

HB 607  
Pari-mutual modernization

What does it do?

HB 607 is a result of the Pari-mutuel wagering task force that met in the 2021 interim after the passage of SB 120. This bill does the following:

- Taxes EVERY pari-mutuel wager at 1.5%.
- Changes the distribution of live and HHR taxes to direct more toward the general fund.
- Directs funds to the University of Kentucky and BCTCS equine industry programs.
- Eliminates the admission tax.
- Includes language to require the KHRC to be self funding
- Requires the operators to maintain a self-exclusion list and share that list with KHRC for other operators to use.
- Eliminates breakage
- Allows KTDF funds to be used for claiming races.

# How do we generate more money for the general fund in HB 607?

Pari-mutuel Tax Distribution: Live and Historical Horse Racing Wagers as a Percent of Handle

| Amount Of Daily Average Live Handle        | Live Wagers<br>(Excludes Historical, Intertrack, Simulcast, and ADW) |              |                         |                           | Historical Horse Race Wagers<br>(HHR) |                       |
|--|--|--------------|-------------------------|---------------------------|---------------------------------------|-----------------------|
|  | \$1.2 Million or More <sup>5</sup>                                   |              | Less Than \$1.2 Million |                           | Tax Rate Doesn't Vary With Handle     |                       |
| Type of Racetrack                          | Thoroughbred   | Standardbred | Thoroughbred            | Standardbred <sup>6</sup> | Thoroughbred                          | Standardbred          |
| Pari-mutuel Tax (Percent of Handle)        | 3.5%   | 3.5%         | 1.5%                    | 1.5%                      | 1.5%                                  | 1.5%                  |
| <b>Statutory Deductions</b>                |  |              |                         |                           |                                       |                       |
| Development Funds                          | 0.75%  | 1.00%        | 0.75%                   | 1.00%                     | 0.75%                                 | 1.00%                 |
| Equine Industry Fund <sup>7</sup>          | 0.20%  | 0.20%        | 0.20%                   | 0.20%                     | 0.20%                                 | 0.20%                 |
| Higher Education Equine Fund <sup>8</sup>  | 0.10%  | 0.10%        | 0.10%                   | 0.10%                     | 0.10%                                 | 0.10%                 |
| Equine Drug Testing Fund <sup>9</sup>      | 0.10%  | 0.10%        | 0.10%                   | 0.10%                     | 0.10%                                 | 0.10%                 |
| <b>Net Pari-mutuel Tax To General Fund</b> | <b>2.35%</b>   | <b>2.10%</b> | <b>0.35%</b>            | <b>0.10%</b>              |                                       |                       |
| <b>Effective Tax Rate To General Fund</b>  |  |              |                         |                           |                                       | <b>0.57% to 0.67%</b> |

Source: KRS 138.510(1)(a)(b)(c)(d)(e)

|                               | FY 21 YTD (May)  |                     | FY 20            |                     | FY 19              |                     | FY 18              |                     | FY 17              |                     |
|-------------------------------|------------------|---------------------|------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|
|                               | Live Racing      | HHR                 | Live Racing      | HHR                 | Live Racing        | HHR                 | Live Racing        | HHR                 | Live Racing        | HHR                 |
| Total Handle                  | \$46,136,416     | \$4,116,419,505     | \$37,964,470     | \$2,256,637,433     | \$103,324,490      | \$2,028,026,118     | \$109,401,963      | \$1,091,766,502     | \$110,341,295      | \$920,331,753       |
| Thoroughbred Development Fund | 339,883          | 24,353,533          | 275,110          | 15,577,748          | 764,424            | 13,977,415          | 810,178            | 7,109,908           | 817,737            | 5,873,572           |
| Standardbred Development Fund | 10,233           | 8,692,817           | 16,039           | 1,796,043           | 17,515             | 1,643,707           | 17,228             | 1,437,787           | 16,372             | 1,371,888           |
| Equine Industry Fund          | 92,273           | 650,000             | 75,929           | 650,000             | 206,649            | 650,000             | 218,804            | 650,000             | 220,683            | 650,000             |
| Higher Education Equine Fund  | 46,136           | 320,000             | 37,964           | 320,000             | 103,324            | 320,000             | 109,402            | 320,000             | 110,341            | 320,000             |
| Equine Drug Testing Fund      | 46,136           | 320,000             | 37,964           | 320,000             | 103,324            | 320,000             | 109,402            | 320,000             | 110,341            | 320,000             |
| Net Pari-Mutuel Tax to GF     | 159,431          | 27,409,942          | 129,668          | 15,185,770          | 358,133            | 13,509,269          | 379,461            | 6,538,802           | 382,920            | 5,269,516           |
| <b>Total KY Excise Tax</b>    | <b>\$694,093</b> | <b>\$61,746,293</b> | <b>\$572,675</b> | <b>\$33,849,561</b> | <b>\$1,553,370</b> | <b>\$30,420,392</b> | <b>\$1,644,475</b> | <b>\$16,376,498</b> | <b>\$1,658,394</b> | <b>\$13,804,976</b> |

Source: Kentucky Horse Racing Commission, Pari-Mutuel Wagering Monthly Reports

<sup>5</sup> FY 2008 was the last year in which a Kentucky racetrack had an average daily live handle of \$1.2 million or more.

<sup>6</sup> In addition to the 1.00% of the pari-mutuel tax that is allocated to the Standardbred Development Fund, 0.25% of the commission (i.e., a non-tax allocation) on live wagers at Harness Racetracks is statutorily dedicated to the Standardbred Development Fund (See footnote 9 and KRS 230.750 and 230.752). In total, 1.25% of the amount wagered on live harness racing is allocated the Standardbred Development Fund. Wagers on live harness racing at county fairs are not subject to the pari-mutuel tax. Purses at harness races at county fairs are funded, in part, by unclaimed pari-mutuel tickets (KRS 230.398).

<sup>7</sup> For historical horse racing, the amount statutorily dedicated to the Equine Industry Fund is limited to the lesser of 0.20% or \$650,000.

<sup>8</sup> For historical horse racing, the amount statutorily dedicated to the Higher Education Equine Fund is limited to the lesser of 0.10% or \$320,000.

<sup>9</sup> For historical horse racing, the amount statutorily dedicated to the Equine Drug Testing Fund is limited to the lesser of 0.10% or \$320,000.

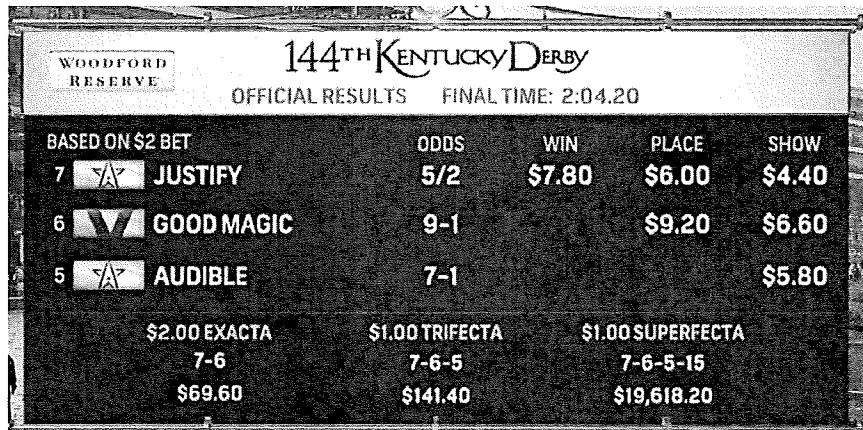
## How do we generate more money for the general fund in HB 607?

- HB 607 puts a cap on monies that go into the KTDF (\$40mil) and SBDF (\$20mil). When that cap is met for each fund, the amount that goes into each fund drops from .75% to .35%, with the remainder going to the general fund.
- In 2-3 years, it is estimated that this change will net the general fund at least \$20+mil a year.
- The increase in the ADW tax from .5% to 1.5% will be an immediate increase of \$4mil a year, which will steadily increase.
- Requiring the KHRC to be self sustaining will save the state budget \$3mil a year.




## How do we generate more money for the general fund in HB 607?

- This revenue would on top of an already growing amount of money going into the general fund from pari-mutual wagers:
- 2016: \$4mil
- 2017: \$6mil
- 2018: \$9mil
- 2019: \$18mil
- 2020: \$18mil
- 2021: \$41mil
- 2022: estimated \$62mil

# What is breakage?



WOODFORD RESERVE 144TH KENTUCKY DERBY  
OFFICIAL RESULTS FINAL TIME: 2:04.20

| BASED ON \$2 BET   | ODDS                     | WIN                           | PLACE  | SHOW   |
|--|--------------------------|-------------------------------|--------|--------|
| 7  JUSTIFY    | 5/2                      | \$7.80                        | \$6.00 | \$4.40 |
| 6  GOOD MAGIC | 9-1                      |                               | \$9.20 | \$6.60 |
| 5  AUDIBLE    | 7-1                      |                               |        | \$5.80 |
| \$2.00 EXACTA<br>7-6   | \$1.00 TRIFECTA<br>7-6-5 | \$1.00 SUPERFACTA<br>7-6-5-15 |        |        |
| \$69.60  | \$141.40                 | \$19,618.20                   |        |        |

- Ever wonder why all these payouts are in increments of 20 cents? That is breakage.
- On pages 26, 27 and 37, we change the word dime to penny, so the bettor gets *their* money.
- For instance, if you bet on Justify to win, you may have received \$7.92 instead of \$7.80.
- This will put more money in bettors pockets.

**QUESTIONS???**



**QUESTIONS ARE  
MY FAVORITE**

[imgflip.com](http://imgflip.com)