



Horse Racing Tax

Ohio's horse racing tax applies to both pari-mutuel and "exotic" wagering. During fiscal year 2009, the tax generated close to \$9.4 million in revenue (on \$310.6 million in wagers) for horse racing development, the state Passport program for senior citizens, and for 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, such as daily doubles, quinellas, perfectas, and trifectas. 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.

The Department of Taxation has administered the horse racing tax since 1953.

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

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

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

Capital improvement credit (R.C. 3769.08)

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 may reduce their tax liability by 0.75 percent of the amount wagered. For projects approved before 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.

Major capital improvement credit (R.C. 3769.20)

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 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.

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 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 percentages of money wagered described above in **Rates**, reduced by any capital improvements deduction.

The Ohio 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.

The Ohio State Racing Commission’s Operating Fund receives the final 0.5 point of the 3.5 percent tax on exotic wagering.

Other distributions are made by the Tax Commissioner as shown in the following table:

Recipient	Source of Receipts	Share of Receipts
Ohio Fairs Fund	Wagering on thoroughbred, harness and quarter horse races.	0.50 percent of total pari-mutuel wagering plus 8.3 percent of the base 3 percentage points of tax on exotic wagering.
Ohio Thoroughbred Race Fund	Wagering on all thoroughbred races and on harness races at events other than county fairs.	1.125 percent of total pari-mutuel wagering on thoroughbred racing, 8.3 percent of revenue from the base 3 percentage point tax on exotic wagering on thoroughbred races, and 0.46 percent ¹ on harness races.

Recipient	Source of Receipts	Share of Receipts
Ohio Standardbred Development Fund	Wagering on harness racing and on all races at county fairs.	1.125 percent of pari-mutuel wagering on harness races, 0.625 percent of pari-mutuel wagering on races at county fairs, plus 8.3 percent of tax revenue from the base 3 percentage point tax on exotic wagering at harness races and at county fairs.
Quarter Horse Development Fund	Wagering on quarter horse races.	0.625 percent of total pari-mutuel wagering on quarter horse races and 8.3 percent of the revenue from the base 3 percentage points of tax on exotic wagering at quarter horse races.
County agricultural societies	Wagering on all races at county fairs.	Net tax receipts after payments to the Ohio Fairs Fund, Ohio Racing Commission Fund, Quarter Horse Fund and Standardbred Fund.
State Racing Commission Operating Fund	Thoroughbred, harness and quarter horse racing as well as all racing at county fairs.	In addition to the final 0.5 point of the exotic wagering tax noted above, receives 16.7 percent of the base 3 percentage point tax on exotic wagering and 0.25 percent of total pari-mutuel wagering on thoroughbred races.

The revenue that remains from each racing day after distribution to the Ohio Passport Fund is usually insufficient to pay the percentages of pari-mutuel wagering described in the table above, even after the exotic wagering revenue not allocated in the table is used to meet the targeted percentages of pari-mutuel wagering. In such cases, contributions to each fund are prorated on a proportional basis.

Administration

The Department of Taxation administers the taxes 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 and 3769.087.

¹ This percentage changes each year based on a calculation performed at the end of each calendar year.

Chart

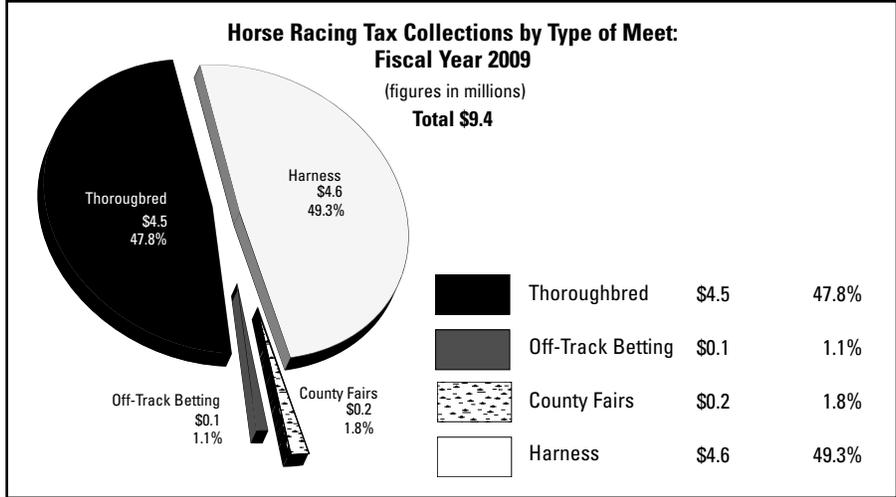


Table 1

Amount Wagered on Horse Racing and Special Fund Receipts by Type of Event, Fiscal Years 2005 - 2009						
Pari-Mutuel Wagering						
Fiscal Year	Thoroughbred Racing	Commercial Harness Racing	Agricultural Societies Racing	Quarter Horse Racing	Off-Track Parlors	Total
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
2007	215,632,306	176,497,753	4,632,327	260,354	5,612,908	402,635,648
2008	187,046,366	155,672,065	4,474,105	227,002	4,947,766	352,367,304
2009	154,499,966	147,316,872	4,037,778	232,865	4,504,802	310,592,283
Pari-Mutuel Wagering Net Tax Receipts						
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
2007	6,325,354	5,609,985	196,167	6,708	128,237	12,266,451
2008	5,466,122	4,926,721	191,559	5,971	112,870	10,703,243
2009	4,496,668	4,636,720	171,524	6,045	103,887	9,414,844

Table 2

Amount Wagered on Horse Racing, Tax Levied and Distribution of Receipts: Fiscal Year 2009						
	Thoroughbred Race Meets	Commercial Harness Race Meets	County Agricultural Societies	Quarter Horse Race Meets	Off-Track Parlors	Total
Number of Meets	888	1,233	148	10		2,279
Total Pari-Mutuel Wagering	\$154,499,966	\$147,316,872	\$4,037,778	\$232,865	\$4,504,802	\$310,592,283
Exotic Wagering ¹	106,775,569	106,610,380	2,450,480	155,519	3,497,931	219,489,879
Total Tax Levied	\$5,169,846	\$5,399,619	\$171,524	\$6,045	\$103,887	\$10,850,921
Less Tax Abatements:						
Capital Improvement		164,205				164,205
Major Capital	673,158	598,694				1,271,852
Net Tax Collected	\$4,496,688	\$4,636,720	\$171,524	\$6,045	\$103,887	\$9,414,864
Deferred Abatement ²	none	none				none
Distribution of Receipts:						
Agricultural	317	2,641	89,281			92,239
Standardbred Devel. Fund		1,212,168	31,274			1,243,442
Quarter Horse Special Acct.				1,338		1,338
Ohio Fairs Fund	708,771	631,524	26,316	1,128		1,367,739
Thoroughbred Special Acct.	1,367,086	493,346	148			1,860,580
Operating Fund	1,165,835	1,103,598	24,505	1,787		2,295,725
Passport Fund	1,254,659	1,193,443		1,792	103,887	2,553,781
Total Amount	\$4,496,688	\$4,636,720	\$171,524	\$6,045	\$103,887	\$9,414,844

¹ Included in total pari-mutuel wagering but subject to an additional 3% tax.

² Represents tax abatements accrued and postponed to a later date.