

# FINAL BILL REPORT

## E2SSB 6562

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### PARTIAL VETO

C 345 L 98

Synopsis as Enacted

**Brief Description:** Providing relief for the equine industry.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Schow, Heavey, Rasmussen and Anderson).

**Senate Committee on Commerce & Labor**

**Senate Committee on Ways & Means**

**Background:** Operators of horse racing events are licensed by the Horse Racing Commission. The parimutuel tax is a set percentage of the gross receipts or handle— of all parimutuel (betting) machines at each horse racing event in the state. The parimutuel tax is levied in lieu of other business taxes and is deducted from the licensee’s take out— or gross profits from wagering.

Parimutuel Tax: For nonprofit licensees who run race meets of ten days or less and have a daily handle of \$120,000 or less, the parimutuel tax is one-half percent of the daily gross receipts of its parimutuel machines. The licensee retains 14.5 percent as gross profits from wagering and an additional 5 percent from exotic wagering.

For licensees who are for-profit and run race meets of more than ten days, the parimutuel tax is as follows:

1. On a daily handle of up to \$250,000, the parimutuel tax rate is 1.0 percent of the daily gross receipts of its parimutuel machines. The licensee retains 14.0 percent as gross profits from wagering and an additional 5 percent from exotic wagering; or
2. On a daily handle of more than \$250,000, the parimutuel tax rate is 2.5 percent of the daily gross receipts of its parimutuel machines. The licensee retains 12.5 percent as gross profits from wagering and an additional 5 percent from exotic wagering.

Distribution of Revenues: Revenues from both the parimutuel tax and license fees are used to fund the operation of the Horse Racing Commission. In addition, these moneys are the major funding source for the state trade fair fund and the agricultural fair fund.

The state trade fair fund provides support for the participation of small and medium sized businesses in domestic and international trade fairs. Moneys are allocated by the nonprofit Trade Fair Board for costs associated with the participation of businesses in such fairs.

The state agricultural fair fund provides revenues to agricultural fairs sponsored by governmental entities or nonprofit organizations in this state. These fairs include youth shows (4-H and FFA), county fairs, community fairs, and area fairs. Moneys are distributed by the

Director of the Department of Agriculture based on the recommendation of a seven-member fair commission.

Currently, the revenues from the parimutuel tax and license fees are distributed in the following manner:

Horse Racing Commission	50 percent
State General Fund	1 percent
Trade Fair Fund	3 percent
Fair Fund (agricultural)	46 percent

**Summary:** Modifications are made to provisions in the horse racing statutes relating to the parimutuel tax rates, the take-out rates,– the distribution of revenues generated from the parimutuel tax and license fees, and Horse Racing Commission membership.

The Parimutuel Tax: Nonprofit licensees who run race meets of ten days or less are exempt from payment of the parimutuel tax. Licensees retain 15 percent as take-out– or gross profits from wagering and an additional 5 percent from exotic wagering.

For licensees who are for-profit and run race meets of more than ten days, the parimutuel tax is as follows:

1. If the gross receipts of parimutuel machines are more than \$50 million in the previous calendar year, the parimutuel tax rate is 1.3 percent of the daily gross receipts of the licensee’s parimutuel machines. The licensee retains 13.7 percent as gross profits from wagering and an additional 5 percent from exotic wagering; or
2. If the gross receipts of parimutuel machines are \$50 million or less in the previous calendar year, the parimutuel tax rate is .52 of 1 percent. The licensee retains 14.48 percent as gross profits from wagering and an additional 5 percent from exotic wagering.

Distribution of Revenues: The distribution formula for the revenues generated from the parimutuel tax and license fees is modified. The Horse Racing Commission is the sole recipient of the parimutuel tax and license fees collected from the horse racing industry from the effective date of the act. The fair fund and the trade fair fund no longer receive any funding from the parimutuel tax or license fees but are funded by the general fund.

Additional funding is provided to nonprofit tracks (Elma, Walla Walla, Waitsburg, Dayton, Kennewick) and specifically ear-marked for racing purses. This allows the total level of purses for nonprofit tracks from the parimutuel taxes to be \$300,000 per year.

Emerald Downs is required to pay an additional tax of .6 percent on its daily handle when its daily handle from on-track betting reaches an average of \$886,000. These additional funds, estimated at approximately \$500,000 per year, are specifically ear-marked for the state fair fund.

A sunset date of June 30, 2001 is established.

The state trade fair fund and state fair fund are formally established in the state treasury.

The Horse Racing Commission increases from three to five commissioners.

**Votes on Final Passage:**

Senate	44	5	
House	91	7	(House amended)
Senate	45	3	(Senate concurred)

**Effective:** April 3, 1998 (Sections 1-9)  
June 11, 1998  
July 1, 2001 (Sections 10-12)

**Partial Veto Summary:** The section that nullifies provisions of the bill absent budgetary funding is vetoed.