

Horse Racing Tax

Taxpayer

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

Tax Base

A pari-mutuel tax is levied on the total amount wagered each day on horse and harness racing.

An additional wagering tax is levied on “exotic” wagering – meaning, all bets other than win, place and show, such as a daily double, quinella, perfecta, and trifecta.

Rates

The pari-mutuel daily wagering rates are as follows:

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

The exotic wagering rate is 3.5 percent of the amount wagered daily.

Major Exemptions

None.

Revenue

(In Millions)

Fiscal Year	PASS-PORT Fund	Thoroughbred Fund	Standardbred Fund	Other Funds ¹	Total
2007	\$3.3	\$2.5	\$1.5	\$4.8	\$12.1
2008	2.9	2.2	1.3	4.3	10.7
2009	2.6	1.9	1.3	3.7	9.5
2010	2.3	1.6	1.2	3.3	8.4
2011	2.0	1.5	1.0	3.1	7.6

Disposition of Revenue

From wagering at commercial tracks:

The nursing home franchise permit fee fund (formerly the 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.

Also, the Ohio State Racing Commission Operating Fund receives all revenue from the final half point of the 3.5 percent tax on exotic wagering.

Distributions of remaining revenue are calculated as follows:

Ohio Fairs Fund:

Receives 0.5 percent of total pari-mutuel wagering plus 8.3 percent of revenue from the base 3 percentage points of tax on exotic wagering.

Ohio Standardbred Development Fund:

Receives 1.125 percent of total pari-mutuel wagering on harness races plus 8.3 percent of tax revenue from the base 3 percentage point tax on exotic wagering at harness races.

Ohio Quarter Horse Development Fund:

Receives 0.625 percent of total pari-mutuel wagering on quarter horse races plus 8.3 percent of the revenue from the base 3 percentage points of tax on exotic wagering on quarter horse races.

Ohio Thoroughbred Race Fund:

Receives 1.125 percent of total pari-mutuel wagering on thoroughbred races and 0.47 percent of pari-mutuel wagering on commercial harness races² plus 8.3 percent of revenue from the base 3 percentage point tax on exotic wagering on thoroughbred races.

Racing Commission Operating Fund:

In addition to revenue from the half point of the exotic wagering tax described above, this fund also receives 0.25 percent of total pari-mutuel wagering plus 16.7 percent of revenue

¹ The “Other” category represents revenue distributed to the Ohio Fairs Fund, the Quarter Horse Development Fund, the State Racing Commission Operating Fund, and county agricultural societies.

² The percentage of harness racing tax revenue distributed to the Thoroughbred Race Fund is not fixed in statute. It changes annually based on a calculation performed at the end of each calendar year. The rate listed is for 2011.

from the remaining 3 percentage point tax on exotic wagering.

Usually, after distributions to the Passport Program, the revenue that remains from each racing day is insufficient to pay the percentages of pari-mutuel wagering described above.¹ In these cases, contributions to each fund are prorated on a proportional basis.

From wagering at county fairs:

County agricultural societies receive all the pari-mutuel tax revenue from racing conducted at county fairs that remains after distributions are made, as described above, to the Ohio Fairs Fund, Ohio Standardbred Development Fund, Ohio Quarter Horse Development Fund, and the Ohio Thoroughbred Race Fund. County agricultural societies also receive the remaining revenue after all other distributions to these funds are made from the base 3 percentage points of tax on exotic wagering conducted at county fairs.

Payment Dates

Payments are due at the end of each racing day.

Special Provisions/Credits

Two significant credits apply to the tax:

- Capital improvements credit: 0.75 percent of amount wagered is deducted from tax liability at tracks making approved construction.
- Major capital improvements credit: 1 percent of amount wagered is deducted from tax liability at tracks making an approved renovation costing \$6 million or more.

Sections of Ohio Revised Code

Chapter 3769.

Responsibility for Administration

The Tax Commissioner administers the tax. The Ohio State Racing Commission regulates racing and licensing.

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** Legislature reduces rates. New schedule ranges from 2 percent on the first \$10,000 of daily wagering to 6 percent on wagering in excess of \$400,000.
- 1955** For thoroughbred racing, an additional .75 percent is added to each bracket. Rates are unchanged for harness racing.
- 1959** Rates are 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** Legislature adopts flat tax rates 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 on the first \$50,000 of wagers to 6.5 percent on the excess over \$550,000. Also, legislature establishes a 0.5 percent credit for qualifying capital improvements.
- 1981** Legislature establishes 2.5 percent tax on exotic wagering and increases the value of the capital improvement credit from 0.5 percent to 0.75 percent. Lawmakers also enact a gradual reduction of the thoroughbred tax rate to 5.25 percent by mid-1983. Harness rates are also phased downward so that, by mid-1983, rates range from 1.5 percent on first \$50,000 to 4.5 percent of excess over \$200,000.
- 1984** House Bill 639 consolidates all rates into a single schedule for thoroughbred, harness, and quarter horse racing. New rates range from 1 percent on the first \$200,000 of daily wagering to 4 percent on the excess over \$400,000. Legislature also enacts a 1.5 percent major capital improvements credit.
- 1989** Effective July 1, exotic wagering rate is increased from 2.5 percent to 3 percent.

¹ This is true even after the exotic wagering revenue unallocated in the calculations listed above is used to meet the targeted percentages of pari-mutuel wagering.

1994	Legislature permits wagering on simulcast events, requires that, starting Sept. 27, revenues not going to horse racing funds go to the PASSPORT program rather than the General Revenue Fund, and reduces the major capital improvements tax credit from 1.5 percent to 1 percent of wagering.
1996	Distribution of revenue is changed effective Sept. 19; PASSPORT receives 25 percent share of gross revenues, rather than all revenue not distributed to horse racing funds.
2001	Effective July 1, legislature increases exotic wagering tax from 3 percent to 3.25 percent.
2003	Legislature imposes temporary additional tax of 0.25 percent on exotic wagering, from July 1, 2003 until July 1, 2005.
2006	General Assembly reinstates 0.25 percent additional tax on exotic wagering for the 2007 fiscal year.
2007	Lawmakers make the additional 0.25 percent on exotic wagering permanent. New rate is 3.5 percent.

Comparisons with Other States

(As of November, 2007)

In the comparisons below, "all horse" refers to thoroughbred and quarter horse racing.

California	
All horse	0.4% – 2%
Harness	0.4%
Florida	
All horse	0.5% – 2.4%
Harness	0.5% – 3.3%
Dog	5.5% – 7.6%
Illinois	
All horse and harness	1.5%

Indiana	
All horse and harness	2% – 2.5%
Kentucky	
All horse	1.5% – 3.5%
Harness	0% – 3.1% ¹
Massachusetts	
All horse and harness	0.375% – 0.75%
Dog	2.5% – 5%
Michigan	
Simulcast horse and harness	3.5%
New York	
All horse and harness	0.5% – 7.75%
Ohio	
All horse and harness	0.5% – 4%²
Pennsylvania	
All horse and harness	2.5% ³
Texas	
Live events ⁴	1% – 5%
Simulcast events	1% – 1.25%
West Virginia	
Thoroughbred	0.4% – 1.4%
Harness	3% – 5.75%
Dog	4% – 8%
New Jersey does not have a tax on pari-mutuel wagering.	

1 The tax is waived if the amount not paid is retained by the track to maintain and promote its facilities and live racing events.

2 In Ohio, an additional 3.5 percent tax applies to exotic wagering.

3 Includes a wagering tax of 1.5 percent and a pool tax of 1 percent.

4 Meaning, horse or greyhound racing.