

STORAGE NAME: h1463.rs

DATE: March 7, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
REGULATED SERVICES
ANALYSIS**

BILL #: HB 1463

RELATING TO: Pari-mutuel Wagering; harness tracks

SPONSOR(S): Representative Sanderson & Others

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) REGULATED SERVICES
 - (2) FINANCE & TAXATION
 - (3) GENERAL GOVERNMENT APPROPRIATIONS
 - (4)
 - (5)
-

I. SUMMARY:

This bill decreases the pari-mutuel wagering tax rate at harness tracks and increases the percentage paid to purses at harness tracks, as follows:

Tax Rates

Live and Simulcast Rate: From 1% to 0.5%

ITW Rate: From 3.3% to 1.60%

ITW on Rebroadcasts of Simulcasts: From 2.4% to 1.2%

Purses

Payout as Purses on Live Events: From 7.5% to 7.75%

Payout as Purses on ITW: From 7% to 7.85%

Permitholders' contribution to the purse pool from takeout: From 8% to 8.25%

This bill will have a negative impact on state revenue of approximately \$868,676.

The bill will take effect upon becoming a law.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Chapter 550, Florida Statutes, contains Florida's laws governing the regulation and taxation of pari-mutuel wagering activities in the state. The Division of Pari-Mutuel Wagering [division] of the Department of Business and Professional Regulation, is the state agency with regulatory authority over these activities.

Over the last decade there has been a steady decline in attendance, wagering handle, and tax collections for pari-mutuel wagering activities. Total state revenue collections from all pari-mutuel operations decreased from \$118,466,567 in FY 1988-89 to \$62,934,837 for FY 1998-99. The November 1999 Revenue Estimating Conference estimates total state revenue collections will continue to decline. In recent years, numerous amendments to the pari-mutuel statutes have been adopted in efforts to mitigate the impact of this decline.

According to statistics published in the most recent annual report from the division, on-track handle at Pompano Park, the only harness track in the state, decreased by 6% in FY 1998-99 from the previous year. Intertrack handle increased by 3% during that same time, however, the net result was a 4% decline in tax collections.

Section 550.0951(3), Florida Statutes, establishes tax rates for the tax on handle at pari-mutuel events at harness tracks in the state. Notwithstanding the tax rate of 3.3% established for live harness events in s. 550.0951(3)(a), s. 550.09512, Florida Statutes, establishes a tax rate for the tax on handle on live harness races at 1%. Simulcasts are taxed at the same rate as a live event, 1%. Section 550.0951(3)(c)1, Florida Statutes, establishes a tax rate for intertrack wagering of 3.3% and a rate of 2.4% on rebroadcasts of simulcasts.

Purse requirements for harness permitholders are established in s. 550.2625(2)(b), Florida Statutes. Currently, harness tracks are required to pay an amount which is not less than 8% of all contributions to the pari-mutuel pools into the purse pool and from that purse pool, the harness permitholder is required to pay not less than 7.5% of the total handle as purses. Further, s. 550.625(1), Florida Statutes, requires harness permitholders to pay 7% of intertrack handle as purses during its current race meet. Purse payments are not required on simulcast events.

C. EFFECT OF PROPOSED CHANGES:

This bill decreases the pari-mutuel wagering tax rate at harness tracks and increases the percentage paid to purses at harness tracks, as follows:

Tax Rates

Live and Simulcast Rate: From 1% to 0.5%

ITW Rate: From 3.3% to 1.60%

ITW on Rebroadcasts of Simulcasts: From 2.4% to 1.2%

Purses

Payout as Purses on Live Events: From 7.5% to 7.75%

Payout as Purses on ITW: From 7% to 7.85%

Permitholders' contribution to the purse pool from takeout: From 8% to 8.25%

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends s. 550.0951(3)(a), Florida Statutes

Specifies that the tax on handle for intertrack wagering is 1.60% if the host track is a harness track and that the tax on handle for intertrack wagering on rebroadcasts of simulcast horseraces is 1.2% if the permitholder's facility is a harness track. Present law applies the same tax rate to harness tracks as it does to thoroughbred tracks: 3.3% of the handle on intertrack wagering and 2.4% on rebroadcasts of simulcasts.

Section 2. Amends s. 550.09512(2)(a), Florida Statutes

Reduces the tax on handle for live and simulcast harness horse races from 1% to 0.5% of handle.

Section 3. Amends s. 550.2625(2)(b), Florida Statutes

Increases a harness permitholder's contribution to the purse pool on live events from 8% to 8.25% and increases the purse payout from the purse pool from 7.5% to 7.75%.

Section 4. Amends s. 550.625(1), Florida Statutes

Increases the purse rate on intertrack wagers from 7% to 7.85% if the host track is a harness track.

Section 5. Provides that the act will take effect upon becoming a law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

Estimates of the fiscal impact of this legislation on revenue collections was not available from the Department of Business and Professional Regulation at the time this analysis was published.

However, using the projected tax collection estimates for FY 2000-2001 of the November 1999 Revenue Estimating Conference, and reducing the results by approximately one-half which is roughly reflective of the tax reductions proposed in this legislation, tax collections will decrease from an estimated \$1,726,295 to \$857,619.

The following is indicative of the estimated reductions per tax:

- the tax on live handle would decrease from \$147,461 to \$73,731;
- the tax on simulcast handle would decrease from \$297,688 to \$148,844;
- the tax on ITW would decrease from \$363,772 to \$176,357; and,
- the tax on ITW of simulcasts would decrease from \$917,374 to \$458,687.

Therefore, trust fund revenue collections will decrease as follows:

	<u>2000-2001</u>
General Revenue	(\$757,389)
Pari-Mutuel Wagering Trust Fund	(\$111,287)

2. Expenditures:

The Department of Business and Professional Regulation will be required to make some modifications to their existing audit programs. Estimates of this one-time expense or other expenditures necessary to implemenent this act were not available from the Department at the time this analysis was published.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

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C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Using the projected tax collection estimates of the November 1999 Revenue Estimating Conference, and reducing the results by approximately one-half which is reflective of the tax reductions proposed in this legislation, Pompano Park will recognize a tax savings of approximately \$868,676.

D. FISCAL COMMENTS:

N/A

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take any action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

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VII. SIGNATURES:

COMMITTEE ON REGULATED SERVICES:

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