

1 AN ACT relating to horse racing and making an appropriation therefor.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 138.510 is amended to read as follows:

4 (1) (a) Except as provided in paragraph (d) of this subsection and subsection (3) of
5 this section, an excise tax is imposed on all tracks conducting pari-mutuel
6 wagering on live racing under the jurisdiction of the commission as follows:

7 1. For each track with a daily average live handle of one million two
8 hundred thousand dollars (\$1,200,000) or above, the tax shall be in the
9 amount of three and one-half percent (3.5%) of all money wagered on
10 live races at the track during the fiscal year; and

11 2. For each track with a daily average live handle under one million two
12 hundred thousand dollars (\$1,200,000), the tax shall be one and one-half
13 percent (1.5%) of all money wagered on live races at the track during the
14 fiscal year.

15 (b) Beginning on April 1, 2014, an excise tax is imposed on all tracks conducting
16 pari-mutuel wagering on historical horse races under the jurisdiction of the
17 commission at a rate of one and one-half percent (1.5%) of all money wagered
18 on historical horse races at the track during the fiscal year. **Prior to July 1,**
19 **2017, money collected under this paragraph shall be distributed according**
20 **to paragraph (c) of this subsection. Beginning July 1, 2017:**

21 **1. One (1) or more associations, including an affiliate of an association,**
22 **may receive approval from the commission to offer pari-mutuel**
23 **wagering on the results of previously run horse races at a single**
24 **location. A written agreement between the associations, if more than**
25 **one (1), shall be required prior to approval from the commission**
26 **under this subparagraph;**

27 **2. Any agreement shall include an association or associations, or their**

1 affiliates, that are licensed to conduct live racing of different breeds of
2 horses than the breed of live racing at the location, upon request by
3 the association or associations, or their affiliates, the department shall
4 divide the excise tax imposed by this paragraph between or among the
5 various breed funds designated by the association or associations, as
6 applicable to include:

7 a. The Thoroughbred development fund established in KRS
8 230.400;

9 b. The Kentucky Standardbred development fund established in
10 Section 4 of this Act; and

11 c. The Kentucky quarter horse, paint horse, Appaloosa, and
12 Arabian development fund established in KRS 230.445.

13 Unless the association or associations or their affiliates agree
14 otherwise, the tax shall be split among the associations according to
15 the proportion of ownership interests of the association or
16 associations;

17 3. The commission shall, by administrative regulation promulgated in
18 accordance with KRS Chapter 13A, establish conditions and
19 procedures for requests for approval to offer pari-mutuel wagering as
20 described in subparagraph 1. of this paragraph; and

21 4. a. Upon dividing the excise tax imposed by this paragraph, the
22 commission shall provide to the department the information
23 necessary to distribute the moneys to the appropriate breed
24 funds.

25 b. Distributions made pursuant to subdivision a. of this sub
26 paragraph shall become effective as part of the regular
27 distribution schedule beginning thirty (30) days after the

1 department receives the required information from the
2 commission.

3 c. The department shall continue to distribute the funds in the
4 manner directed by the commission until notified otherwise in
5 writing by the commission.

6 (c) Money shall be deducted from the tax paid under paragraphs (a) and (b) of
7 this subsection and deposited as follows:

- 8 1. An amount equal to three-quarters of one percent (0.75%) of all money
9 wagered on live races and historical horse races at the track for
10 Thoroughbred racing shall be deposited in the Thoroughbred
11 development fund established in KRS 230.400;
- 12 2. An amount equal to one percent (1%) of all money wagered on live
13 races and historical horse races at the track for harness racing shall be
14 deposited in the Kentucky standardbred development fund established in
15 KRS 230.770;
- 16 3. An amount equal to one percent (1%) of all money wagered on live
17 races and historical horse races at the track for quarter horse, paint horse,
18 Appaloosa, and Arabian horse racing shall be deposited in the Kentucky
19 quarter horse, paint horse, Appaloosa, and Arabian development fund
20 established by KRS 230.445;
- 21 4. An amount equal to two-tenths of one percent (0.2%) of all money
22 wagered on live races and historical horse races at the track shall be
23 deposited in the equine industry program trust and revolving fund
24 established by KRS 230.550 to support the Equine Industry Program at
25 the University of Louisville, except that the amount deposited from
26 money wagered on historical horse races in any fiscal year shall not
27 exceed six hundred fifty thousand dollars (\$650,000);

1 (d) The excise tax imposed by paragraph (a) of this subsection shall not apply to
2 pari-mutuel wagering on live harness racing at a county fair.

3 ~~[(e) The excise tax imposed by paragraph (a) of this subsection, and the
4 distributions provided for in paragraph (c) of this subsection, shall apply to
5 money wagered on historical horse races beginning September 1, 2011,
6 through March 31, 2014, and historical horse races shall be considered live
7 racing for purposes of determining the daily average live handle. Beginning
8 April 1, 2014, the tax imposed by paragraph (b) of this subsection shall apply
9 to money wagered on historical horse races.]~~

10 (2) (a) Except as provided in paragraph (c) of this subsection, an excise tax is
11 imposed on:

- 12 1. All tracks conducting telephone account wagering;
- 13 2. All tracks participating as receiving tracks in intertrack wagering under
14 the jurisdiction of the commission; and
- 15 3. All tracks participating as receiving tracks displaying simulcasts and
16 conducting interstate wagering thereon.

17 (b) The tax shall be three percent (3%) of all money wagered on races as provided
18 in paragraph (a) of this subsection during the fiscal year.

19 (c) A noncontiguous track facility approved by the commission on or after
20 January 1, 1999, shall be exempt from the tax imposed under this subsection,
21 if the facility is established and operated by a licensed track which has a total
22 annual handle on live racing of two hundred fifty thousand dollars (\$250,000)
23 or less. The amount of money exempted under this paragraph shall be retained
24 by the noncontiguous track facility, KRS 230.3771 and 230.378
25 notwithstanding.

26 (d) Money shall be deducted from the tax paid under paragraphs (a) and (b) of
27 this subsection as follows:

- 1 1. An amount equal to two percent (2%) of the amount wagered shall be
2 deposited as follows:
- 3 a. In the Thoroughbred development fund established in KRS
4 230.400 if the host track is conducting a Thoroughbred race
5 meeting or the interstate wagering is conducted on a Thoroughbred
6 race meeting;
- 7 b. In the Kentucky standardbred development fund established in
8 KRS 230.770, if the host track is conducting a harness race
9 meeting or the interstate wagering is conducted on a harness race
10 meeting; or
- 11 c. In the Kentucky quarter horse, paint horse, Appaloosa, and
12 Arabian development fund established by KRS 230.445, if the host
13 track is conducting a quarter horse, paint horse, Appaloosa, or
14 Arabian horse race meeting or the interstate wagering is conducted
15 on a quarter horse, paint horse, Appaloosa, or Arabian horse race
16 meeting;
- 17 2. An amount equal to one-twentieth of one percent (0.05%) of the amount
18 wagered shall be allocated to the equine industry program trust and
19 revolving fund established by KRS 230.550 to be used to support the
20 Equine Industry Program at the University of Louisville;
- 21 3. An amount equal to one-tenth of one percent (0.1%) of the amount
22 wagered shall be deposited in a trust and revolving fund to be used for
23 the construction, expansion, or renovation of facilities or the purchase of
24 equipment for equine programs at state universities, as detailed in
25 subsection (1)(c)5. of this section; and
- 26 4. An amount equal to one-tenth of one percent (0.1%) of the amount
27 wagered shall be distributed to the commission to support equine drug

1 testing as provided in KRS 230.265(3).

2 (3) ~~[(a) The provisions of this subsection shall apply retroactively to January 1, 2015,~~
3 ~~and shall expire on December 31, 2017.~~

4 ~~(b)]~~If a host track in this state is the location for the conduct of a two (2) day
5 international horse racing event that distributes in excess of a total of twenty
6 million dollars (\$20,000,000) in purses and awards:

7 ~~(a)]~~ The excise tax imposed by subsection (1)(a) of this section shall not
8 apply to money wagered at the track on live races conducted at the track
9 during the two (2) day international horse racing event; and

10 ~~(b)]~~ Amounts wagered at the track on live races conducted at the track during
11 the two (2) day international horse racing event shall not be included in
12 calculating the daily average live handle for purposes of subsection (1) of this
13 section.

14 (4) The taxes imposed by this section shall be paid, collected, and administered as
15 provided in KRS 138.530.

16 ➔Section 2. KRS 230.218 is amended to read as follows:

17 (1) There is established, under the jurisdiction of the~~[Kentucky Horse]~~ racing
18 commission, the backside improvement fund. This revolving fund shall consist of
19 money allocated to the fund under the provisions of KRS 230.3615, together with
20 any other money which may be contributed to or allocated to the fund from all other
21 sources. Money to the credit of the backside improvement fund at the end of each
22 fiscal year shall not lapse but shall be carried forward in the fund to the succeeding
23 fiscal year. The~~[Kentucky Horse]~~ racing commission may invest any and all funds
24 received by the fund and interest earned by the investment of said funds in types of
25 investments appropriate to the investment needs of the fund after having considered
26 the financial return on authorized investment alternatives, the financial safety of
27 investment alternatives and the impact of any authorized investments on the state's

1 economy. The racing commission shall review the status of the fund investments
2 quarterly and report its findings to the Finance and Administration Cabinet and the
3 Legislative Research Commission.

4 (2) The purpose of the fund shall be to improve the backside of Thoroughbred racing
5 associations averaging one million two hundred thousand dollars (\$1,200,000) or
6 less pari-mutuel handle per racing day on live racing. The ~~Kentucky Horse~~ racing
7 commission shall use the backside improvement fund to promote, enhance, and
8 improve the conditions of the backside of eligible racing associations. Conditions
9 considered shall include but not be limited to the living and working quarters of
10 backside employees.

11 (3) The ~~Kentucky Horse~~ racing commission shall promulgate administrative
12 regulations as may be necessary to carry out the provisions and purposes of this
13 section.

14 ➔Section 3. KRS 230.260 is amended to read as follows:

15 The racing commission, in the interest of breeding or the improvement of breeds of
16 horses, shall have all powers necessary and proper to carry out fully and effectually the
17 provisions of this chapter including but without limitation the following:

18 (1) The racing commission is vested with jurisdiction and supervision over all horse
19 race meetings in this Commonwealth and over all associations and all persons on
20 association grounds and may eject or exclude therefrom or any part thereof, any
21 person, licensed or unlicensed, whose conduct or reputation is such that his
22 presence on association grounds may, in the opinion of the racing commission,
23 reflect on the honesty and integrity of horse racing or interfere with the orderly
24 conduct of horse racing or racing at horse race meetings; provided, however, no
25 persons shall be excluded or ejected from association grounds solely on the ground
26 of race, color, creed, national origin, ancestry, or sex;

27 (2) The racing commission is vested with jurisdiction over any person or entity that

1 offers advance deposit account wagering to Kentucky residents. Any such person or
2 entity under the jurisdiction of the racing commission shall be licensed by the racing
3 commission, and the racing commission may impose a license fee not to exceed ten
4 thousand dollars (\$10,000) annually. The racing commission shall, by
5 administrative regulation promulgated in accordance with KRS Chapter 13A,
6 establish conditions and procedures for the licensing of advance deposit account
7 wagering providers to include but not be limited to:

- 8 (a) A fee schedule for applications for licensure; and
9 (b) Reporting requirements to include quarterly reporting on:
10 1. The amount wagered on Kentucky races; and
11 2. The total amount wagered by Kentuckians;
- 12 (3) The racing commission is vested with jurisdiction over any totalisator company that
13 provides totalisator services to a racing association located in the Commonwealth.
14 A totalisator company under the jurisdiction of the racing commission shall be
15 licensed by the racing commission, regardless of whether a totalisator company is
16 located in the Commonwealth or operates from a location or locations outside of the
17 Commonwealth, and the racing commission may impose a license fee on a
18 totalisator company. The racing commission shall, by administrative regulation
19 promulgated in accordance with KRS Chapter 13A, establish conditions and
20 procedures for the licensing of totalisator companies, and a fee schedule for
21 applications for licensure;
- 22 (4) The racing commission is vested with jurisdiction over any manufacturer,
23 wholesaler, distributor, or vendor of any equine drug, medication, therapeutic
24 substance, or metabolic derivative which is purchased by or delivered to a licensee
25 or other person participating in Kentucky horse racing by means of the Internet,
26 mail delivery, in-person delivery, or other means;
- 27 (5) The racing commission is vested with jurisdiction over any horse training center or

- 1 facility in the Commonwealth that records official timed workouts for publication;
- 2 (6) The racing commission may require an applicant for a license under subsections
3 (2), ~~and~~ (3), and (15) of this section to submit to a background check and
4 fingerprinting of the applicant, or of any individual or organization associated with
5 the applicant. An applicant shall be required to pay ~~reimburse the racing~~
6 ~~commission~~ for the cost of any background check conducted;
- 7 (7) The racing commission, its representatives and employees, may visit, investigate
8 and have free access to the office, track, facilities, or other places of business of any
9 licensee, or any person owning a horse or performing services regulated by this
10 chapter on a horse registered to participate in a breeders incentive fund under the
11 jurisdiction of the racing commission;
- 12 (8) The racing commission shall have full authority to prescribe necessary and
13 reasonable administrative regulations and conditions under which horse racing at a
14 horse race meeting shall be conducted in this state and to fix and regulate the
15 minimum amount of purses, stakes, or awards to be offered for the conduct of any
16 horse race meeting;
- 17 (9) Applications for licenses shall be made in the form, in the manner, and contain
18 information as the racing commission may, by administrative regulation, require.
19 Fees for all licenses issued under KRS 230.310 shall be prescribed by and paid to
20 the racing commission;
- 21 (10) The racing commission shall establish by administrative regulation minimum fees
22 for jockeys to be effective in the absence of a contract between an employing owner
23 or trainer and a jockey. The minimum fees shall be no less than those of July 1,
24 1985;
- 25 (11) The racing commission may refuse to issue or renew a license, revoke or suspend a
26 license, impose probationary conditions on a license, issue a written reprimand or
27 admonishment, impose fines or penalties, deny purse money, require the forfeiture

1 of purse money, or any combination thereof with regard to a licensee or other
2 person participating in Kentucky horse racing for violation of any federal or state
3 statute, regulation, or steward's or racing commission's directive, ruling, or order to
4 preserve the integrity of Kentucky horse racing or to protect the racing public. The
5 racing commission shall, by administrative regulation, establish the criteria for
6 taking the actions described in this subsection;

7 (12) The racing commission may issue subpoenas for the attendance of witnesses before
8 it and for the production of documents, records, papers, books, supplies, devices,
9 equipment, and all other instrumentalities related to pari-mutuel horse racing within
10 the Commonwealth. The racing commission may administer oaths to witnesses and
11 require witnesses to testify under oath whenever, in the judgment of the racing
12 commission, it is necessary to do so for the effectual discharge of its duties;

13 (13) The racing commission shall have authority to compel any racing association
14 licensed under this chapter to file with the racing commission at the end of its fiscal
15 year, a balance sheet, showing assets and liabilities, and an earnings statement,
16 together with a list of its stockholders or other persons holding a beneficial interest
17 in the association; and

18 (14) The racing commission shall promulgate administrative regulations establishing
19 safety standards for jockeys, which shall include the use of rib protection
20 equipment. Rib protection equipment shall not be included in a jockey's weight.

21 **(15) (a) The racing commission is vested with plenary authority and jurisdiction**
22 **over any manufacturer, distributor, or vendor of any terminal, equipment,**
23 **service, system, or software used to offer, or that is associated with,**
24 **wagering at a Kentucky-licensed association upon the results of previously**
25 **run horse races.**

26 **(b) Any manufacturer, distributor, or vendor specified in paragraph (a) of this**
27 **subsection shall be licensed by the racing commission, and the racing**

1 commission may impose an annual license fee which shall equal the
 2 amount necessary to reimburse the racing commission for the
 3 administrative costs associated with the licensing.

4 (c) The racing commission shall, by promulgation of administrative
 5 regulations in accordance with KRS Chapter 13A establish:

6 1. Requirements, conditions, and procedures for manufacturers,
 7 distributors, and vendors specified by this subsection to be licensed;

8 and

9 2. A fee schedule for licensing applications.

10 (d) 1. The racing commission shall require independent testing to confirm
 11 that any terminal, equipment, service, system, or software used to
 12 offer, or that is associated with, wagering upon the results of
 13 previously run horse races meets the racing commission's
 14 requirements as established by administrative regulation promulgated
 15 by the racing commission in accordance with KRS Chapter 13A.

16 2. The manufacturer, distributor, or vendor seeking to offer the terminal,
 17 equipment, service, system, or software used to offer, or that is
 18 associated with, wagering upon the results of previously run horse
 19 races shall bear the cost of such independent testing.

20 ➔Section 4. KRS 230.770 is amended to read as follows:

- 21 (1) There is hereby created a trust and revolving fund for the ~~Kentucky Horse~~ racing
 22 commission, designated as the Kentucky standardbred development fund, consisting
 23 of money allocated to the fund under the provisions of KRS 138.510, together with
 24 any other money contributed to or allocated to the fund from all other sources. For
 25 the purposes of this section, "development fund" or "fund" means the Kentucky
 26 standardbred development fund. Money to the credit of the development fund shall
 27 be distributed by the Treasurer for the purposes provided in this section, upon

- 1 authorization of the ~~the Kentucky Horse~~ racing commission and upon approval of the
 2 secretary of the Finance and Administration Cabinet. **Notwithstanding KRS 45.229,**
 3 money to the credit of the fund at the end of each fiscal year shall not lapse but shall
 4 be carried forward in the fund to the succeeding fiscal year.
- 5 (2) The ~~the Kentucky Horse~~ racing commission shall use the development fund to
 6 promote races, **to assist in breed development and marketing,** and to provide
 7 purses for **standardbred horse** races ~~[, for Kentucky bred standardbred horses].~~
- 8 (3) The racing commission shall provide for distribution of money ~~from~~ **from** ~~to the credit~~
 9 ~~of~~ the development fund to persons, corporations, or associations operating
 10 licensed standardbred race tracks within Kentucky on an equitable basis, for the
 11 **purposes set forth in subsection (4) of this section** ~~[purpose of conducting separate~~
 12 ~~races for Kentucky bred standardbred horses, both trotting and pacing].~~
- 13 (4) Money distributed from the development fund to licensed standardbred race tracks
 14 within the Commonwealth shall be used exclusively to:
- 15 **(a)** Promote **and market** races;
- 16 **(b)** **Attract quality races for standardbred horses;** and
- 17 **(c)** Provide purses for **standardbred horse** races ~~[conditioned to admit only~~
 18 ~~Kentucky bred standardbred horses].~~
- 19 (5) The ~~the Kentucky Horse~~ racing commission shall fix the amount of money to be paid
 20 from the development fund to be added to the purse provided for each race by the
 21 licensed operator of the track; shall fix the dates and conditions of races to be held
 22 by licensed race tracks; and shall promulgate administrative regulations necessary to
 23 carry out the provisions of this section.
- 24 (6) The ~~the Kentucky Horse~~ racing commission may promulgate administrative
 25 regulations necessary to determine the eligibility of horses for entry in races **in**
 26 **which a portion of the purse is provided by the development fund** ~~[for which a~~
 27 ~~portion of the purse is provided by money of the development fund],~~ including

1 administrative regulations for the eligibility, residency, and registration of mares,
2 stallions, and progeny thereof. Registration of stallions may occur any time during
3 the breeding season, but shall occur no later than December 31 of the year of
4 conception of the eligible horse.

5 (7) The ~~the Kentucky Horse~~ racing commission shall appoint qualified personnel
6 necessary to supervise registration of, or determination of eligibility of, horses
7 entitled to entry in races, in which a portion of the purse ~~of which~~ is provided by
8 the development fund, to assist the racing commission in determining the
9 conditions, class, and quality of the fund supported race program to be established
10 hereunder so as to carry out the purposes of this section. These persons shall serve
11 at the pleasure of the racing commission and compensation shall be fixed by the
12 racing commission. The compensation of personnel and necessary expenses shall be
13 paid out of the development fund. The racing commission shall promulgate
14 administrative regulations to carry out the provisions of this section, and shall
15 administer the Kentucky sire stakes program created hereby in a manner best
16 designed to promote and aid in the development of the horse industry in Kentucky;
17 to upgrade the quality of racing in Kentucky; ~~and to improve the quality of horses~~
18 ~~bred in Kentucky~~.

19 ➔Section 5. KRS 230.802 is amended to read as follows:

20 (1) (a) There is hereby created in the State Treasury a trust and revolving fund
21 designated as the "Kentucky standardbred breeders incentive fund." The fund
22 shall be administered by the ~~the Kentucky Horse~~ racing commission.

23 (b) For tax periods beginning on or after June 1, 2005, thirteen percent (13%) of
24 all receipts collected under KRS 139.531(1)(a) from the sales and use tax on
25 the fees paid for breeding a stallion to a mare in Kentucky shall be deposited
26 in the fund together with any other money contributed, appropriated, or
27 allocated to the fund from all other sources.

1 (c) The money deposited in the fund is hereby appropriated for the uses set forth
2 in this section.

3 (d) Notwithstanding KRS 45.229, any money remaining in the fund at the close
4 of any calendar year shall not lapse but shall be carried forward to the next
5 calendar year. The fund may also receive additional state appropriations, gifts,
6 grants, and federal funds. All interest earned on money in the fund shall be
7 credited to the fund.

8 (2) (a) The ~~Kentucky Horse~~ racing commission shall use moneys deposited in the
9 Kentucky standardbred breeders incentive fund to administer the fund and to
10 provide awards or incentives~~rewards~~ for breeders or owners of Kentucky-
11 bred standardbred horses.

12 (b) The ~~Kentucky Horse~~ racing commission shall promulgate administrative
13 regulations establishing the conditions and criteria for the distribution of
14 moneys from the fund.

15 (c) The Department of Revenue may promulgate administrative regulations
16 establishing the procedures necessary to determine the correct allocation of
17 sales tax receipts described in subsection (1) of this section.

18 (d) As soon as practicable after the close of each calendar year, the racing
19 commission shall disburse moneys in the Kentucky standardbred breeders
20 incentive fund to be used to promote, enhance, improve, and encourage the
21 further and continued development of the standardbred breeding industry in
22 Kentucky, under the administrative regulations promulgated pursuant to
23 paragraph (b) of this subsection.

24 ➔Section 6. No provision of subsection (1)(b) of Section 1 of this Act or
25 subsection (15) of Section 3 of this Act shall be construed as a recognition or finding that
26 the operation of wagering upon the results of previously run horse races constitutes a pari-
27 mutuel form of wagering or concerning the legality of wagering upon the results of

- 1 previously run horse races, the devices upon which such wagering is conducted, or the
- 2 gaming system.