

# 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 Ohio State Racing Commission, which consists of five members appointed by the Governor and confirmed by the Ohio Senate. The 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. (Exotic wagering includes bets made on placements other than win, place, or show, such as daily doubles, quinellas, perfectas, and trifectas.)

After state taxes, 50 percent of the commission must be used for purse money. 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 (off-track betting).

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 1.0 percent of the amount wagered for the major renovation of an existing facility if the cost is \$6.0 million or more. These projects must be approved by the Racing Commission and can run concurrently.

The tax on total wagering of nearly \$447.8 million in Fiscal Year 2006 provided over \$12.82 million in tax revenue and funds for horse racing development in Ohio.

## TAXPAYER (OHIO REVISED CODE 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**.

## 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:

### Pari-Mutuel Wagering Tax (R.C. 3769.08) –

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, 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.

### 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.



## Capital Improvements and Simulcast Credits (R.C. 3769.08, 3769.089, 3769.20, 3769.26):

1. Some racing permit holders can qualify for a Capital Improvement Credit. With the approval of the 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. Large projects may qualify a permit holder for a Major Capital Improvement Credit. Permit holders renovating, reconstructing, or remodeling an existing race track facility at a cost of \$6.0 million or more can reduce their tax liability by 1.0 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. Permit holders may conduct electronically televised simulcasts of horse races from facilities in or outside of Ohio and conduct pari-mutuel wagering thereon.
4. Off-Track Betting (OTB) has been allowed by law since September 27, 1994. The first two facilities to offer this began operating in October 1999 and March 2000. Currently there is one such facility in operation.

### RECEIPTS FROM PARI-MUTUEL WAGERING:

Distributed to	Source of Receipts (Wagering On)	Distribution Percent
Ohio Passport Fund	Thoroughbred, harness, and quarter horse	25% of gross tax, 0.50% 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	0.50% of amount wagered
Ohio Thoroughbred Race Fund	Thoroughbred	1.125% of amount wagered
	Harness racing at events at other than agricultural expositions and fairs	0.50% 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 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

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### 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	0.10 % of amount wagered if the total amount wagered is less than \$5.0 million; 0.15% of amount wagered if the total amount wagered is \$5.0 million or more (maximum of \$15,000)

### RECEIPTS FROM EXOTIC WAGERING:

Distributed To	Source of Receipts (Wagering On)	Distribution Percent
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



(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 percentage of money wagered as described in **Rates**, reduced by any capital improvements deduction. The Tax Commissioner then distributes the receipts to the funds as shown in the above charts:

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

### ADMINISTRATION:

The Department of Taxation administers the tax 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, 3769.081, 3769.087.



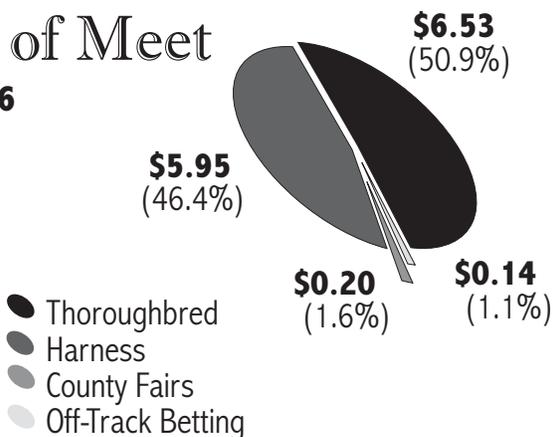
**Amended Substitute House Bill 530, 126th General Assembly (effective June 30, 2006):**

During the period commencing on July 1, 2006 and ending on June 30, 2007, an additional amount equal to 1/4 of 1.0 percent of the total of all money wagered on each racing day, on all pools other than win, place, and show, shall be retained from each permit holder. The Tax Commissioner shall pay the amount of the tax received under this provision to the State Racing Commission operating fund created under section 3769.03 of the Revised Code.

Horse Racing Tax Collections by Type of Meet

**Fiscal Year 2006**

(figures in millions)



**Total \$12.82 million**

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



## HORSE RACING TAX

TABLE 1  
AMOUNT WAGERED ON HORSE RACING AND SPECIAL FUND RECEIPTS  
BY TYPE OF EVENT, FISCAL YEARS 2002 - 2006

Fiscal Year	Thoroughbred Racing	Commercial Harness Racing	Agricultural Societies Racing	Quarter Horse Racing	Off-Track Parlors	Total
<b>Pari-Mutuel Wagering</b>						
2002	\$303,245,672	\$273,401,726	\$5,585,845		\$14,714,060	\$596,947,303
2003	277,080,736	247,780,758	5,268,726	\$465,665*	14,581,585	545,177,470
2004	260,903,387	233,604,182	5,428,844	333,586	14,124,923	514,394,922
2005	246,936,349	212,590,207	5,504,620	281,349	8,714,420	474,026,945
2006	236,417,769	200,116,137	4,983,661	296,592	5,962,237	447,776,396
<b>Net Tax Receipts</b>						
2002	\$8,360,225	\$8,322,836	\$216,736		\$351,087	\$17,250,884
2003	7,660,350	7,559,068	206,438	\$10,398*	346,687	15,782,941
2004	7,705,092	7,607,647	228,872	7,808	336,991	15,886,410
2005	7,198,910	6,724,629	236,615	7,086	207,504	14,374,744
2006	6,526,637	5,946,585	203,704	6,888	140,084	12,823,898

\*First year quarter horse reported separately.

TABLE 2  
AMOUNT WAGERED ON HORSE RACING, TAX LEVIED  
AND DISTRIBUTION OF RECEIPTS - FISCAL YEAR 2006

	Thoroughbred Race Meets	Commercial Harness Race Meets	County Agricultural Societies	Quarter Horse Race Meets	Off-Track Parlors	Total
<b>Number of Meets</b>	1,087	1,433	168	11		2,699
Total Pari-Mutuel Wagering	\$236,417,769	\$200,116,137	\$4,983,661	\$296,592	\$5,962,237	\$447,776,396
Exotic Wagering*	\$159,884,843	\$146,531,129	\$2,922,876	\$188,669	\$4,498,057	\$314,025,574
<b>Total Tax Levied</b>	<b>\$7,675,848</b>	<b>\$7,002,152</b>	<b>\$203,704</b>	<b>\$9,906</b>	<b>\$140,084</b>	<b>\$15,031,694</b>
Less Tax Abatements:						
Capital Improvement		\$242,465	\$0			\$242,465
Major Capital	\$1,149,211	\$813,102	\$0	\$3,018		\$1,965,331
<b>Net Tax Collected</b>	<b>\$6,526,637</b>	<b>\$5,946,585</b>	<b>\$203,704</b>	<b>\$6,888</b>	<b>\$140,084</b>	<b>\$12,823,898</b>
Deferred Abatement **	\$259,966	\$113,906				\$373,872
<b>Distribution of Receipts:</b>						
Agricultural			\$110,993			\$110,993
Standardbred Devel. Fund		\$1,645,165	\$38,236			\$1,683,401
Quarter Horse Special Acct.			\$65	\$829		\$894
Ohio Fairs Fund	\$1,095,779	\$858,450	\$32,226	\$1,356		\$1,987,811
Thoroughbred Special Acct.	\$2,119,234	\$667,282	\$262			\$2,786,778
Operating Fund	\$1,365,829	\$1,142,042	\$21,922	\$1,653		\$2,531,446
Passport Fund	\$1,945,795	\$1,633,646		\$3,050	\$140,084	\$3,722,575
<b>Total Amount</b>	<b>\$6,526,637</b>	<b>\$5,946,585</b>	<b>\$203,704</b>	<b>\$6,888</b>	<b>\$140,084</b>	<b>\$12,823,898</b>

\* Included in total pari-mutuel wagering but subject to an additional 3.0% tax.  
\*\* Represents tax abatements accrued and postponed to a later date.