

**STORAGE NAME:** h1463s1.rs  
**DATE:** March 21, 2000

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

**BILL #:** CS/HB 1463

**RELATING TO:** Pari-mutuel Wagering; harness tracks; jai alai frontons

**SPONSOR(S):** Committee on Regulated Services, Representative Sanderson & Others

**TIED BILL(S):**

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

- (1) REGULATED SERVICES YEAS 9 NAYS 0
  - (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%

The tax rate on live handle at jai alai frontons is set at 4.25%, however, statutorily specified variables decrease the tax rate according to specific situations. This bill provides that, effective July 1, 2000, no jai alai permitholder will be taxed on live handle at a rate which is higher than 2%.

The tax reduction for harness tracks created in this bill will have an estimated negative impact on state revenue of approximately \$868,676. The tax reduction for jai alai permitholders created in this bill will have an estimated negative impact on state revenue of between \$350,000 and \$800,000. Using the highest estimates, this legislation is estimated to reduce state revenue collections by approximately \$1,668,676 annually or \$1,218,676 annually using the low estimate.

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.

**Harness Tracks**

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.

### **Jai Alai Frontons**

Notwithstanding the tax rates established in s. 550.0951, s. 550.09511, F.S., establishes several variables under which the jai alai industry receives tax credits or is taxed on live performances.

Subsection (1)(b) provides a tax credit for any permitholder that has incurred tax on handle and admissions tax that exceeds the operating earnings during or after FY 1997-98 in the amount of the excess.

Subsection (2)(a) establishes a live tax rate of 4.25% per performance. However, when the live handle during the preceding state fiscal year is less than \$15 million, the tax is paid on the handle in excess of \$30,000 per performance per day.

Subsection (2)(b) provides that when the total tax [admissions tax, daily license fees, and tax on live handle] paid during a current state fiscal year exceeds the total state tax revenues paid in FY 1991-92, the permitholder pays a tax on handle for live performances at a rate of 2.25% per performance for the remainder of the fiscal year.

Subsection (2)(c) provides a tax rate of 3.3% on live handle for permitholders who paid no tax on live handle for FY 1991-92 when their total tax exceeds the total state tax revenues from wagering on live jai alai performances paid during the last state fiscal year in which the permitholder conducted a full schedule of live games.

Subsection (2)(d) also provides a tax rate of 3.3% on live handle for permitholders who obtained a new permit subsequent to FY 1991-92 and permitholders who converted to a jai alai permit when the total tax paid during the current fiscal year exceeds the average total state tax revenues from wagering on live jai alai performances for the first 3 consecutive jai alai seasons during which the permitholder conducted a full schedule of live games.

Subsection (3)(a) provides a tax rate of 3.85% of live handle for permitholders which are restricted from operating live performances on a year-round basis.

According to the November 1999 Revenue Estimating Conference statistics and projections, existing jai alai permitholders pay either a tax of 3.85% or 4.25% on live handle.

#### **C. EFFECT OF PROPOSED CHANGES:**

##### **Harness Tracks**

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%

### **Jai Alai Frontons**

The tax rate paid on live handle at jai alai frontons is set at 4.25%, however, statutorily specified variables decrease the tax rate according to specific situations. Existing operating jai alai permitholders pay a tax rate of either 3.85% or 4.25% of live handle depending upon their specific situations. This bill provides that, effective July 1, 2000, no jai alai permitholder will be taxed on live handle at a rate which is higher than 2%. Simulcasts will be taxed at the same rate as live events.

#### **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.

Creates a new paragraph (d) in subsection (3), to cap the rate at which jai alai permitholders may be taxed on live handle at no more than 2%.

##### **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:

**Harness Tracks**

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)

**Jai Alai Permitholders**

Industry representatives estimate that the jai alai tax reduction contained in this legislation will result in reduced revenue collections of approximately \$350,000 annually. The Department of Business and Professional Regulation, however, estimates that the jai alai tax reduction will reduce revenue collections by approximately \$800,000 annually. This differing of opinion is due in part to disputes between the Department and jai alai permitholders over the application of tax credits.

The tax on live handle from jai alai performances is divided equally between the General Revenue Fund and the Pari-Mutuel Wagering Trust Fund. The jai alai tax reduction will, therefore, decrease collections to both funds equally. Using the lowest estimate, deposits into both funds will be decreased by approximately \$175,000 annually; using the highest estimate, deposits into both funds will be decreased by approximately \$400,000 annually.

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 implement this act are not expected to be significant.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

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.

Jai Alai permitholders will benefit to the extent the reduced tax rate applies to the individual frontons.

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.

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V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

One amendment by Representative Sanderson was adopted by the Committee on Regulated Services on March 21, 2000 and the bill was voted favorably as a committee substitute. This amendment added a new provision to the bill which capped the rate at which jai alai permitholders may be taxed on live handle at no more than 2%.

VII. SIGNATURES:

COMMITTEE ON REGULATED SERVICES:

Prepared by:

Staff Director:

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Janet Clark Morris

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Paul Liepshutz