Horse Racing Tax

Ohio's horse racing tax applies to both pari-mutuel and "exotic" wagering. During fiscal year 2012, the tax generated close to $7.3 million in revenue (on $233 million in wagers) for horse racing development, the state Passport program for senior citizens, and for other purposes.

Ohio has taxed pari-mutuel wagering on horse racing since 1933. In 1981, the horse racing tax was expanded to include "exotic" wagering – meaning all bets made on placements other than win, place or show, such as daily doubles, quinellas, perfectas, and trifectas. An additional tax on pari-mutuel wagering is also levied for the municipal corporation or township in which racing takes place, intended as a reimbursement for expenses incurred due to racing meets.

The Department of Taxation has administered the horse racing tax since 1953.

Taxpayer

(Ohio Revised Code 3769.08)

The tax is paid by holders of racing permits issued by the Ohio State Racing Commission.

Tax Base

(R.C. 3769.08, 3769.28, 3769.087)

The base of the tax includes the:

- amount wagered each day on all pari-mutuel racing.
- amount wagered each day on exotic bets.
- total amount wagered at each horse race meeting of a permit holder.

Rates

Pari-mutuel wagering tax (R.C. 3769.08)

The tax rates on daily pari-mutuel wagering rates are as follows:

Amount wagered daily	Rate
First $200,000	1.0%
Next 100,000	2.0
Next 100,000	3.0
Over 400,000	4.0

Exotic wagering tax (R.C. 3769.087)

In addition to the pari-mutuel wagering tax, a special tax of 3.5 percent applies to daily wagering on results other than win, place, and show. Such "exotic wagering" includes the daily double, perfecta, quinella, and trifecta, etc.

Additional pari-mutuel wagering tax (R.C. 3769.28)

The tax is levied as follows:

Total wagering per meet	Rate
Less than $5 million	0.10%
$5 million or more	0.15

Revenue from the additional pari-mutuel wagering tax is distributed to the municipal corporation or township in which racing takes place. It is intended to reimburse these areas for expenses incurred due to racing meets. The municipal corporations and townships receiving the money may reimburse an adjoining political subdivision which also had expenses because of racing meets. The maximum tax liability is $15,000 from each horse racing meet.

Exemptions

(R.C. 3769.28)

Agricultural societies are not subject to the additional pari-mutuel wagering tax.

Credits

Major capital improvement credit (R.C. 3769.20)

Large projects may qualify a racing permit holder for a major capital improvement credit. Permit holders renovating, reconstructing, or remodeling an existing race track facility at a cost of $6 million or more can reduce their tax liability by 1 percent of the amount wagered for a period of ten years or until the cost of the project plus debt service is reached, whichever occurs first. If the reduction exceeds the tax on wagering, the abatement may be carried forward and applied against future tax liability. The tax reduction is in addition to the 0.75 percent capital improvement credit.

Special Provisions

Simulcasting (R.C. 3769.089)

Permit holders may, at their facilities, conduct televised simulcasts of horse races at other facilities in or outside of Ohio and conduct taxable pari-mutuel wagering on these races.

Off-track betting (R.C. 3769.26)

Off-track betting on races simulcast at a satellite facility operated by a racing permit holder is also permitted in Ohio. Such wagers are taxable. Currently there is one such facility in operation in Sandusky.

Filing and Payment Dates

(R.C. 3769.08, 3769.28)

Each day of racing

Permit holder remits to the Tax Commissioner by the following day the pari-mutuel wagering and exotic wagering taxes collected.

Close of horse race meeting

Within ten days, the additional pari-mutuel wagering tax is remitted to the Tax Commissioner.

Disposition of Revenue

(R.C. 3769.08, 3769.087, 3769.26)

Each permit holder pays the Tax Commissioner a sum equal to the percentages of money wagered described above in **Rates**, reduced by any capital improvements deduction.

The Ohio Passport Fund – established to pay for home health care and other senior citizen services – receives 25 percent of all gross tax revenue from pari-mutuel and exotic wagering, plus all tax revenue from off-track betting parlors.

The Ohio State Racing Commission's Operating Fund receives the final 0.5 point of the 3.5 percent tax on exotic wagering.

Other distributions are made by the Tax Commissioner as shown in the following table:

Recipient	Source of Receipts	Share of Receipts
Ohio Fairs Fund	Wagering on thoroughbred, harness and quarter horse races.	0.50 percent of total pari-mutuel wagering plus 8.3 percent from the base 3 percentage point tax on exotic wagering
Ohio Thoroughbred Race Fund	Wagering on all thoroughbred races and on harness races at events other than county fairs.	1.125 percent of total pari-mutuel wagering on thoroughbred racing, 8.3 percent of revenue from the base 3 percentage point tax on exotic wagering on thoroughbred races, and 0.46 percent[1] on harness races.
Ohio Standardbred Development Fund	Wagering on harness racing and on all races at county fairs.	1.125 percent of pari-mutuel wagering on harness races, 0.625 percent of pari-mutuel wagering on races at county fairs, plus 8.3 percent of tax revenue from the base 3 percentage point tax on exotic wagering at harness races and at county fairs.
Quarter Horse Development Fund	Wagering on quarter horse races.	0.625 percent of total pari-mutuel wagering on quarter horse races and 8.3 percent of the revenue from the base 3 percentage points of tax on exotic wagering at quarter horse races.
County agricultural societies	Wagering on all races at county fairs.	Net tax receipts after payments to the Ohio Fairs Fund, Ohio Racing Commission Fund, Quarter Horse Fund and Standardbred Fund.
State Racing Commission Operating Fund	Thoroughbred, harness and quarter horse racing as well as all racing at county fairs.	In addition to the final 0.5 point of the exotic wagering tax noted above, receives 16.7 percent of the base 3 percentage point tax on exotic wagering and 0.25 percent of total pari-mutuel wagering on thoroughbred races.

The revenue that remains from each racing day after distribution to the Ohio Passport Fund is usually insufficient to pay the percentages of pari-mutuel wagering described in the table above, even after the exotic wagering revenue not allocated in the table is used to meet the targeted percentages of pari-mutuel wagering. In such cases, contributions to each fund are prorated on a proportional basis.

Administration

The Department of Taxation administers the taxes on pari-mutuel and exotic wagering. The horse racing industry is regulated by the Ohio State Racing Commission.

Ohio Revised Code Citations

Sections 3769.08 and 3769.087.

1 This percentage changes each year based on a calculation performed at the end of each calendar year.

Chart

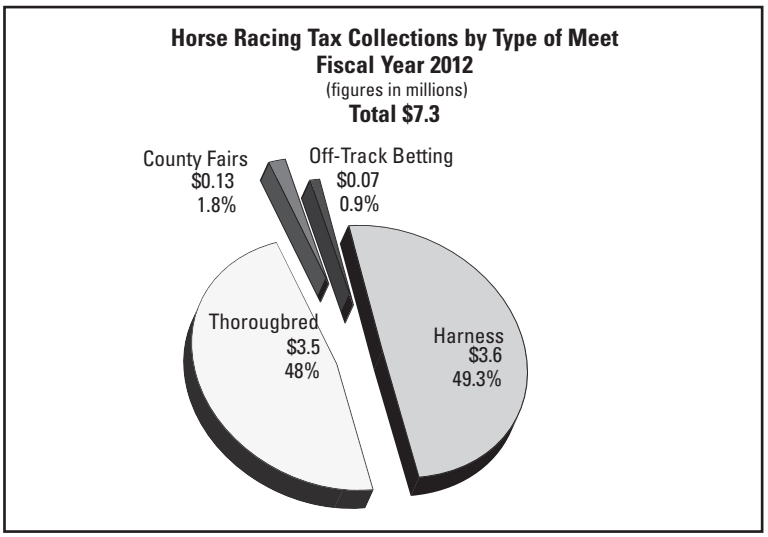

Table 1

Amount Wagered on Horse Racing and Special Fund Receipts by Type of Event, Fiscal Years 2008 - 2012

Fiscal Year	Thoroughbred Racing	Commercial Harness Racing	Agricultural Societies Racing	Quarter Horse Racing	Off-Track Parlors	Total
Pari-Mutuel Wagering						
2008	$187,046,366	$155,672,065	$4,474,105	$227,002	$4,947,766	$352,367,304
2009	154,499,966	147,316,872	4,037,778	232,865	4,504,802	310,592,283
2010	132,406,059	133,543,929	3,639,715	111,778	3,554,640	273,256,121
2011	113,639,204	123,954,399	3,444,824	87,919	3,366,717	244,493,063
2012	111,796,689	115,116,583	3,052,714	132,109	3,027,697	233,125,792
Pari-Mutuel Wagering Net Tax Receipts						
2008	$5,466,122	$4,926,721	$191,559	$5,971	$112,870	$10,703,243
2009	4,496,668	4,636,720	171,524	6,045	103,887	9,414,844
2010	3,837,232	4,125,176	151,346	2,766	81,361	8,197,881
2011	3,611,134	3,818,220	147,082	2,331	79,052	7,657,819
2012	3,484,102	3,569,107	131,476	3,204	68,997	7,256,886

Table 2

Amount Wagered on Horse Racing, Tax Levied and Distibution of Receipts: Fiscal Year 2012

	Thoroughbred Race Meets	Commercial Harness Race Meets	County Agricultural Societies	Quarter Horse Race Meets	Off-Track Parlors	Total
Number of Meets	**892**	**1,232**	**139**	**9**		**2,272**
Total Pari-Mutual Wagering	**$111,796,689**	**$115,116,583**	**$3,052,714**	**$132,109**	**$3,027,697**	**$233,125,792**
Exotic Wagering[1]	75,309,615	83,673,452	1,853,859	80,792	2,315,919	163,233,637
Total Tax Levied	**$3,882,103**	**$4,237,305**	**$131,476**	**$3,204**	**$68,997**	**$8,323,085**
Less Tax Abatements:						
Capital Improvement		**152,824**				152,824
Major Capital	400,103	515,375				915,478
Net Tax Collected	**$3,482,000**	**$3,569,106**	**$131,476**	**$3,204**	**$68,997**	**$7,254,783**
Deferred Abatement[2]	$73,377	$43,707				$117,084
Distribution of Receipts:						
Agricultural	$254	$2,068	$69,261	$0		$71,583
Standardbred Devel. Fund	0	940,584	23,554	0		964,138
Quarter Horse Special Acct.	16,621	0	71	716		17,408
Ohio Fairs Fund	579,024	490,322	19,899	601		1,089,845
Thoroughbred Special Acct.	1,119,384	342,139	152	0		1,461,675
Operating Fund	889,436	861,430	18,539	927		1,770,332
Passport Fund	877,282	932,563	0	960	$68,997	1,879,802
Total Amount	**$3,482,000**	**$3,569,106**	**$131,476**	**$3,204**	**$68,997**	**$7,254,783**

Source: Department of Taxation

1 Included in total pari-mutuel wagering but subject to an additional 3% tax.
2 Represents tax abatements accrued and postponed to a later date.