

STORAGE NAME: h0725s2.ft

DATE: April 26, 2000

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
FINANCE AND TAXATION
ANALYSIS**

BILL #: CS/CS/HB 725

RELATING TO: Pari-mutuel Wagering; Dogracing

SPONSOR(S): Committees on Finance and Taxation, Regulated Services and Representative Fasano and others

TIED BILL(S): None

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

- (1) REGULATED SERVICES (CAC) YEAS 8 NAYS 1
 - (2) FINANCE AND TAXATION (FRC) YEAS 15 NAYS 0
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

This bill makes a variety of changes to the greyhound racing provisions of the pari-mutuel code, including reduced live, simulcast and intertrack tax rates for greyhound permitholders and increased purses to dog owners and kennel operators.

The bill:

- moves the requirement for an annual distribution of pari-mutuel tax revenue (\$29.9m) to counties from Chapter 550, F. S., to Chapter 212, F.S. and funds the annual county allocation from the General Revenue Fund;
- reduces live, simulcast and intertrack wagering (ITW) tax rates by four percentage points from 7.6 percent to 3.6 percent or from six percent to two percent for ITW in specified market areas;
- reduces the tax rate for simulcast races received from a location outside of the United States from 7.6 percent to two percent of the handle;
- removes certain restrictions on the transfer of the daily license fee tax credit and allows its use against any tax and against daily license fees, not just live handle;
- removes the \$100,000 threshold and provides that greyhound permitholders pay no tax on live or market area ITW handle until they realize a tax savings of \$360,000 or \$500,000 for certain market areas; allows its application against any tax and against daily license fees;
- eliminates the surtax on the surcharge on winning tickets;
- creates a tax credit for escheats remitted to the state and provides for a portion of such credit to be paid to organizations promoting the adoption of greyhounds; and
- provides for payment of additional purses to greyhound owners and kennel operators in an amount equal to one-third of the tax break the permitholder receives as a result of the tax rate reductions.

This bill will have an annual negative fiscal impact on the General Revenue Fund of \$26.5 million in FY 2000-01.

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, F. S., contains Florida's laws governing the regulation and taxation of pari-mutuel wagering activities in the state. The Division of Pari-Mutuel Wagering, 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. 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. Likewise, over the past decade, numerous amendments to the pari-mutuel statutes have been adopted in efforts to mitigate the impact of this decline.

Major legislation enacted in 1996 provided increased opportunities for full-card simulcasting and intertrack wagering, established minimum purse requirements, implemented tax savings by creating daily license fee tax credits for greyhound permitholders, implemented additional annual tax savings of up to \$500,000 each for greyhound permitholders in the panhandle and \$360,000 each for other greyhound tracks, and authorized cardrooms at pari-mutuel facilities.

The Legislature addressed tax relief for greyhound permitholders once again in 1998 by allowing permitholders who are unable to utilize their tax credit to transfer, for eventual reimbursement, the unused credit to another greyhound track. Among its other provisions, that legislation also required purse and reporting requirements for host greyhound tracks sending simulcast and ITW broadcasts outside the market area; clarified that greyhound permitholders must pay purses when conducting ITW on dark days within a race meet; and provided a formula for the weekly disbursement of purses.

Total state revenue collections from pari-mutuel performances alone were \$58.8 million for the past fiscal year (this figure excludes revenue receipts from occupational licenses, escheated tickets, cardroom revenues, etc.). Section 550.135, F.S., requires \$29,915,500 of annual pari-mutuel revenue collections to be divided equally between and distributed to all counties in the state. Once this payment to counties and the cost of operation of the Division, which is approximately \$15 million (operating and non-operating expenses), is deducted from those receipts, the unencumbered balance from pari-mutuel revenue collections in the General Revenue Fund was approximately \$14 million.

The April 2000 General Revenue Consensus Estimating Conference (REC) estimates total state revenue collections from pari-mutuel performances, again excluding revenue receipts from occupational licenses, escheated tickets, cardroom revenues, etc., to decrease to approximately \$55.3 million for FY 1999-2000. The REC anticipates those revenue collections to increase to approximately \$55 million for FY 2000-2001, due primarily to an anticipated increase in ITW handle.

Sections 550.3551 and 550.6325, F.S., provide that permitholders retain the winnings represented by *escheated* tickets or *outs* [unclaimed, uncashed or abandoned winning tickets] purchased on simulcast or ITW races, paying to the state only the winnings represented by uncashed tickets on live races. Section 550.1645, F.S., provides that receipts from these escheated tickets are to be deposited in the State School Fund to be used to support and maintain public schools. For FY 1998-1999 escheats from greyhound races and jai alai games generated \$2,372,854 for the State School Fund. Greyhound industry estimates indicate that approximately \$1.8 million of that amount resulted from greyhound racing.

Currently, pursuant to ss. 550.0951, 550.3551 and 550.6325, F.S., greyhound permitholders retain the *breaks* on live, simulcast, and ITW wagers. The term *breaks* refers to the portion of a pari-mutuel pool which is computed by rounding down to the nearest multiple of 10 cents and is not distributed to the contributors or withheld by the permitholder as takeout.

C. EFFECT OF PROPOSED CHANGES:

Tax on Handle

The bill moves the requirement for an annual distribution of pari-mutuel tax revenue (\$29.9m) to counties from Chapter 550, F. S., to Chapter 212, F.S. and funds the annual county allocation from the General Revenue Fund.

The bill reduces the tax on handle for live, simulcast and intertrack greyhound racing from 7.6 percent to 3.6 percent of the handle. However, the tax on greyhound intertrack handle in three statutorily described market areas of the state, when greyhound race signals are sent and received by tracks in those same market areas, is reduced from six percent to two percent. The three cited areas in s. 550.0951(3)(c)2., F.S., describe market areas commonly referred to respectively as:

- the Jacksonville market comprised of Duval, Clay and St. Johns's Counties;
- the South Florida market comprised of Broward and Dade Counties; and
- the Tampa Bay market comprised of Pinellas and Hillsborough Counties.

The tax on handle for greyhound simulcast races received from a location outside of the United States is reduced from 7.6 percent to 2 percent of the handle. The tax rate remains 7.6 percent for live charity performances and for intertrack wagering on those charity performances at a guest greyhound track within the market area of the host.

Tax Credits/Exemptions

This bill amends s. 550.0951, F.S., to allow the daily license fee tax credit and the tax exemption provided in s. 550.09514(1), F.S., to apply to any tax and against the daily license fees imposed in Chapter 550, instead of only against live handle. The bill will allow unused portions of the tax savings exemption, not just unused portions of the daily license

fee tax credit which is currently the case, to be transferred to a greyhound permitholder who acts as a host track for ITW. The host track will also be allowed to apply the exemption/credit against any tax imposed by Chapter 550, F.S., and daily license fees. The host track receiving the transfer is required to reimburse the transferring permitholder the exact monetary value of the exemption/credit. The bill also directs the tax on ITW and ITW of rebroadcast of simulcast horseraces into the Pari-mutuel Wagering Trust Fund, deletes the provision that splits the tax on handle, admissions tax and breaks between the General Revenue Fund and the Pari-mutuel Wagering Trust Fund, and directs all to the Pari-Mutuel Wagering Trust Fund.

Purses/Live

This bill creates a new paragraph (e) in s. 550.09514(2), F.S., to provide additional purse payments. The bill requires that in addition to other statutorily mandated payments, greyhound permitholders pay as purses an amount equal to one-third of the amount of the tax break they receive on live and simulcast handle as a result of the reduction in tax rates.

Purses/ITW

When the host and guest tracks are greyhound permitholders outside the same market area, an amount equal to the tax reduction applicable to the guest track handle as a result of the reduced tax rate shall be distributed to the guest track, one-third of which amount will be paid as purses at the guest track. The purse payments related to the tax rate reductions in the bill are to be paid at both live and dark guest tracks outside the market area. Currently, purse payments are not required to be made at dark guest tracks when they accept ITW signals from outside the market area and are not conducting a race meet.

If, however, the guest track is a greyhound track within the market area of the host track or if the guest track is not a greyhound track, an amount equal to the tax reduction applicable to the guest track handle shall be retained by the host track, one-third of which shall be paid as purses at the host track.

These purses must be disbursed the week received if the permitholder conducts at least one live performance that week; otherwise, if the track is dark, they shall be disbursed weekly during the permitholder's next race meet according to a specified formula. The Division of Pari-Mutuel Wagering is required to conduct audits as necessary to ensure compliance with these provisions.

Formula: divide the purse amount by the number of performances approved for the permitholder pursuant to its annual license and multiply that amount by the number of performances conducted each week.

Breaks/Escheats

This bill creates s. 550.1647, F.S., to authorize a credit against taxes imposed under Chapter 550, F.S., for unclaimed ticket amounts that are remitted to the state by greyhound permitholders and to provide for payments to organizations that promote the adoption of greyhounds. In addition, it clarifies that in regard to the breaks and uncashed tickets on simulcast races (which are currently retained by the permitholder) it is the permitholder receiving the simulcast who retains them. The bill further clarifies that the breaks on live races are to be retained by the permitholder conducting the live race.

Surtax on Winning Tickets Surcharge

Section 550.6335, F.S., allows permitholders to assess a surcharge on winning tickets under specified circumstances. Section 550.0951(3)(c)3., F.S., requires any guest track that imposes a surcharge on winning tickets to pay an additional tax equal to five percent of the surcharge. This bill eliminates the additional five percent tax assessed on the surcharge on winning tickets.

D. SECTION-BY-SECTION ANALYSIS:

Sections 1 & 2 : Amends s. 212.20 (6)(f) and s. 550.135, F.S.

Moves the requirement for an annual distribution of pari-mutuel tax revenue (\$29.9m) to the counties from chapter 550, F. S., to chapter 212, F.S., and funds the annual county allocation from the General Revenue Fund.

Section 3: Amends s. 550.0951(1), (3), (5), and (6)(b), F.S.

(1)(a) Allows the daily license fee tax credit and the exemption provided in s. 550.09514(1), F.S., to apply to daily license fees and any tax imposed in chapter 550, F.S., instead of only against live handle.

(1)(b) Deletes the restrictions on the transfer of the daily license fee tax credit by greyhound permitholders and allows the tax exemption (\$360,000 or \$500,000) provided in s. 550.09514, F.S., or daily license fee credit to be transferred by a greyhound permitholder to a greyhound permitholder who acts as a host track for ITW.

Authorizes the host track to apply the exemption/credit against any tax imposed by Chapter 550, F.S., and against daily license fees.

Applies the same criteria to the transfer of exemptions that is applied to the transfer of tax credits regarding the Division's authority to disapprove the transfer.

(3)(b) Reduces greyhound tax from 7.6 percent to 3.6 percent; however, for charity performances and ITW of charity performances at a guest greyhound track within the market area of the host, the tax stays 7.6 percent of handle.

(3)(c) Reduces greyhound ITW tax from 7.6 percent to 3.6 percent for host.

Reduces greyhound ITW received from another greyhound track within the same market area from six percent to two percent and provides that the tax proceeds be deposited into the General Revenue Fund.

Eliminates the additional five percent tax assessed on the surcharge on winning tickets.

(3)(d) Specifies that the tax on handle for greyhound races received from outside the US is 2 percent of the handle.

(5) Deletes the provision which splits tax on handle, admissions tax and breaks between the General Revenue Fund and Pari-Mutuel Wagering Trust Fund and directs all to the Pari-Mutuel Wagering Trust Fund.

(6)(b) Technical amendment to conform to elimination of surtax on winning tickets.

Section 4. Amends 550.09514(1), F.S.

(1) Provides that greyhound permitholders pay no tax on the live or market area ITW handle until they realize a tax savings of \$360,000 per state fiscal year or \$500,000 for the three panhandle tracks; deletes \$100,000 threshold. Makes technical amendments for purposes of conformity and clarity.

(2)(e) Creates a new subsection (e) dealing with purses:

Requires each greyhound permitholder to pay as purses an amount equal to one-third of the tax break on the live and simulcast handle.

Requires the guest track pay as purses an amount equal to one-third of the tax break for the guest track handle when host and guest greyhound tracks are not within the same market area.

Requires that one-third of the tax break applicable to the guest track shall be paid as purses at the host track when the guest track is a greyhound track within the market area of the host or if the guest track is not a greyhound track.

Requires purses be disbursed the week received if the permitholder conducts at least one live performance that week; otherwise, if the track is dark the purses are to be disbursed weekly during the permitholder's next race meet according to a specified formula.

Formula: divide the purse amount by the number of performances approved for the permitholder pursuant to its annual license and multiply that amount by the number of performances conducted each week.

Requires the division to conduct audits as necessary to ensure compliance.

Section 5. Amends s 550.09515(5) and (6), F.S.

Redirects the deposits of the tax on ITW of simulcast horseraces from the General Revenue Fund to the Pari-Mutuel Wagering Trust Fund.

Section 6. Creates s. 550.1647, F.S.

(1) Authorizes a credit against taxes imposed under Chapter 550, F.S., for unclaimed ticket amounts that are remitted to the state by greyhound permitholders and provides for payments to organizations that promote the adoption of greyhounds.

(2) Provides that the breaks are to be retained by the permitholder conducting live greyhound races and, with respect to simulcast greyhound races, by the permitholder who receives the simulcast.

Sections 7 and 8. Amends s. 288.1169 and s. 849.086, F.S.

Corrects cross-references to conform to Sections 1 and 2 of the bill regarding the distribution of pari-mutuel tax revenues.

Section 9. Provides that the effective date of this Act is July 1, 2000.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

| | <u>FY 2000-01</u> | <u>FY 2001-02</u> |
|----------------------|-------------------|-------------------|
| General Revenue Fund | (\$26.5) M | (\$26.2) M |

2. Expenditures:

| | <u>FY 2000-01</u> | <u>FY 2001-02</u> |
|---|-------------------|-------------------|
| One-time reprogramming costs | \$ 100,000 | |
| Salaries/Benefits # of FTE=s (for one Accountant II) | \$ 32,035 | \$31,253 |
| Expenses | 9,302 | 6,741 |
| OCO | 2,000 | 0 |
| Budget Reduction* | (6,286,699) | (6,286,699) |
| Aide to Local Government Reduction | (6,649,841) | (6,649,841) |
| <u>Service charges to GR</u> | <u>(401,655)</u> | <u>(401,655)</u> |
| Total | (\$13,295,640) | (\$13,299,369) |

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See FISCAL COMMENTS.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Estimates provided by the Florida Greyhound Tracks Association, which utilized statistics provided by the Department of Business and Professional Regulation for the period ending June 30, 1999, indicate that passage of this legislation will result in significant tax savings to greyhound tracks in the state, as well as significant increased purses for greyhound owners and kennel operators.

According to those estimates, greyhound tracks will recognize an estimated \$8 million in tax savings on the ITW handle and slightly more than \$10 million in tax savings on the live handle. The tax credit for escheats on live races will result in nearly \$2 million in tax savings. After deducting for purse payments, these combined reductions will result in an estimated tax savings of \$20,236,042 for greyhound tracks in the state.

The bill requires tracks to pay one-third of the amount of the tax break they receive on live, simulcast and ITW handle as additional purses. Those payments will generate an estimated \$4.3 million in increased purses from ITW and over \$5 million in increased purses from live races for total increased purse payments of \$9,317,341.

D. FISCAL COMMENTS:

The present statutorily required \$29.9 million disbursement to counties is required to be made from the Pari-Mutuel Wagering Trust Fund. If that fund does not contain sufficient revenue to make the disbursements, the Division is authorized to transfer sufficient funds from pari-mutuel tax collection deposits to the General Revenue Trust Fund to cover the deficit if the deficiency does not exceed the deposits. For the past several years, it has been necessary to make such transfers from one fund to the other in order to make the required disbursements to the counties. The statutes do not provide an alternative funding source in the event there are insufficient funds to cover these disbursements.

If pari-mutuel tax collections continue to decline, the reduced revenue deposits into the Pari-Mutuel Wagering Trust Fund and the General Revenue Trust Fund, when combined with the tax reductions provided in this legislation, will result in a negative balance to both funds and could affect the Division's ability to fund its operations from the Pari-Mutuel Wagering Trust Fund.

The committee substitute eliminates this problem by funding the \$29.9 million distribution to counties from the General Revenue Fund and deposits all parimutuel tax receipts into the Pari-mutuel Wagering Trust Fund.

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:

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A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

Several technical or clarifying amendments were adopted at the February 7, 2000, meeting of the Committee on Regulated Services, and the bill was voted favorably as a committee substitute. The amendments:

- ▶ deleted obsolete references to the date October 1, 1996, in three places;
- ▶ deleted an obsolete reference to the date July 1, 1997;
- ▶ clarified that the credits and exemptions provided in the bill may be applied against daily license fees; and
- ▶ clarified that increased purses will be paid on simulcasts received by the primary guest track.

On April 24, 2000, the Finance and Taxation Committee adopted six amendments and passed the bill out favorably as a committee substitute. The amendments are described below.

Amendment 1 moves the requirement for an annual distribution of pari-mutuel tax revenue (\$29.9m) to counties from Chapter 550, F. S., to Chapter 212, F.S., and funds the annual county allocation from the General Revenue Fund.

Amendment 2 directs the tax on ITW and ITW of rebroadcast of simulcast horseraces into the Pari-mutuel Wagering Trust Fund.

Amendment 3 deletes the provision which splits tax on handle, admissions tax and breaks between General Revenue Fund and Pari-Mutuel Wagering Trust Fund and directs all to the Pari-Mutuel Wagering Trust Fund.

Amendment 4 redirects the deposits of the tax on ITW of simulcast horseraces from the General Revenue Fund to the Pari-Mutuel Wagering Trust Fund.

Amendment 5 provides for payments and credits concerning unclaimed pari-mutuel tickets and retention of breaks by greyhound permitholders.

Amendment 6 deletes section 3 of the bill which provided a minimum amount of tax relief to which greyhound permitholders are entitled as a result of the reduction in the taxes on handle and provided that the unused amounts may be carried forward to subsequent years.

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VII. SIGNATURES:

COMMITTEE ON REGULATED SERVICES:

Prepared by:

Janet Clark Morris

Staff Director:

Paul Liepshutz

AS REVISED BY THE COMMITTEE ON FINANCE AND TAXATION:

Prepared by:

Carol Dickson-Carr

Staff Director:

Alan Johansen