2002 the State Horse Racing Commission (Commission) received an application for a license to conduct parimutuel horse racing at Playfair in Spokane. The Commission approved the license in October 2002, and racing is scheduled to commence in September 2003.

Revenues attributable to wagering activity at larger racetracks have historically been used to subsidize regulatory costs at meets at smaller and nonprofit racetracks. The Commission expects the gross receipts received from the racing activity scheduled at Playfair to be subject to the 0.52 percent tax rate and the annual tax revenues to be less than the costs of regulating the meets.

**Summary:**

The parimutuel tax rate on the gross receipts of for-profit licensees whose annual receipts are less than \$50 million is increased from 0.52 percent to 1.803 percent.

**Votes on Final Passage:**

House 84 8

First Special Session

House 87 5

Senate 38 9

**Effective:** January 2, 2004