

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 2324

SPONSOR: Regulated Industries Committee and Senator Lee

SUBJECT: Pari-Mutuel Wagering

DATE: April 25, 2000 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Wimsett	Guthrie	RI	Favorable/CS
2.			CM	
3.			FR	
4.				
5.				

I. Summary:

This bill substantially amends the pari-mutuel tax and regulatory provisions in Chapter 550, F.S. It provides specific tax reductions for the greyhound racing, horse racing, and jai alai industries and requires increased purses and awards for participants and breeders. The bill transfers the Pari-Mutuel Wagering Trust Fund's \$29,515,500 obligation to the counties to General Revenue. It forgives certain tax liability that accrued under s. 550.09515(2)(a)2., F.S., between January 1, and the effective date of the bill. It creates the "Interstate Compact on Licensure of Participants in Pari-Mutuel Wagering," which is designed to establish uniform requirements among states for the licensing of pari-mutuel wagering participants, to provide reciprocity among the states in recognizing permits, and to ensure that all licensed participants meet a uniform standard of honesty and integrity.

The bill amends the following sections of the Florida Statutes: 212.20, 550.01215, 550.135, 550.0951, 550.09514, 550.09515, 550.1645, 550.615, 550.0555, 550.09512, 550.2633, 550.475, 550.625, 550.155, 550.26352, 550.09511, 550.6305, 550.002, 550.0251, 550.0351, 550.105, 550.24055, 550.2614, 550.26165, 550.2625, 550.3551, 550.6308, 773.01, and 773.03 of the Florida Statutes.

The bill creates ss. 550.1647 and 550.74 and unnumbered sections of the Florida Statutes.

The bill repeals s. 550.0951(2)(a), s. 550.2415(10), (11), (12), s. 550.615(9), of the Florida Statutes

II. Present Situation:

The Department of Business and Professional Regulation, Division of Pari-Mutuel Wagering, monitors and regulates Florida's pari-mutuel industry, collects and audits pari-mutuel tax revenues, and issues licenses to all persons affiliated with pari-mutuel activities. *See, Division of Pari-Mutuel Wagering, 68th Annual Report* (for the fiscal year ending June 30, 1999).

Florida's pari-mutuel industry has experienced a steady decline in handle, attendance, and tax revenue since Fiscal Year 1992/93. Reasons for the decline include the proliferation of alternative gambling venues in or near Florida, including the Florida Lottery, Indian gaming facilities, gambling vessels, and illegal Internet gambling.

Section 550.135(1), Florida Statutes, provides:

In each fiscal year, the sum of \$29,915,500 shall be divided into as many equal parts as there are counties in the state, and one part shall be distributed to each county; any excess of such monies after the distribution to the counties after the distribution shall be paid into the general revenue fund. If the sum available for distribution is less than \$29,915,500, the deficiency shall be paid into the pari-mutuel trust fund from the general revenue fund up to the amount of the deficiency if the deficiency does not exceed the deposits of pari-mutuel tax collections to the general revenue fund for that fiscal year.

During the last three fiscal years (1996/97, 1997/98, 1998/99) total revenues received by the state from tax on handle for the pari-mutuel industry have been \$71.8, \$66.9, and \$58.6 million respectively. The \$58.6 million for 1998/99, minus the \$29.9 million appropriation to the counties and the \$15 million appropriation for the operation of the Division, left a \$13.7 million contribution to the General Revenue Fund for fiscal year 1998/99.

The April 2000 Revenue Estimating Conference estimates total state revenue collections from pari-mutuel performances, excluding revenue receipts from occupational licenses, escheated tickets, and any cardroom revenues, will be approximately \$55.3 million with \$10.6 million going to General Revenue for FY 1999-2000 and \$57.7 million with \$14.6 million going to General Revenue for FY 2000-2001.

Further decline in pari-mutuel tax payments directly will reduce monies deposited into General Revenue, assuming the payments to the counties and the Division's operational budget remain constant. General revenues from other sources soon may be needed to fund regulation of the industry.

This legislative session, several bills were filed that would provide tax relief to parimutuel permit holders. In the past, the legislature has provided tax relief as a means to boost the industry.

III. Effect of Proposed Changes:

Section 1 amends subsection (6) of s. 212.20, F.S., to authorize a distribution of general revenues to county governments in lieu of the \$29,915,500 distributed from the Pari-Mutuel Wagering Trust Fund distributed under s. 550.135, F.S.

Section 2 repeals s. 550.01215 (8). Current law specifies that permitholders may use their facilities for concerts, trade shows, expositions, conventions, flea markets, charitable events, and similar activities. Some permitholders are concerned that the specific language in the law may preclude uses that are not listed, and recommend repeal of this provision.

Section 3 amends s. 550.135, F.S., to eliminate the requirement of the annual distribution of pari-mutuel tax revenues to county governments, conforming to section 1 of the bill.

Section 4 amends s. 550.0951, F.S., relating to tax on handle.

Current law provides that greyhound permitholders may receive a credit equal to the number of live greyhound races conducted in the previous fiscal year times the daily license fee specified for each dog race. This tax credit is applicable to the tax on live handle. The bill amends this provision to allow greyhound permitholders to apply tax exemptions and credits to any tax and to the daily license fees imposed by ch. 550, F.S. Further, each permitholder who cannot use the full amount of its exemptions or credits may transfer the exemption or credit once per year to any greyhound permitholder that acts as a host track to such permitholder for the purpose of intertrack wagering. The exemption or credit transferred to such host track may be applied by the host track against any taxes and daily license fees imposed by ch. 550, F.S. (Fiscal impact:¹ \$4.4 million).

The tax on handle for quarter horse racing is reduced from 3.3% to 1.0%. (No fiscal impact).

The tax on handle for dog racing is reduced from 7.6% to 3.6%. (Fiscal impact: \$8.2 million).

The tax on handle for intertrack wagering is reduced from 3.3% to 1.5% of the handle if the host track is a horse track. (Fiscal impact: \$1.6 million).

The tax on handle for intertrack wagering is reduced from 3.3% to 1.6% of the handle if the host track is a harness track. (Fiscal impact: \$160,000).

The tax on handle for intertrack wagering is reduced from 7.6% to 3.6% if the host track is a dog track. (Fiscal impact: \$8.5 million).

The tax on handle for intertrack wagering is 0.5% if the host track and the guest track both are thoroughbred permitholders. (Fiscal impact: \$100,000).

The tax on handle for intertrack wagering on rebroadcasts of simulcast horseraces (thoroughbreds) is reduced from 2.4% to 2.0%. (Fiscal impact: \$800,000).

The tax on handle for intertrack wagering on rebroadcasts of simulcast horseraces (harness) is reduced from 2.4% to 1.2% if the permitholder is a harness track. (Fiscal impact: \$480,000).

The tax on handle for intertrack wagers accepted by dog tracks in the Jacksonville, Tampa Bay, and South Florida market areas is reduced from 6% to 2%. (Fiscal impact: \$3.8 million).

The tax on handle for greyhound simulcast races received from a location outside the United States is reduced from 7.6% to 2%. (Fiscal impact: \$20,000).

¹ All fiscal impact figures reported in this analysis were supplied by the Division of Pari-Mutuel Wagering.

The tax on live handle for a jai alai permitholder is reduced from 4.25% or 3.85% to a rate no higher than 2%. (Fiscal impact: \$330,000). In 1998, the legislature provided that a jai alai permitholder is not subject to taxes that might cause it to operate at a loss, impair its ability to service debt, maintain its fixed assets, or otherwise jeopardize its existence and the jobs of its employees. *See*, Chapter 98-401, Laws of Florida.

Current law provides that a permitholder must remit to the division payment for the daily license fee, the admission tax, the tax on handle, and the breaks tax by 3 p.m. Friday of each week for taxes and fees imposed and collected for the preceding Sunday, Monday, and Tuesday, and by 3 p.m. Wednesday of each week for taxes imposed and collected for the preceding Wednesday, Thursday, Friday, and Saturday. The bill provides that daily license fees, admissions taxes, taxes on handle, and breaks taxes must be remitted by 3 p.m. Wednesday of each week for taxes imposed and collected for the preceding week ending on Sunday. Therefore, payments are reduced from twice per week to once per week.

Section 5 forgives any tax liability that accrued under s. 550.09515(2)(a)2., F.S., between January 1, and the effective date of the bill. Section 550.09515(2)(a)2., F.S., provides a double-sum tax penalty if thoroughbred performances are conducted during more than one period at any facility. Hialeah is conducting its meet this year at Gulfstream Park, subjecting the entire amount of taxes due from the Gulfstream meet and the Hialeah meet to the penalty. (Fiscal impact: \$2.6 million).

Section 6 amends s. 550.09514, F.S., relating to greyhound taxes and purse requirements. It provides that greyhound permitholders will not pay tax on live or market-area greyhound intertrack wagering handle until a \$360,000 tax savings has been realized. Under current law, each permitholder is required to pay tax on live handle in excess of \$100,000 per performance until a permitholder has realized a tax savings per state fiscal year of \$360,000. (As noted in analysis of section 4 of the bill, this fiscal impact of this provision is \$4.4 million).

The bill requires greyhound permitholders to pass-through some moneys resulting from the tax rate reductions. In addition to the pre-existing purse requirements, each greyhound permitholder must pay as purses an amount equal to one-third of the amount of the tax reduction on live and simulcast handle as a result of the reductions in tax rates provided by this bill. When the host and guest tracks are greyhound permitholders that are not within the same market area, an amount equal to the tax reduction applicable to the guest track handle must be distributed to the guest track, one-third of which must be paid as purses at the guest track. If the guest track is a greyhound permitholder within the market area or if the guest track is not a greyhound permitholder, an amount equal to the tax reduction applicable to the guest track must be retained by the host track, one-third of which must be paid as purses at the host track.

Section 7 amends s. 550.09515, F.S., relating to thoroughbred horse taxes.

The tax on handle per performance for live thoroughbred performances is reduced from 2.0% to 0.5% for performances conducted during the period beginning on January 3 and ending March 16 (currently Gulfstream). (Fiscal impact: \$1.9 million).

The tax is reduced from 1.25% to 0.5% for performances conducted during the period beginning May 23 and ending January 2 (currently Calder/Tropical). (Fiscal impact: \$1.2 million).

A provision requiring a double-sum tax rate if performances are conducted during more than one period at any facility is deleted. The double-sum tax penalty still will apply if a *permitholder* conducts performances in more than one racing period. Under current law, however, this provision no longer will apply after June 30, 2001.

The tax on handle for intertrack wagering on rebroadcasts of simulcast horseraces is reduced from 2.4% to 2.0% of the handle. (As noted in section 4 of the analysis, the fiscal impact of this provision is \$800,000).

If the guest track is a thoroughbred track located more than 35 miles from the host track, the host track must pay a tax of 0.1% of the handle (the current rate is 0.5%), and the host track must pay to the guest track 1.9% of the handle to be used by the guest track for purses. (Fiscal impact: \$100,000).

The bill provides that thoroughbred permitholders are entitled to a tax credit equal to the amount of contributions made to the Jockeys Guild or its Health and Welfare Fund. This credit is limited, however, to 2% of a thoroughbred permitholder's paid taxes for the previous tax year. (Fiscal impact: \$200,000).

Section 8 provides that, effective July 1, 2001, s. 550.09515, F.S., as amended by section 4 of ch. 98-190, Laws of Florida, is amended to preserve the tax on handle for live thoroughbred horserace performances at 0.5%.

Section 9 amends s. 550.1645, F.S., to conform to changes made by the bill regarding escheated moneys.

Section 10 creates s. 550.1647, F.S., relating to greyhound permitholders, unclaimed tickets, and breaks. It provides for retention by the greyhound permitholder of money or other property represented by any unclaimed, uncashed, or abandoned pari-mutuel tickets from live and simulcast races. Additionally, a greyhound permitholder is entitled to a credit against any taxes imposed by ch. 550, F.S., in the amount not exempted by this provision and due to the state. It also requires that at least 10% of the amount retained be contributed to an organization that encourages the adoption of greyhounds. Under current law, the division receives all money represented by unclaimed pari-mutuel tickets on live events. This money is transferred to the State School Fund. (Fiscal impact: \$1.5 million).

The bill clarifies provisions relating to entitlement to breaks. For live greyhound races, the breaks will be retained by the permitholder conducting the race, and for simulcast greyhound races, the breaks will be retained by the permitholder who receives the simulcast.

Section 11 amends s. 550.615, F.S., relating to intertrack wagering. It provides that the three greyhound tracks in the Jacksonville market area all can conduct intertrack wagering, even if live racing is not conducted at each of the facilities.

Section 12 amends s. 550.0555, F.S., to provide for the relocation of jai alai permittees within a county in the same manner as is currently provided for the relocation of greyhound dogracing permittees within a county.

Section 13 amends s. 550.09512, F.S., to reduce the tax on handle for live harness performances from 1% to 0.5%. (Fiscal impact: \$250,000).

Section 14 amends s. 550.2633, F.S., to provide that escheated funds from any live jai alai games will be paid to the National Association of Jai Alai Frontons to be used for the promotion of the sport of jai alai and amateur jai alai youth programs. These youth programs must focus on benefiting children in after-school and anti-drug programs with special attention to inner city areas. (Fiscal impact: \$430,000).

Section 15 amends s. 550.475, F.S., relating to the lease of pari-mutuel facilities by pari-mutuel permitholders. It allows jai alai permitholders to lease jai alai facilities within a 35-mile radius for jai alai games, as is currently provided for greyhound and thoroughbred permitholders in s. 550.475, F.S.

Section 16 amends subsection (1) of s. 550.625, F.S., relating to intertrack wagering and purse requirements for harness horse racing. It provides that a host track racing under either a thoroughbred or quarter horse permit will pay an amount equal to 7.125% of all wagers placed, pursuant to the general intertrack wagering provisions, as purses during its current meet. A host track racing under a harness permit must pay amount equal to 7.85%, instead of 7%, of all wagers placed as purses during its current meet.

Section 17 amends s. 550.3551, F.S., to make conforming changes.

Section 18 amends s. 550.155, F.S., to make technical changes.

Section 19 amends subsections (3), (5), (6), (8), and (10) of s. 550.26352, F.S., relating to the Breeders' Cup Meet.

- Subsection (3) is amended to provide that the tax credit allowed to a permitholder that must cease operations during the Breeders' Cup Meet may not exceed \$950,000, instead of \$500,000.
- Subsection (5) is amended to provide that the permitholder conducting the Breeders' Cup Meet will receive a credit against the taxes otherwise due to the state during the permitholder's next regular race meet in an amount not to exceed \$950,000, instead of \$800,000, to be used to pay purses offered by the permitholder during the Breeders' Cup Meet.
- Subsection (6) is amended to provide that the permitholder conducting the Breeders' Cup Meet will receive a credit against the taxes otherwise due to the state during the permitholder's next regular race meet in an amount not to exceed \$950,000, instead of \$800,000, to be used for capital improvements and extraordinary expenses necessary for the operation of the Breeders' Cup Meet.
- Subsection (8) is amended to delete a requirement that the permitholder conducting the Breeders' Cup Meet secure the permission of all operating permitholders in the market area regarding the permitholder's broadcast rights.

- Subsection (10) is amended to allow the division to waive rules regarding the conduct of racing during the Breeders' Cup Meet. Currently, the division is only granted the authority to adopt rules regarding the conduct of races during the Breeders' Cup Meet.

(Fiscal impact: \$800,000 in years when the Breeders' Cup Meet is conducted in Florida).

Section 20 amends s. 550.09511, F.S., to conform to changes made by the bill.

Section 21 amends s. 550.6305, F.S., to conform to changes made by the bill.

Section 22 amends s. 550.002, F.S., to make a technical changes to a definition.

Section 23 amends s. 550.0251, F.S., to provide that the division will adopt rules relating to wagering through a pari-mutuel pool.

Section 24 amends s. 550.0351, F.S., to allow a jai alai permitholder to conduct two additional charity performances to benefit retired jai alai players. (Fiscal impact: \$5,000).

Section 25 amends s. 550.105, F.S., to create license categories for individuals participating in pari-mutuel wagering. The division will adopt rules regarding pari-mutuel occupational licenses.

Section 26 amends s. 550.24055, F.S., regarding the use of controlled substances and alcohol, to provide that 0.8% or more by weight of alcohol in a person's blood is prima facie evidence that the person is under the influence of alcohol.

Section 27 amends s. 550.2614, F.S., to provide that, upon receiving a license, each thoroughbred owner and trainer will receive automatic membership in either the Florida Horsemen's Benevolent and Protective Association or another association designated by the licensee that represents the majority of the thoroughbred racehorse owners and trainers at the permitholder located in Hillsborough County, unless the licensee declines membership in writing within 30 calendar days. Each member is required to deduct 1% from the total purse pool and pay that amount to the Florida Horsemen's Benevolent and Protective Association.

Section 28 amends s. 550.26165, F.S., regarding breeders' awards, to provide that such awards will be given at a uniform rate to all winners of the awards and will not be greater than 20% of the announced gross purse, and will not be less than 15% of the announced gross purse if funds are available.

Section 29 amends s. 550.2625, F.S., relating to horseracing and minimum purse requirements. Subsection (2) is amended to provide that a permitholder conducting a thoroughbred horse race meet must pay from the takeout a sum not less than 7.75% of all contributions to pari-mutuel pools conducted during the race meet as purses. A permitholder conducting a harness horse race meet must pay to the purse pool a purse requirement that totals an amount not less than 8.25% of all contributions to pari-mutuel pools conducted during the race meet. Further, an amount not less than 7.75% of the total handle shall be paid from this purse pool as purses.

Each horseracing permitholder must pay a sum equal to 0.975% on all pari-mutuel pools conducted during any such race for payment of breeders' and stallion awards. On any race originating live in this state that is broadcast out-of-state to any location at which wagers are accepted, the host track is required to pay 3.65% (currently 3.3%) of the gross revenue derived from such out-of-state broadcasts as breeders' and stallion awards.

Section 30 amends s. 550.3551, F.S., to conform to changes made by the bill.

Section 31 amends s. 550.6308, F.S., regarding the limited intertrack wagering license for Ocala Breeders. It expands Ocala Breeders' intertrack wagering capability with the consent of a permitholder conducting live races. It provides that Ocala Breeders is considered a guest track under ch. 550, F.S. It requires Ocala Breeders to pay 2.5% of the total contributions to the daily pari-mutuel pool on wagers accepted at its facility on greyhound races or jai alai games to the thoroughbred permitholder conducting live races for purses to be paid during its current racing meet. (Fiscal impact is indeterminate).

Section 32 creates s. 550.74, F.S., to provide that no sales and use tax will be levied on programs or parking, and that no admissions tax will be collected for pari-mutuel events. Under current law, sales and use tax is 6%. The pari-mutuel tax on admissions is 15% of the admissions charge or 10 cents, whichever is greater. (Fiscal impact: \$419,000).

Section 33 amends s. 773.01, F.S., to modify the definition of "participant" to include "any equine that participates" in equine activity.

Section 34 amends s. 773.03, F.S., to provide that the limitations on liability for equine activity in s. 773.03, F.S., apply to the horseracing industry.

Section 35 to 47 create the "Interstate Compact on Licensure of Participants in Pari-Mutuel Wagering." The compact is designed to establish uniform requirements among the party states for the licensing of pari-mutuel wagering participants, to provide reciprocity among the states in recognizing permits, and to ensure that all licensed participants meet a uniform standard of honesty and integrity.

Section 48 repeals s. 550.0951(2)(a), F.S., relating to the admissions tax; s. 550.2415(10)-(12), F.S., relating to postmortem examinations of animals; and s. 550.615(9), F.S., relating to limited intertrack wagering licenses.

Section 49 provides an effective date.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

See Effect of Proposed Changes.

B. Private Sector Impact:

See Effect of Proposed Changes.

C. Government Sector Impact:

The tax relief measures included in the bill compromise the Division of Pari-Mutuel Wagering's ability to fund its operations. The division will incur significant costs associated with the implementation of these new tax provisions.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.