

SENATE BILL REPORT

SB 5598

As of February 7, 2023

Title: An act relating to providing supplementary funding to legalized horse racing and the recreational use of horses in Washington State.

Brief Description: Providing supplementary funding to legalized horse racing and the recreational use of horses in Washington State.

Sponsors: Senators Mullet, Fortunato, Nguyen, Keiser, Schoesler, Kauffman, Hunt, Padden, Wilson, J., Conway, Dozier, Stanford and Van De Wege.

Brief History:

Committee Activity: Business, Financial Services, Gaming & Trade: 2/07/23.

Brief Summary of Bill

- Repeals the parimutuel tax.
- Creates the Washington Equine Industry Reinvestment Account (Account) to support the Washington Horse Racing Commission and activities related to the equine industry.
- Requires an annual transfer of \$6 million per year to the Account of revenue from sales of equines and equine-related items.
- Requires an annual appropriation of \$6 million from the Account to the Washington Horse Racing Commission Operating Account.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

Staff: Kellee Gunn (786-7429)

Background: Washington Horse Racing Commission. The Washington Horse Racing Commission (Commission) is responsible for licensing, regulating, and supervising all

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horse race meets held in Washington where the parimutuel system of betting is used. Parimutuel betting, or pool betting, is when those who bet and finish in the first four places share the total amount bet minus a percentage for management.

Betting or wagering on a horse race is lawful in Washington only if it is by the parimutuel method.

Parimutuel Tax. There is a tax on parimutuel betting in Washington State. The tax rate is dependent on the gross receipts of the previous calendar year on in-state parimutuel machines. The tax rate that must be withheld and paid to the commission daily is either:

- 1.3 percent if gross receipts from the previous calendar year are greater than \$50 million; or
- 1.803 percent if gross receipts from the previous calendar year are less than \$50 million.

Gross receipts from the parimutuel tax are deposited into a nonappropriated account for the Commission's operating expenses. If sufficient funds are available for operating, then the Commission may spend up to \$300,000 per fiscal year for the equine industry.

If a licensee is a nonprofit, and meets less than ten days a year, they are not subject to the parimutuel tax.

Race Fee. Every person wanting to hold a horse race with betting and wagering must apply to the Horse Racing Commission for a license. The licensee shall provide certain information on the race meet. The number of days the horse race meets as well as the gross receipts from parimutuel betting from the previous calendar year shall determine the daily fee. Licensees which had gross receipts from parimutuel machines in excess of \$50 million in the previous year must pay a \$500 daily fee, those at or below that must pay a \$200 daily fee. There must be at least six, but no more than 11, races per day for each licensee subject to the daily fee.

Summary of Bill: Annually, beginning July 1, 2023, up to \$6 million shall be transferred into the Washington Equine Industry Reinvestment Account (Account) from the state's sales and use tax on the following items:

- equines;
- equine feed;
- prescription drugs, over-the-counter drugs, or dietary supplements to be dispensed to equines;
- equine tack;
- horse bedding and grooming supplies;
- sale of horses, including equines claimed at class 1 and class C regulated race meets; and
- other taxable sales directly related to equine ownership, riding, or boarding.

The term equine means horse, pony, mule, donkey, or hinny.

The Account is created in the state treasury to help legalized horse racing and the recreational use of horses in Washington State. Beginning in fiscal year 2024, and annually thereafter, the money in the account must be appropriated as follows:

- \$6 million to the Washington Horse Racing Commission Operating Account for commission activities and operating expenses.

Remaining Account funds shall be distributed as follows:

- 65 percent to the class 1 racing associations allocated by grant from the Washington Horse Commission; of that allocation 25 percent must be used for assistance in shipping and recruitment of horses to Washington from outside the state, with the remainder being used for equine health and safety programs, research, racetrack improvements, and long-term maintenance of the racing surface;
- 10 percent to support grants for nonprofit class C race meets;
- 10 percent to supplement Washington breeders and bred horses awards and owners bonuses;
- 10 percent to be awarded as grants to support certain equine activities such as shows, educational activities, and sponsored rides; and
- 5 percent to the local affiliate and representative of horsemen and horsewomen in Washington State, authorized to apply for grants to implement health and welfare programs for those working in the stable area at covered tracks.

The parimutuel tax is repealed, and the statutory provision allowing the Commission to spend up to \$300,000 for equine-industry related expenses is stricken.

A \$200 per day live race day fee is required of all licensees holding a race meet, irrespective of previous years gross receipts.

Appropriation: The bill contains an appropriation totaling \$6 million per year.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: Last year's bill provided funding to the purses, and this bill does not do that. This is about encouraging and supporting the horse industry.

The cost of running the commission is about \$1 million per year. The parimutuel tax collects about \$1.1 million per year. The remaining funds, after paying for the commission's costs, will go to support things like nonprofit class C meets; race days in Dayton and Walla

Walla, whose cities have functional racetracks; Washington horse breeders and back stretch employees; class 1 racing, to ensure the racetrack surface meets quality standards; and other investments related to horses and horse racing. These investments will more than pay for themselves. Once upon a time, Washington was 6th in horse breeding and racing - now the state isn't even in the top 20. The revenue from the parimutuel tax isn't enough to do the work that the Commission is required to do. The money raised from equine sales should support the equine industry.

The Washington Horsemen's Benevolent and Protective Association offers health and welfare benefits for those who work at Emerald Downs. Our Association assists in workers compensation claims between Labor and Industries and those who work in horse racing. It is a rarity that an association is put in this place. Due to a variety of factors the amount that our association has received from the parimutuel tax has dwindled down from \$300,000 to \$20,000. The programs we offer help everyone in the horse racing community. These are life changing benefits that this bill can restore. I started as a dishwasher at Emerald Downs 15 years ago and am now the head chef. My job allows me to support my family. Please support this bill and the people who work in this industry.

Using the tax money from the money spent on horses to support horse racing and activities will be wonderful. These events help small towns. When horse events come into a town, it supports that town's local economy as well as those involved in those shows. We provide equine therapy to children, veterans, and people with disabilities. Without the support of people in this industry, we would not exist. Equine therapy works. All Washington residents should have the opportunity to participate in horse related activities. From the agency standpoint, this money will stabilize the commission's operating account and staff at the adequate level needed for consumer protection and protection of those in the industry. Supporting Washington bred horses is an important function of the commission, and one that will be helped by this bill. If this bill passes, the Commission will be able to do their work and support other things such as equine therapy.

Persons Testifying: PRO: Senator Mark Mullet, Prime Sponsor; Rocio Reyes, Emerald Downs; Boone McCanna, Down The Stretch Ranch; Doug Moore, Washington Horse Racing Commission; MaryAnn O'Connell, WA Horsemen's Benevolent & Protective Assn; Pat LePley, WA Horsemen's Benevolent & Protective Assn; Sara Stewart, Evergreen Equestrian Club; Dennis Eagle, WA Federation of State Employees; Bret Christopherson.

Persons Signed In To Testify But Not Testifying: No one.