



Horse Racing Tax

Ohio's horse racing tax applies to both pari-mutuel and "exotic" wagering. During fiscal year 2015, the tax generated about \$5.8 million in revenue for horse racing development, home health care and other services for senior citizens, and 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. 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.

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 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 wagering pools other than win, place and show. Such "exotic wagering" includes the daily double, perfecta, quinella and trifecta.

Additional pari-mutuel wagering tax (R.C. 3769.28 and 3769.102)

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 and 3769.08)

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 until the cost of the project plus debt service is reached. 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 10 days, the additional pari-mutuel wagering tax is remitted to the Tax Commissioner.

Disposition of Revenue

(R.C. 3769.08, 3769.087, 3769.26)

The Nursing Home Franchise Permit Fee fund receives 25 percent of gross tax revenue from taxpayers other than county and independent fairs and agricultural societies, 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 percentage tax on exotic wagering and 16.7 percent of the base 3 percentage point tax on exotic wagering. Other distributions are made by the Tax Commissioner as shown in Table 2.

The revenue that remains from each racing day after distribution to the Nursing Home Franchise Permit Fee Fund is usually insufficient to pay the percentages of pari-mutuel wagering described in Table 2. In such cases, contributions to each fund are prorated on a proportional basis.

Administration

The Department of Taxation administers the horse racing tax.

Ohio Revised Code Citations

Sections 3769.08 and 3769.087.

Recent Legislation

House Bill 64, 131st General Assembly.

Eliminates the Ohio Quarter Horse Development Fund on Jan. 1, 2016. Funds currently paid into this fund must be paid into the Ohio Thoroughbred Race Fund to support quarter horse development and purses.

History of Major Changes

1933	Tax is enacted with rates ranging from 10 percent on the first \$1,000 of daily wagers to 30 percent on wagers in excess of \$20,000.
1953	Rates are reduced. New schedule ranges from 2 percent to 6 percent on wagering in excess of \$400,000.
1955	For thoroughbred racing, an additional 0.75 percent is added to each bracket. Rates are unchanged for harness racing.
1959	Rates increased. New rates range from 4.25 percent and 3 percent on the first \$10,000 wagered daily on thoroughbred and harness races, respectively, to 8.25 and 7 percent, respectively, on amounts in excess of \$400,000.
1975	Flat tax rates are adopted for thoroughbred racing: 7 percent through the end of 1976, 6.75 percent for 1977 and 6.5 percent starting in 1978. Rates on harness racing are reduced: new schedule ranges from 3 percent to 6.5 percent on the excess over \$550,000. Also, a 0.5-percent credit for qualifying capital improvements is established.
1981	A 2.5 percent tax on exotic wagering is established and the value of the capital improvement credit is increased to 0.75 percent. Lawmakers enact a gradual reduction of the thoroughbred tax rate to 5.25 percent by mid-1983. Harness rates are phased downward. By mid-1983, rates range from 1.5 percent to 4.5 percent.
1984	House Bill 639 consolidates all rates into a single schedule for live racing. New rates range from 1 percent to 4 percent. Also, a 1.5 percent major capital improvements credit is enacted.
1989	Effective July 1, exotic wagering rate is increased from 2.5 percent to 3 percent.
1994	Legislature permits wagering on simulcast events. Revenues not going to horse racing funds go to the PASSPORT program, reduced the major capital improvements tax credit to 1 percent of wagering.
1996	PASSPORT receives 25 percent of gross revenues.
2001	Exotic wagering tax increased to 3.25 percent.
2003	Temporary additional tax of 0.25 percent placed on exotic wagering, from July 1, 2003 until July 1, 2005.
2006	Reinstatement of 0.25 percent additional tax on exotic wagering for 2007 fiscal year.
2007	Additional 0.25 percent tax on exotic wagering made permanent.
2012	Ohio PASSPORT Fund changed to Nursing Home Franchise Permit Fee Fund.

Revenue from Horse Racing Tax Fiscal Years 2011 - 2015 (dollars in millions)					
Fiscal Year	Nursing Home Fund	Thoroughbred Fund	Standardbred Fund	Other Funds	Total
2011	\$2.0	\$1.5	\$1.0	\$3.1	\$7.6
2012	1.8	1.4	1.0	2.9	7.1
2013	1.6	1.1	1.0	2.5	6.2
2014	1.2	0.8	0.9	2.6	5.5
2015	1.4	0.9	1.0	2.5	5.8

Comparisons with Other States

(as of July 1, 2015)

Georgia and North Carolina	No tax
Indiana	
All horse and harness	2.0% - 2.5%
Kentucky	
All horse and harness	1.5% - 3.5%
Michigan	
Simulcast horse and harness	3.5%
Pennsylvania	
All horse and harness	1.5% - 10%
Tennessee	
All horse and harness	1.0%-2.0%
Texas	
Live Events	1.0% - 5.0%
Simulcast Events	1.0%
West Virginia	
Thoroughbred	0.4% - 1.4%
Harness	3.0% - 5.75%

Recipient	Source of Receipts	Share of Receipts
County agricultural societies	Permit holders for racing at an agricultural exposition or fair	25% of pari-mutuel wagering
Ohio Fairs Fund	All permit holders	0.50% of total pari-mutuel wagering and 8.3% from the base 3 percentage point tax on exotic wagering
Ohio Quarter Horse Development Fund	Quarter horse racing permit holders	0.625% of pari-mutuel wagering and 8.3% from the base 3 percentage point tax on exotic wagering
Ohio Standardbred Development Fund	Harness racing permit holders	0.625% of pari-mutuel wagering and 8.3% from the base 3 percentage point tax on exotic wagering
Ohio Standardbred Development Fund	Harness racing permit holders (except county and independent fairs and agricultural societies)	0.50% of total pari-mutuel wagering
Ohio Thoroughbred Race Fund	Harness racing permit holders (except county and independent fairs and agricultural societies)	0.28% of pari-mutuel wagering
Ohio Thoroughbred Race Fund	Thoroughbred racing permit holders	1.125% of total pari-mutuel wagering and 8.3% from the base 3 percentage point tax on exotic wagering
State Racing Commission Operating Fund	All permit holders (except county and independent fairs and agricultural societies)	0.25% of total pari-mutuel wagering