

SENATE BILL REPORT

SHB 1447

As Reported By Senate Committee On:
Ways & Means, March 10, 1998

Title: An act relating to tax exemptions related to thoroughbred horses.

Brief Description: Providing tax exemptions related to thoroughbred horses.

Sponsors: House Committee on Finance (originally sponsored by Representatives Robertson, L. Thomas, Clements, Kastama and Cooke).

Brief History:

Committee Activity: Ways & Means: 3/10/98 [DP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Hochstatter, Kohl, Long, Loveland, McDonald, Roach, Rossi, Schow, B. Sheldon, Snyder, Spanel, Swecker, Thibaudeau, Winsley and Zarelli.

Staff: Terry Wilson (786-7433)

Background: Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state without any deduction for the costs of doing business. As of July 1, 1998, the principal B&O tax rates will be:

Manufacturing, wholesaling	0.484%
Retailing	0.471%
Services	1.5%

The sale or lease of thoroughbred race horses is subject to the 0.471 percent retailing B&O tax on the gross receipts from selling horses at retail. The sale of thoroughbred race horses at wholesale, however, is exempt from the 0.484 percent wholesaling B&O tax. A horse is sold at wholesale if the horse is resold within 60 days, there is no intervening use, and the seller receives a resale certificate from the buyer.

Amounts received from the breeding, training, racing, exercising, grooming, or shoeing thoroughbred race horses, and amounts received from racing purses and other awards, is subject to the 1.5 percent service B&O tax.

Amounts received from conducting a race meet that requires a license from the Horse Racing Commission is exempt from B&O tax on the gross receipts earned from holding a meet. These receipts are subject, however, to a pari-mutuel tax.

Summary of Bill: Amounts received for racing, raising, riding, exercising, grooming, breeding, training, or selling thoroughbred race horses, including but not limited to amounts received from purse winnings or awards, are exempt from B&O tax.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 1998.

Testimony For: The horse racing industry was not taxed before 1993. Breeders etc. were exempt under the exemption for race meets requiring a license from the Horse Racing Commission until the Department of Revenue reinterpreted the exemption. The Legislature should make the decision. The industry is in decline. We need this desperately.

Testimony Against: None.

Testified: PRO: Representative Robertson, original prime sponsor; Frank Warnke, Advocates FNC; Larry Hillis, WHBPA; Ralph Vacca, Washington Thoroughbred Breeders Association.