

SENATE BILL REPORT

SB 5610

As Reported by Senate Committee On:
Business, Financial Services & Trade, February 13, 2025

Title: An act relating to establishing an equine industry tax credit, allowing the horse racing commission to impose a fee, and using equine industry sales tax revenues for federal regulatory compliance.

Brief Description: Establishing an equine industry tax credit, allowing the horse racing commission to impose a fee, and using equine industry sales tax revenues for federal regulatory compliance.

Sponsors: Senators Kauffman, Nobles and Orwall.

Brief History:

Committee Activity: Business, Financial Services & Trade: 2/06/25, 2/13/25 [DPS-WM, DNP, w/oRec].

Brief Summary of First Substitute Bill

- Creates a tax credit equal to the amount a person pays to the Federal Horseracing Integrity Safety Authority or the Washington Horse Racing Commission.
- Creates an annual transfer of an amount not to exceed \$1.5 million from the general fund to the newly created Washington Equine Industry Federal Regulatory Account.
- Funds from the imposition of state sales and taxes on equine products, services, or uses would be the source of state funds for the transfer into the Washington Equine Industry Federal Regulatory Account.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Majority Report: That Substitute Senate Bill No. 5610 be substituted therefor, and the

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substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kauffman, Chair; Cortes, Vice Chair; Dozier, Ranking Member; Fortunato, Lovick, McCune and Wilson, J..

Minority Report: Do not pass.

Signed by Senator Stanford.

Minority Report: That it be referred without recommendation.

Signed by Senator Hasegawa.

Staff: Clint McCarthy (786-7319)

Background: Washington State Horse Racing Commission. The Washington Horse Racing Commission (Commission) is responsible for licensing, regulating, and supervising all race meets held in Washington where the parimutuel system of betting is used. The Commission is also responsible for inspecting each race course in the state at least once a year.

Betting or wagering on a horse race is lawful in Washington only if it is by the parimutuel method. The parimutuel method is a wagering system in which the bets of a particular type are pooled, taxes and commissions are removed, and payoffs are calculated by sharing the pool among all of the winning bets. Licensees that operate race meets must withhold and pay to the Commission daily, for each authorized day of parimutuel wagering, a parimutuel tax that is a percentage of all the licensees' daily gross receipts from the licensees' in-state parimutuel machines.

The receipts from the parimutuel tax must be deposited in the Washington Horse Racing Commission Operating Account (Account), in addition to any gifts, grants, or endowments the Commission receives. The Commission, or the Commission's designee, may authorize expenditures from the Account. Moneys in the Account must be used for the Commission's operating expenses, except as otherwise required in the terms of a gift, grant, or endowment.

Sums paid to the Commission, including license fees, but excluding licensee withholdings paid to the Commission related to nonprofit race meets and Washington-bred-only horse race payments, must be retained by the Commission for the payment of salaries to its members, secretary, clerical and office expenses, and all other expenses incurred.

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 non-appropriated 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 \$50 million 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 (First Substitute): The Commission is authorized to impose fees to pay federal fees and be in compliance with the Horseracing Integrity and Safety Act of 2020.

Beginning July 1, 2027, and July 1st of each year thereafter, the Office of the State Treasurer must transfer an amount not to exceed \$1.5 annually into the newly created Washington Equine Industry Federal Regulatory Account. Expenditures from the account may be used to pay fees charged by HISA or direct required costs as determined by the commission pursuant to HISA. The amount deposited into the Washington Equine Industry Federal Regulatory Account will be funded by the imposition of state sales and use taxes charged or levied on:

- purchases made by or purchases sold and tax collected by a class 1 racing organization;
- taxes submitted to the Commission; and
- fees submitted to the Commission.

EFFECT OF CHANGES MADE BY BUSINESS, FINANCIAL SERVICES & TRADE COMMITTEE (First Substitute):

The tax credit is removed. The emergency clause is removed. The first date of the transfer from the general fund is delayed to July 1, 2027. Expenditures from the account may be used to pay fees charged by HISA or direct required costs as determined by the Commission pursuant to HISA.

Appropriation: None.

Fiscal Note: Requested on February 3, 2025.

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

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

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: Hundreds of millions of dollars flow into the state each year, supporting thousands of jobs. This bill will provide targeted relief through tax credits and create a new account to support the payment of new federal regulatory costs. This bill helps the state equine industry remain competitive and viable. The cost of regulation under HISA is likely to go up by \$600,000. The rules of HISA are good. They make the sport safer. This industry has been around for 125 years, but without this funding the track might be closed. This is very important to support the people who work at Emerald Downs.

OTHER: The WHRC has not had a chance to vote on this bill. The new fees for HISA has put horse racing in Washington in jeopardy.

Persons Testifying: PRO: Senator Claudia Kauffman, Prime Sponsor; Jose Zunino, Emerald Downs; Maria "Rocio" Reyes, Emerald Downs; Philip Ziegler, Emerald Downs; Ron Crockett, Emerald Downs; MARYANN OCONNELL, WASHINGTON HORSEMEN'S BENEVOLENT & PROTECTIVE ASSN.

OTHER: Amanda Benton, Washington Horse Racing Commission.

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