

HOUSE BILL REPORT

HB 1120

*As Reported By House Committee on:
Commerce & Labor
Revenue*

Title: An act relating to horse racing.

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

Sponsor(s): 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, Sprenkle, Orr, McLean and Anderson.

Brief History:

Reported by House Committee on:
Commerce & Labor, January 24, 1991, DP;
Revenue, January 29, 1991, DPS.

**HOUSE COMMITTEE ON
COMMERCE & LABOR**

Majority Report: *Do pass.* Signed by 10 members: Representatives Heavey, Chair; Cole, Vice Chair; Fuhrman, Ranking Republican Member; Lisk, Assistant Ranking Republican Member; Franklin; Jones; R. King; O'Brien; Prentice; and Vance.

Staff: Jim Kelley (786-7166).

Background: 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 track'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%.

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% (the association retains 14.5%); on an average daily handle of \$200,001-\$400,000, the tax rate is 1.0% (the association retains 14.0%); on an average daily handle of more than \$400,000, the tax rate is 4.0% (the association retains 11.0%).

The rates are slightly different for satellite locations: On an average daily handle of up to \$400,000, the tax rate is 0.5% (the association retains 14.5%); on an average daily handle of more than \$400,000 the tax rate is 3.0% (the association retains 12.0%).

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%
State General Fund	40%
Trade Fair Fund	3%
Fair Fund (agricultural)	35%

Washington-Bred Owner Award Funds

In addition to other taxes and fees, each licensee must pay 1% 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%. From this additional portion of the handle, the racing association retains 3% (4.5% on satellite wagers) and the commission receives 2.5% (1% 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%. Of the additional funds, the racing association retains 6% (8.5% on satellite wagers) and the commission receives 3.5% (1% on satellite wagers). The commission retains 31% of the additional amount it receives from exotic wagers and forwards the remainder to the state general fund.

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

Satellite locations

A racing association may conduct pari-mutuel wagering at a satellite location with commission approval. Under current law, the commission may approve only one satellite location per county, and that location cannot be within fifty 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 fifty air miles of another licensee that conducts race meets of thirty days or more, but, only if the licensee conducting satellite wagering has race meets of at least thirty days and suspends its program during the conduct of all licensees within fifty air miles.

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 of Bill: 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 the tax rate is 1.0% (the association retains 14.0%); on an average daily handle of more than \$250,000 the tax rate is 2.5% (the association retains 15.0%).

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%
State General Fund	1%
Trade Fair Fund	3%
Fair Fund (agricultural)	46%

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 to reimburse the new licensee for the capital construction costs of building a new race track, for a period of five years.

Exotic races

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

Satellite locations

The commission may grant four satellite locations in class AA counties and two satellite locations in class A counties. A licensee may not conduct satellite betting within 20 ground miles of the licensee's racing facility. The commission may not 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.

Ex officio members

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

Fiscal Note: Requested January 21, 1991.

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

Testimony For: This bill will preserve jobs and preserve the horse racing industry as a whole. It asks for help from

the state and from all segments of the industry to insure that a track will be built to replace Longacres. This bill will greatly improve the investment climate. The health of the horse racing industry has wide-ranging, positive effects. The legislative membership on the Horse Racing Commission has been a success and should continue.

Testimony Against: None.

Witnesses: Persons speaking in favor of the bill: Representative Judith Roland, Prime Sponsor; Representative Elmira Forner, Sponsor; Hugo Toschi, Emerald Racing Association; Carl Baze, Horsemen's Benevolent and Protective Association; Jack McCann, Emerald Racing Association; Joe LaDuca, Washington Thoroughbred Breeders' Association; Marlyta Deck, Washington State Fairs Association; Martin Durkan, Horse Racing Industry; and Cindy Zehnder, Teamsters.

Providing information: John Crowley and Margo Smith, Horse Racing Commission.

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *That Substitute House Bill No. 1120 be substituted therefore, and the substitute bill do pass.* Signed by 13 members: Representatives Wang, Chair; Fraser, Vice Chair; Holland, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Appelwick; Brumsickle; Day; Leonard; Morris; Morton; Phillips; Silver; and Van Luven.

Minority Report: *Without recommendation.* Signed by 2 members: Representatives Belcher and Rust.

Staff: Melissa Pailthorp (786-7118).

Summary of Recommendation of Committee on Revenue Compared to Recommendation of Committee on Commerce & Labor: The substitute bill clarifies that daily gross receipts are used to determine the percentage of gross receipts retained by the race meet and disbursed to the commission. The substitute bill also provides that when a licensee is using another race track as a satellite facility, with the race track owner's permission, that licensee is also allowed to use the race track's satellite facility for satellite wagering.

Fiscal Note: Available.

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

Testimony For: This bill will preserve jobs and preserve the horse racing industry as a whole. It asks for help from the state and from all sectors of the industry to insure that a track will be built to replace Longacres. Without the legislation, it is unlikely that a track will be built and so the revenue to the state will decrease.

Testimony Against: None.

Witnesses: Persons speaking in favor of the bill: Representative Judith Roland, Prime Sponsor; Martin Durkan, Horse Racing Industry; Hugo Toschi, Emerald Racing Association; Dan Agnew, Washington Thoroughbred Breeders' Association; Jack McCann, Emerald Racing Association; Carl Baze, Horsemen's Benevolent and Protective Association; John Crowley, Horse Racing Commission; Ted Martin, Playfair Race Course; and Marlyta Deck, Washington State Fairs Association.