

SENATE BILL REPORT

E2SSB 6562

As Passed Senate, March 3, 1998

Title: An act relating to relief for the equine industry by amending the parimutuel tax on horse racing to provide additional support for licensed racing associations, the state fair account, the state trade fair account, and the Washington horse racing commission, and modifying the membership thereof.

Brief Description: Providing relief for the equine industry.

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

Brief History:

Committee Activity: Commerce & Labor: 1/28/98, 2/3/98 [DPS].

Ways & Means: 2/19/98, 2/23/98 [DP2S].

Passed Senate, 3/3/98, 44-5.

SENATE COMMITTEE ON COMMERCE & LABOR

Majority Report: That Substitute Senate Bill No. 6562 be substituted therefor, and the substitute bill do pass.

Signed by Senators Schow, Chair; Horn, Vice Chair; Anderson, Heavey and Newhouse.

Staff: Patrick Woods (786-7430)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 6562 be substituted therefor, and the second substitute bill do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Kohl, McDonald, Roach, Rossi, Schow, Snyder, Spanel, Swecker, Winsley and Zarelli.

Staff: Maura Sullivan (786-7431)

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:

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

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 monies 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. Monies 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. Monies 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 of Bill: 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:

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 licensees parimutuel machines. The licensee retains 13.7 percent as gross profits from wagering and an additional 5 percent from exotic wagering; or

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.

Appropriation: \$2,500,000 to the state fair fund; \$165,000 to the state trade fair fund.

Fiscal Note: Available.

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

Testimony For (Commerce & Labor): All of the racing associations in this state need this bill to help them as they work to revive an industry that is coming out of some very difficult years.

Testimony Against (Commerce & Labor): None.

Testified (Commerce & Labor): PRO: Heather Hanson, State Fair Association; Gale Thompson, Secretary, Washington State Fair Association; Sid Willoweit, President, Washington State Fair Association; Ron Crockett and Jim Halstrom, Emerald Racing Association; Barbara Shinpoch, Bruce Batson, Washington State Horse Racing Commission; Teresa Bagg, Executive Director, International Trade Fair Fund; Terri Finn, Port of Seattle, Port of Tacoma; NEUTRAL: Steve Wehrly; Leo LeClair, Muckleshoot Indian Tribe.

Testimony For (Ways & Means): This bill provides needed support for the struggling horse racing industry. The legislation is important for the whole industry and would provide an opportunity for it to succeed.

Testimony Against (Ways & Means): Using gambling commission funds could harm the ability of the agency to regulate. If a fund balance exists, it should be returned to the licensees.

Testified (Ways & Means): PRO: Jim Halstrom, Jim Johnston, Emerald Racing Association; Don Johnson, Playfair Racing, Inc.; Ralph Vacca, Washington Thoroughbred Breeders Association; Larry Hillis, Washington Horsemen's Benevolent Protective Association; John Torrance; Bruce Batson, Washington State Horse Racing Commission; Heather Hansen, Washington State Fairs Association (with concerns); Billy Aliment, Yakima Meadows; Frank Warnke, Advocates Inc.; CON: Carrie Tellefson, Ben Bishop, Washington State Gambling Commission; Steve Downen, Dave Pardey, Rob Saucier, Recreational Gambling Association, Washington State Licensed Beverage Association; Bill Fritz, Michelle Bernhardt, Washington Civic and Charitable Gaming Association; Neutral: Lee Roy Coorville, Steve Wehrly, Muckleshoot Indian Tribe; Stephen Odom, Department of Community, Trade, and Economic Development.

House Amendment(s): The House amendments remove the general fund appropriations for the state fair fund (\$2.5 million) and the state trade fair fund (\$165,000). It also adds a null and void clause.