

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2018 REGULAR SESSION**

MEASURE

2018 BR NUMBER **1335**

HOUSE BILL NUMBER **259**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to pari-mutuel tax.**

SPONSOR **Representative D. Osborne**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY KY Horse Racing Commission OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2017-2018	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		GF (\$87,500) See explanation	Indeterminable See explanation	Indeterminable See explanation
EXPENDITURES				
NET EFFECT		GF (\$87,500) See explanation	Indeterminable See explanation	Indeterminable See explanation

() indicates a decrease/negative

MEASURE’S PURPOSE: This proposal, if enacted, would make permanent an exemption from the pari-mutuel tax levied under KRS 138.510(1)(a) for money wagered at the track on live races conducted at the track during a two day international horse racing event that distributes in excess of a total of \$20,000,000 in purses and awards. The previous exemption expired December 31, 2017.

PROVISIONS/MECHANICS: Section 1. KRS 138.510(3) is amended to remove the language that required the pari-mutuel tax exemption for the two day international horse racing event to expire December 31, 2017.

FISCAL EXPLANATION: This proposal, if enacted, will reinstitute an exemption that expired December 31, 2017, which allowed a two day international horse racing event that distributes in

excess of \$20,000,000 in purses and awards to qualify for a pari-mutuel tax exemption for money wagered on live races at the host track during those two days. At this time, the only two day event that would qualify for the exemption would be the Breeder's Cup. Churchill Downs will host the event in November 2018. It has been reported that a four or five year site rotational plan will be announced soon. Both Keeneland and Churchill Downs have each hosted the event in the past and both Kentucky tracks are most likely to be considered in the rotation beginning in 2019. However, future sites for the event have not been announced as of this review. Therefore, the impact in fiscal year 2019-2020 and each fiscal year thereafter is indeterminable at this time.

Due to the significant improvements made to Churchill Downs since they last hosted the event in 2011, and taking into consideration the 2017 Breeder's Cup (Del Mar) 2-day live handle, it is estimated that the live handle for Breeder's Cup in 2018 will be \$25,000,000. For purposes of this analysis, it has been assumed that the pari-mutuel rate is 1.5 percent.

For fiscal year 2018-2019, there will be an estimated negative impact to the following funds:

General Fund	(\$87,500)
Thoroughbred Development Fund	(\$187,500)
Equine Industry Program (University of Louisville)	(\$50,000)
Equine Drug Testing (Ky Racing Commission)	(\$25,000)
Higher Education Equine Fund (Equine programs at state universities)	(\$25,000)
Total	(\$375,000)

**DATA SOURCE(S): www.breederscup.com, "The Blood-Horse Daily"
<http://cdn.bloodhorse.com/daily-app/pdfs/BloodHorseDaily-20171220.pdf>, LRC Economists
PREPARER: Charlotte T. Quarles NOTE NUMBER: 80 REVIEW: JAB DATE: 2/5/2018**