

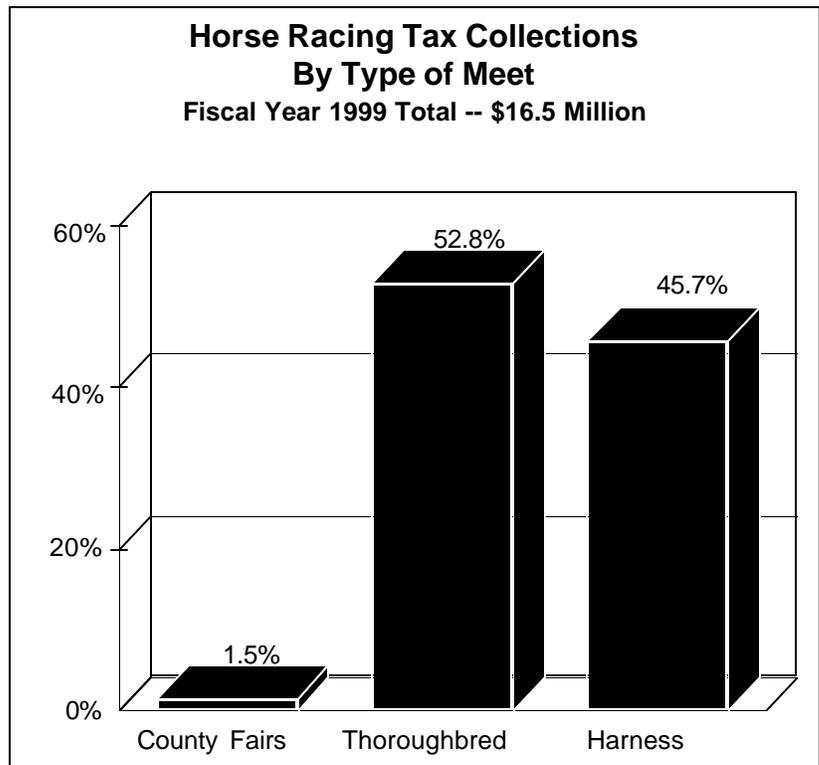
HORSE RACING TAX

Ohio has permitted horse racing and pari-mutuel wagering on horse racing since 1933. The regulation of horse racing is the responsibility of the State Racing Commission, which consists of five members appointed by the Governor and confirmed by the Ohio Senate. The State Racing Commission issues racing permits and sets the racing dates for each meet. Since 1953, the Department of Taxation has administered the tax on pari-mutuel wagering.

Permit holders retain 18 percent of all money wagered and 4.0 percent of "exotic" wagering as their commission, subject to payments to the State Tax Commissioner of the taxes on pari-mutuel and exotic racing.

Fifty percent of the commission (after state taxes) must be used for purse money and, in addition, part of the commission, along with a portion of the state's wagering tax, is used to develop and promote horse breeding and racing in Ohio. Permit holders also retain the breakage (the odd cents remaining after pari-mutuel winning tickets are paid off at the next lowest multiple of ten cents). However, 40 percent of this amount must be used for purse money and 25 percent must be paid to the Horsemen's Health and Retirement Fund. Another source of revenue to permit holders is the authorization to conduct pari-mutuel wagering on televised simulcasts of racing at other tracks.

To encourage the construction and improvement of racing facilities, there are two capital improvement credits that reduce the tax liability of permit holders. The first is a reduction of 3/4 of 1 percent of the amount wagered for the construction of a new facility or the improvement of an existing track. The second is a reduction of one percent of the amount wagered for the major renovation of an existing facility if the cost is \$10 million or more and if the project was approved prior to March 29, 1988. These projects must be approved by the State Racing Commission and can run concurrently.



The tax on total wagering of \$629.7 million in fiscal year 1999 provided \$16.5 million in tax revenue and funds for horse racing development in Ohio.

TAX BASE (R.C. 3769.08, 3769.081, 3769.087, 3769.089):

1. Amount wagered each day on all pari-mutuel racing
2. Amount wagered each day on exotic races
3. Total amount wagered at each horse race meeting of a permit holder

RATES:

1. *Pari-Mutuel Wagering Tax (R.C. 3769.08):*

Amount Wagered Daily	Rate
First \$200,000	1%
Next 100,000	2
Next 100,000	3
Over 400,000	4

2. **Exotic Wagering Tax (R.C. 3769.087):** In addition to the pari-mutuel wagering tax, there is a special tax of 3.0 percent of the amount wagered daily on other than win, place, and show. This is termed “exotic” wagering and is on the following special events:

Daily Double - Selecting and wagering on the winning horses in two designated races;

Perfecta - Selecting and wagering on the first and second place horses in order of finish in a designated race;

Quinella - Selecting and wagering on the first and second place horses but not necessarily in the order of finish in a designated race;

Trifecta - Selecting and wagering on the first, second, and third place horses in order of finish in a designated race

3. **Additional Pari-Mutuel Wagering Tax (R.C. 3769.081):** This money is distributed to the municipal corporation or township in which racing takes place and 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 tax is levied as follows:

Total Amount Wagered Each Horse Racing Meet	Rate
Less than \$5,000,000	0.10%
\$5,000,000 or more	0.15%
The maximum tax liability is \$15,000 from each horse racing meet.	

EXEMPTIONS (R.C. 3769.081):

Agricultural Societies are not subject to the “additional pari-mutuel wagering tax”.

SPECIAL PROVISIONS (R.C. 3769.08, 3769.089, 3769.13, 3769.20):

1. **Capital Improvement Credit:** With the approval of the State Racing Commission, permit holders

making capital improvements, constructing new racing facilities, or reconstructing facilities damaged by fire or other cause that have a total cost of \$100,000 or more can reduce their tax liability by 0.75 percent of the amount wagered. For projects approved prior to March 29, 1988, the reduction continues for a period of 15 years on capital improvements and reconstruction and a period of 25 years on new race track construction or until the total reduction in tax liability equals 70 percent of construction costs, whichever occurs first. For projects approved on or after March 29, 1988, the reduction is limited to ten years or 70 percent of costs.

2. **Major Capital Improvement Credit:** Permit holders renovating, reconstructing, or remodeling an existing race track facility at a cost of \$10 million or more can reduce their tax liability by one 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, providing that the project was approved by the State Racing Commission prior to March 29, 1988. 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.

3. **A Race Track Closed due to Fire:** Or other cause can make up the lost days of racing at another facility or during the first three years following the reopening of the track.

4. **Electronically Televised Simulcasts:** Permit holders may televise horse racing at facilities inside or outside of Ohio and conduct pari-mutuel wagering thereon. The type of racing televised must be the same as authorized to be conducted at the permit holder’s track.

TAXPAYER (R.C. 3769.08):

The racing permit holder remits to the Tax Commissioner the tax on the amount wagered as described in **RATES**. The Tax Commissioner in turn distributes the tax as described in **DISPOSITION OF REVENUE**.

FILING AND PAYMENT DATES (R.C. 3769.081, 3769.10):

Each Day of Racing: Permit holder mails to the Tax Commissioner or delivers to an office of the Department of Taxation by noon the following day the pari-mutuel wagering tax and exotic wagering tax collected.

Close of Horse Race Meeting: Within ten days, the additional pari-mutuel wagering tax is collected and mailed to the Tax Commissioner or delivered to an office of the Department of Taxation.

DISPOSITION OF REVENUE: (R.C. 3769.08, 3769.081, 3769.087)

Each Permit Holder pays to the Tax Commissioner a sum equal to the percent of money wagered as described in the **Rates** section reduced by any capital improvements deduction. The Tax Commissioner then distributes the receipts to the following funds:

Receipts from Pari-Mutuel Wagering		
Distributed to	Source of Receipts (Wagering on)	Distribution Percent
Passport Fund	Thoroughbred, harness, quarter horse	25% of gross tax
Ohio Fairs Fund	Thoroughbred, harness, and quarter horse	0.5% of amount Wagered
Ohio Thoroughbred Race Fund	Thoroughbred	1.125% of amount wagered
	Harness racing at events at other than agricultural exposition and fairs	0.71% of amount wagered
Ohio Standardbred Development Fund	Harness	1.125% of amount wagered
Quarter Horse Development Fund	Quarter horse	0.625% of amount wagered
Agricultural Societies	Thoroughbred, harness, and quarter horse racing at agricultural exposition and fairs	Net receipts after payments to the Ohio Fairs Fund, Standardbred Fund, Quarter Horse Fund and Thoroughbred Race Fund
State Racing Commission Operating Fund	Thoroughbred, harness, and quarter horse	0.25% of amount wagered

Receipts from Exotic Wagering Tax		
Distributed To	Source of Receipts (Wagering On)	Distribution Percent
Ohio Passport Fund	Thoroughbred, harness and quarter horse	Twenty-five percent of gross tax
Ohio Fairs Fund	Thoroughbred, harness and quarter horse	One-twelfth of all tax revenue
Ohio Thoroughbred Race Fund	Thoroughbred	One-twelfth of the tax revenue from thoroughbred racing
Ohio Standardbred Development Fund	Harness	One-twelfth of the tax revenue from harness racing
Quarter Horse Development Fund	Quarter Horse	One-twelfth of the tax revenue from quarter horse racing
Agricultural Societies	Thoroughbred, harness and quarter horse at agricultural exposition and fairs	One-sixth of all tax revenue
State Racing Commission Operation Fund	Thoroughbred, harness and quarter horse at commercial track	One-sixth of all tax revenue

Receipts from the Additional Pari-Mutuel Wagering Tax		
Distributed To	Source of Receipts (Wagering On)	Distribution Percent
General Revenue Funds of municipalities and townships	Thoroughbred, harness, and quarter horse	One tenth percent of amount wagered if the total amount wagered is less than \$5 million; 0.15% of amount wagered if the total amount wagered is \$5 million or more (maximum of \$15,000)

OHIO REVISED CODE CITATIONS: (R.C. 3769.08, 3769.081, 3769.087)

RECENT LEGISLATION:

House Bill 283; effective June 30, 1999 (Biennial Budget Bill).

RC 3769.201 - Allows a track to apply to the Racing Commission for a major tax abatement equal to the cost of repairs made to the track as a result of damage caused by the 1997 Ohio River Flood.

RC 3769.201 - Extends from December 31, 2004 to December 31, 2014, the final date on which the permit holder is eligible to take reductions from the Horse Racing Tax for making capital improvements to the racetrack.

Section 158 (Temporary Law) - For FY 2000 and FY 2001, the Tax Commissioner, rather than the Director of the Office of Budget and Management, shall provide for distribution of tax revenue to the agricultural societies.

Table 31
Amount Wagered on Horse Racing and Special Fund Receipts
by Type of Event, Fiscal Year 1995 - 1999

Fiscal Year	Thoroughbred Racing	Quarter Horse Commercial Harness Racing	Agricultural Societies Racing	Total
<i>PARI - MUTUEL WAGERING</i>				
1995	\$243,388,379	\$182,756,439	\$7,881,349	\$434,026,167
1996	215,464,570	173,421,572	7,435,593	396,321,735
1997	306,220,292	253,059,186	7,264,020	566,543,498
1998	317,705,718	283,413,909	6,479,516	607,599,143
1999	333,831,969	289,440,191	6,389,133	629,661,293
<i>PARI - MUTUEL WAGERING NET TAX RECEIPTS</i>				
1995	\$7,306,378	\$6,028,522	\$374,280	\$13,709,180
1996	6,652,634	5,047,974	283,881	11,984,489
1997	8,108,405	6,982,793	280,225	15,371,423
1998	8,220,056	7,443,970	250,678	15,914,704
1999	8,708,713	7,524,827	248,226	16,481,766

Table 32
Amount Wagered on Horse Racing, Tax Levied
and Distribution of Receipts, Fiscal Year 1999

	Thoroughbred Race Meets	Commercial Harness Race Meets	County Agricultural Societies	Quarter Horse Race Meets	Total
Number of Days	1,349	1,714	183	4	3,250
Total Pari-Mutuel Wagering	\$333,831,969	\$289,315,504	\$6,389,123	\$124,687	\$629,661,283
Exotic Wagering*	217,328,914	199,334,633	3,642,687	66,838	420,373,072
Total Tax Levied**	\$11,980,722	\$9,594,665	\$248,226	\$3,583	\$21,827,196
Less Credits:					
Capital Improvement	0	803,846	0	0	803,846
Major Capital	<u>3,272,009</u>	<u>1,268,328</u>	<u>0</u>	<u>1,247</u>	<u>4,541,584</u>
Net Tax Collected	\$8,708,713	\$7,522,491	\$248,226	\$2,336	\$16,481,766
Distribution of Receipts:					
Agricultural	0	0	\$139,790	0	\$139,790
Standardbred Development Fund	0	\$2,178,982	48,746	0	2,227,728
Quarter Horse Special Account	0	0	106	\$650	711
Ohio Fairs Fund	\$1,559,313	1,128,144	41,053	505	2,729,015
Thoroughbred Special Account	3,029,849	874,130	317	0	3,904,296
Operating Fund	1,353,978	995,277	18,214	413	2,367,882
Passport Fund	<u>2,765,573</u>	<u>2,345,958</u>	<u>0</u>	<u>813</u>	<u>5,112,344</u>
Total Amount	\$8,708,713	\$7,522,491	\$248,226	\$2,336	\$16,481,766

* Included in total pari-mutuel wagering, but subject to an additional 3.0% tax

** Includes credit balance