

**STORAGE NAME:** h0725.rs

**DATE:** February 3, 2000

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

**BILL #:** HB 725

**RELATING TO:** Pari-mutuel Wagering; Dogracing

**SPONSOR(S):** Representative Fasano

**TIED BILL(S):** None

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

- (1) REGULATED SERVICES
  - (2) FINANCE AND TAXATION
  - (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:

- ▶ reduces live, simulcast and ITW tax rates by four percentage points from 7.6% to 3.6% or from 6% to 2% 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% to 2% of the handle;
- ▶ specifies a minimum amount of tax relief to which greyhound permitholders are entitled and allows a carryover to subsequent years;
- ▶ removes certain restrictions on the transfer of the daily license fee tax credit and allows its use against any tax, 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;
- ▶ eliminates the surtax on the surcharge on winning tickets;
- ▶ provides for retention of unclaimed pari-mutuel tickets purchased on live races by greyhound permitholders and clarifies that it is the permitholder receiving the simulcast who retains unclaimed tickets and breaks; 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 state revenue of approximately \$29 million.

The effective date of this legislation is July 1, 2000.

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, 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 that 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 [this figure excludes revenue receipts from occupational licenses, escheated tickets, cardroom revenues, etc.] were \$58.8 for the past fiscal year. 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 November 1999 Revenue 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 \$54.4 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.

**C. EFFECT OF PROPOSED CHANGES:**

Tax on Handle

This bill reduces the tax on handle for live, simulcast and intertrack greyhound racing from 7.6% to 3.6% 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 by tracks in those same market areas, is reduced from 6% to 2%. 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% to 2% of the handle. The tax rate remains 7.6% 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 imposed in chapter 550 instead of only against live handle. The amendments 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 that 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. The host track receiving the transfer is required to reimburse the transferring permitholder the exact monetary value of the exemption/credit.

This bill also amends s. 550.09516, F.S., to establish a minimum amount of tax relief and allows unused amounts to be carried forward to subsequent years. The minimum amount is specified as an amount that would have been applicable to that permitholder if the amendments contained in this legislation had been in effect for FY 1998-1999.

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 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

Currently, 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.] Permitholders also 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.

This bill creates s. 550.1645, F.S., to authorize permitholders conducting live races to retain uncashed tickets purchased at their facility on those live races. 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 5% of the surcharge. This bill eliminates the additional 5% tax assessed on the surcharge on winning tickets.

#### D. SECTION-BY-SECTION ANALYSIS:

##### **Section 1: Amends s. 550.0951(1), (3) and (6)(b), Florida Statutes**

- (1)(a) Allows the daily license fee tax credit and the exemption provided in s. 550.09514(1), F.S., to apply to any tax imposed in chapter 550 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 that acts as host track for ITW.

Authorizes the host track to apply the exemption/credit against any tax imposed by chapter 550.

Applies the same criteria to the transfer of exemptions as applies to the transfer of tax credits regarding the Division's authority to disapprove the transfer; reimbursement by the host track and effective date of the transfer.

- (3)(b) Reduces greyhound tax from 7.6% to 3.6% -- except that 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% of handle.

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

Reduces greyhound ITW received from another greyhound track within the same market area from 6% to 2%.

Eliminates the additional 5% 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% of the handle.

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

## **Section 2. Amends 550.09514(1), Florida Statutes**

- (1) Provides that greyhound permitholders pay no tax on 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 pay as purses an amount equal to one-third of the tax break on live 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 permit holder 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.

(e)-(g) Technical relettering of existing paragraphs (e)-(g) as paragraphs (f)-(h).

**Section 3. Creates s. 550.09516, Florida Statutes**

Establishes a minimum amount of tax relief [an amount equal to the amount of tax reduction that would have been applicable to that permit holder if these amendments had been in effect for the 1998-1999 FY] and allows unused amounts to be carried forward to subsequent years.

**Section 4. Amends s. 550.1645, Florida Statutes**

Technical amendment to conform to the exception created in Section 5 of bill concerning escheats.

**Section 5. Creates s. 550.1647, Florida Statutes**

- (1) Provides that unclaimed prize money is to be retained by the permit holder conducting live races and, with respect to simulcast greyhound races, by the permit holder who receives the simulcast.
- (2) Provides that the breaks are to be retained by the permit holder conducting live greyhound races and, with respect to simulcast greyhound races, by the permit holder who receives the simulcast.

**Section 6.** 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:

Passage of this legislation is expected to reduce revenue collections into the Pari-Mutuel Wagering Trust Fund, the General Revenue Agency Fund, and State School Fund. At the time of publication of this analysis, statistical information was not available from the Department of Business and Professional Regulation to identify the extent of reductions to each fund. If, however, industry calculations are correct, passage of this legislation may require funding from General Revenue or another designated source.

Please see DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR for industry calculations of estimated tax reductions.

2. Expenditures:

It is anticipated that there may be some non-recurring expenses associated with implementation of this legislation, e.g., computer program modifications. However, at the time of publication of this analysis, information was not available from the Department of Business and Professional Regulation which would verify this assumption.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See FISCAL COMMENTS.

2. Expenditures:

N/A

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 approximate \$8 million in tax savings on ITW handle and slightly more than \$10 million in tax savings on live handle. Retention by the tracks of 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.

This legislation requires the tracks pay one-third of the amount of the tax break they receive on live 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.

Thus, the combined actual tax savings to the permitholders and purse payments totals \$29,553,383.

D. FISCAL COMMENTS:

The present statutorily required \$29.5 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 Agency 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.

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If pari-mutuel tax collections continue to decline, the reduced revenue deposits into the Pari-Mutuel Wagering Trust Fund and the General Revenue Agency 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..

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:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

Committee members may wish to consider a clarifying amendment to delete obsolete date references which may be confusing when read in conjunction with the amended language contained in the bill. Section 1 on page 2, lines 26 & 27, page 3, line 8 and page 5, line 14 contain references to an October 1, 1996 action and Section 2 of the bill on page 7, line 28, contains a reference to July 1, 1997, which is no longer necessary.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A



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VII. SIGNATURES:

COMMITTEE ON REGULATED SERVICES:

Prepared by:

Staff Director:

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Janet Clark Morris

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Paul Liepshutz