

HOUSE BILL REPORT

SB 6678

As Reported By House Committee On:

Commerce & Labor

Title: An act relating to repealing sunset provisions for parimutuel wagering with respect to horse racing.

Brief Description: Repealing parimutuel wagering sunset provisions.

Sponsors: Senators Rasmussen, Roach, Patterson, West, Heavey, Deccio, Winsley, Honeyford, Snyder, Morton, T. Sheldon, Benton, Johnson, Gardner, McDonald, Stevens, Eide, Kohl-Welles, Bauer, Sheahan, Thibaudeau and Shin.

Brief History:

Committee Activity:

Commerce & Labor: 2/21/00, 2/23/00 [DP].

Brief Summary of Bill

- Repeals the sunset provision which will allow the current reduced parimutuel tax rate and tax distribution to remain in effect permanently.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 7 members: Representatives Clements, Republican Co-Chair; Conway, Democratic Co-Chair; B. Chandler, Republican Vice Chair; Wood, Democratic Vice Chair; Hurst; McIntire and McMorris.

Staff: Pam Madson (786-7166).

Background:

The Horse Racing Commission licenses, regulates, and supervises the conduct of parimutuel wagering on horse racing in the state of Washington. Parimutuel wagering is a system of betting on races in which those who wager on the winners divide, in proportion to their wagers, the total amount wagered minus some operating expenses.

The parimutuel tax is a statutory percentage of gross receipts or "handle" of all parimutuel (betting) machines at each horse race in the state. The percentage is greater for those racing association licensees that have annual gross receipts from parimutuel wagering in excess of \$50 million than those with receipts of \$50 million or less. Nonprofit race meets are not subject to the parimutuel tax.

The parimutuel tax is paid to and retained by the Horse Racing Commission to fund its operations. Prior to April 1998 the tax was distributed as follows: 50 percent to the Horse Racing Commission, 46 percent to the fair fund, 3 percent to the state trade fair fund, and 1 percent to the state general fund.

In 1998 the Legislature reduced the percentage of parimutuel tax collected from the racing association licensees by approximately 50 percent, and eliminated the distribution of the tax to the fair fund, state trade fair fund, and the state general fund through June 30, 2001. In 1999 the Legislature made a special appropriation of \$6 million to the fair fund to replace the parimutuel tax revenue to that fund.

The Joint Legislative Audit and Review Committee (JLARC) was directed in the 1998 legislation to conduct a sunset review of the tax reduction prior to June 30, 2001. The JLARC report was issued in December 1999.

The JLARC sunset review recommended that the parimutuel tax reduction not be terminated. The review found that the legislative intent in enacting the reduction in 1998 was to enhance the financial status of horse racing tracks to help maintain a horse racing industry in this state. Additionally, the review found that the one remaining live race track in 1999 (Emerald Downs) has reported financial losses since 1997 and that, with the reduced parimutuel tax rate in effect, the magnitude of the financial loss was reduced. The change in the parimutuel tax also increased revenues to nonprofit tracks.

Summary of Bill:

The sunset provision is repealed which will allow the current reduced parimutuel tax rate and tax distribution to remain in effect permanently.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: Maintaining viability of live race tracks is important to maintaining the horse racing industry. Revenue from Emerald Downs helps support much of the operation of the Horse Racing Commission in covering the costs of regulation for other race tracks. The industry and the live tracks support the employment of a large number of individuals. The industry has not returned to the level that existed in the early 1990s. It has lost money and attendance to other gambling and entertainment activities. Maintaining a reduced parimutuel tax level will help Emerald Downs maintain financial stability in the near future and allow growth to begin. The horse racing industry is involved in and is committed to helping in the effort to find a permanent source of funding for the fairs.

Testimony Against: None.

Testified: Senator Marilyn Rasmussen, prime sponsor; Ron Crockett and Jim Halstrom, Northwest Racing Association; Barbara Shinpoch, Chair, Washington State Horse Racing Commission; and Ralph Vacca, Washington Thoroughbred Breeders Association.