

HOUSE BILL REPORT

HB 1114

As Reported by House Committee On:
Finance

Title: An act relating to the sale of thoroughbred horses.

Brief Description: Providing a tax exemption for thoroughbred horses.

Sponsors: Representatives Cairnes, Morris, Hunt, Cooper, O'Brien, Lisk, Hatfield, Wood, D. Schmidt, Haigh, Van Luven, Simpson and Woods.

Brief History:

Committee Activity:

Finance: 1/31/01, 2/20/01 [DPS].

<p style="text-align: center;">Brief Summary of Substitute Bill</p> <ul style="list-style-type: none">· Sales of thoroughbred race horses purchased through claim at racing meets are exempt from retail sales taxes.
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HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Roach, Republican Vice Chair; Carrell, Conway, Pennington, Santos, Van Luven and Veloria.

Staff: Mark Matteson (786-7145).

Background:

The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The tax is imposed at a 6.5 percent rate by the state. Cities and counties may impose a local tax at a rate up to a maximum of 3.1 percent. Currently, local rates range from 0.5 percent to 2.3 percent.

Sales of horses are made through claiming races, auctions, on the farm, or by individuals, and all sales are considered retail sales unless specified otherwise in statute.

State and local retail sales taxes are due on all retail sales in the state unless there is a specific exemption. Purchases of horses for breeding purposes and that are registered with a nationally recognized breeding association are exempt from retail sales taxes. Sales of geldings and spayed mares, and on non-registered horses are subject to retail sales taxes.

A claiming race is a race in which the owners set the value of their horses, and any horse entered in such a race may be claimed by an eligible person by following specific procedures. The Washington Horse Racing Commission regulates claiming activity through 260-60 WAC.

Summary of Substitute Bill:

Sales of thoroughbred race horses purchased through claim at racing meets are exempt from retail sales taxes. Claim purchases must comply with the claiming provisions adopted by the horse racing commission.

Substitute Bill Compared to Original Bill:

An exemption is provided from retail sales taxes, instead of from the state business and occupation tax.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: A majority of claimed horses are offered for resale within 10 to 14 days of being claimed. In this state, geldings must race for an effectively higher rate, since a purchase at claim for geldings includes sales tax, while those for breeding thoroughbreds are exempt. This bill is similar to other pari-mutuel legislation that has been enacted in other states. Claiming races allow the average person to enter the thoroughbred racing industry. This bill would provide potential owners an incentive to get into the industry.

Testimony Against: None.

Testified: Frank J. Warnke, Advocates Inc.; and Mary Ann O'Connell, Washington Horseman's Benevolent & Protective Association.