

# 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 Tax Commissioner of the taxes on pari-mutuel and exotic wagering.

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 10 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 0.75 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 \$6 million or more. These projects must be approved by the State Racing Commission and can run concurrently.

The tax on total wagering of \$582.2 million in Fiscal Year 2002 provided \$16.9 million in tax revenue and funds for horse racing development in Ohio.

## TAX BASE (R.C. 3769.08, 3769.28, 3769.087):

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 includes the Daily Double, Perfecta, Quinella, and Trifecta.

### 3. Additional Pari-Mutuel Wagering Tax (R.C. 3769.28):

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. 3769.28):

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

## SPECIAL PROVISIONS (R.C. 3769.08, 3769.089, 3769.20, 3769.26):

### 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 \$6 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. 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. Electronically Televised Simulcasts:**

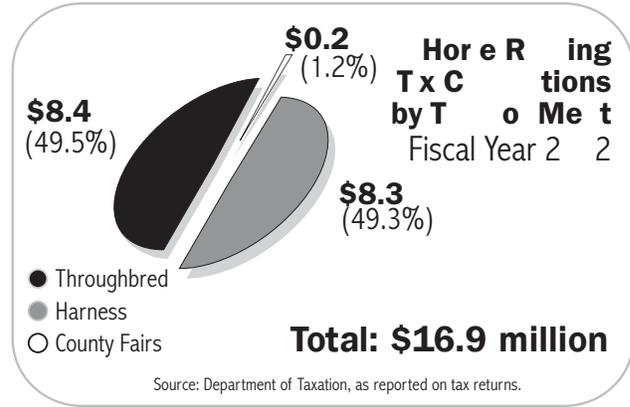
Permit holders may televise horse races from facilities inside or outside of Ohio and conduct pari-mutuel wagering thereon.

**4. Off-Track Betting (OTB):**

Has been allowed since September 27, 1994, with the passage of House Bill 361. The first two facilities began operating in October 1999 and March 2000.

**TAXPAYER (R.C. 3769.08):**

**74** 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. 3769.08, 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 to the Tax Commissioner a sum equal to the percent of money wagered as described in the **Rates** section, reduced

**Receipts from Pari-Mutuel Wagering**

Distributed to	Source of Receipts (Wagering On)	Distribution Percent
Passport Fund	Thoroughbred, harness, and quarter horse	25% of gross tax, .50% of amount wagered at an off-track betting parlor, 2.5% of the amount paid on winning tickets at an off-track betting parlor
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 expositions and fairs	0.53% of amount wagered
Ohio Standardbred Development Fund	Harness	1.125% of amount wagered
Quarter Horse Development	Quarter horse	0.625% of amount wagered
Agricultural Societies	Thoroughbred, harness, and quarter horse racing at agricultural expositions 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**

<b>Distributed To</b>	<b>Source of Receipts (Wagering On)</b>	<b>Distribution Percent</b>
Ohio Passport Fund	Thoroughbred, harness, and quarter horse	25% of gross tax
Ohio Fairs Fund	Thoroughbred, harness, and quarter horse	8.3% of amount wagered
Ohio Thoroughbred Race Fund	Thoroughbred	8.3% of amount wagered from thoroughbred racing
Ohio Standardbred Development Fund	Harness	8.3% of amount wagered from harness racing
Quarter Horse Development Fund	Quarter Horse	8.3% of amount wagered from quarter horse racing
Agricultural Societies	Thoroughbred, harness, and quarter horse at agricultural expositions and fairs	16.7% of amount wagered
State Racing Commission Operating Fund	Thoroughbred, harness, and quarter horse at commercial track	16.7% of amount wagered

**Receipts from the Additional Pari-Mutuel Wagering Tax**

<b>Distributed To</b>	<b>Source of Receipts (Wagering On)</b>	<b>Distribution Percent</b>
General Revenue Funds of municipalities and townships	Thoroughbred, harness, and quarter horse	0.10 % 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)

by any capital improvements deduction. The Tax Commissioner then distributes the receipts to the following funds:

**OHIO REVISED CODE CITATIONS:**

R.C. 3769.08, 3769.081, 3769.087.

**RECENT LEGISLATION:**

**Substitute House Bill 94; Effective June 6, 2001.**

**R.C. 3769.08 –**  
Removes the \$2.5 million limit on the amount of money that the State Racing Commission Operating Fund may receive in a calendar year from allocations of the Horse Racing tax. Removes the deadline in current law for State Racing Commission approval of tax reductions for large capital improvement projects. Modifies the length of the tax reduction period for those projects when the State Racing Commission approves the construction of a new race track or capital improvement after the bill's effective date – until the total tax reduction equals 100 percent of the project's approved cost. Requires the Tax Commissioner, rather than the Director of Budget and Management, to distribute amounts from the Horse Racing Tax Fund to county agricultural societies.

**R.C. 3769.087 –**

Establishes a new horse racing permit holder retention of wagering pool monies requirement relative to wagering pools other than win, place, and show, replacing the permissive retention provisions of current law. Requires half of the amount retained (e.g., 1/4 of 1 percent) to be paid to the Tax Commissioner as a tax and to be deposited into the State Racing Commission Operating Fund.

**House Bill 283; Effective July 1, 1999.**

**R.C. 3769.201 –**

Allows a race 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.

**R.C. 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 race track.

**Section 158 (Temporary Law) –**

For fiscal year 2000 and fiscal year 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 1**  
**Amount Wagered on Horse Racing and Net Tax by Type of Event**  
**Fiscal Years 1998 – 2002**

<b>Fiscal Year</b>	<b>Thoroughbred Racing</b>	<b>Quarter Horse and Commercial Harness Racing</b>	<b>Agricultural Societies Racing</b>	<b>Total</b>
<b>PARI-MUTUEL WAGERING</b>				
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
2000	331,094,156	283,819,954	6,197,606	621,111,716
2001	324,096,113	280,974,629	6,017,577	611,088,319
2002	303,245,672	273,401,726	5,585,845	582,233,243
<b>NET TAX RECEIPTS</b>				
1998	\$8,220,056	\$7,443,970	\$250,678	\$15,914,704
1999	8,708,713	7,524,827	248,226	16,481,766
2000	8,759,923	7,690,488	243,938	16,694,349
2001	8,685,741	7,798,868	240,019	16,724,628
2002	8,360,225	8,322,836	216,736	16,899,797

Source: Department of Taxation, as reported on tax returns.

**Table 2**  
**Amount Wagered on Horse Racing, Tax Levied and Distribution of Receipts by Type of Event**  
**Fiscal Year 2002**

	<b>Thoroughbred Race Meets</b>	<b>Commercial Harness Race Meets</b>	<b>County Agricultural Societies</b>	<b>Quarter Horse Race Meets</b>	<b>Total</b>
Number of Meets	1,537	1,939	174	9	3,659
Total Pari-Mutuel Wagering	\$303,245,672	\$272,961,185	\$5,585,845	\$440,541	\$582,233,243
Exotic Wagering*	199,078,619	193,420,694	3,283,121	269,966	396,052,400
Total Tax Levied**	\$11,432,283	\$9,428,991	216,736	9,538	\$21,087,548
Less Credits:					
Capital Improvement	0	23,945	0	0	23,945
Major Capital	<u>3,072,058</u>	<u>1,091,748</u>	<u>0</u>	<u>0</u>	<u>4,163,806</u>
Net Tax Collected	\$8,360,225	\$8,313,298	\$216,736	\$9,538	\$16,899,797
Distribution of Receipts:					
Agricultural Standardbred	\$1,894	\$4,308	\$115,279	\$0	\$121,481
Development Fund	0	2,361,162	42,863	0	2,404,025
Quarter Horse Special Account	0	0	87	2,439	2,526
Ohio Fairs Fund	1,422,859	1,227,378	36,138	2,047	2,688,422
Thoroughbred Special Account	2,761,766	965,183	284	0	3,727,233
Operating Fund	1,645,333	1,489,453	22,085	1,850	3,158,721
Passport Fund	<u>2,528,373</u>	<u>2,265,814</u>	<u>0</u>	<u>3,202</u>	<u>4,797,389</u>
Total Amount	\$8,360,225	\$8,313,298	\$216,736	\$9,538	\$16,899,797

\*Included in total pari-mutuel wagering, but subject to an additional 3.0% tax.  
 \*\*Includes credit balance.

Source: Department of Taxation, as reported on tax returns.