

PARI-MUTUEL TAX  
Chapter 67.16 RCW

Tax Base      Gross receipts of pari-mutuel machines at licensed horse racing events.

Tax Rate

Nonprofit races, maximum of 10 days (RCW 67.16.105(1))	=	exempt
Other race meets (RCW 67.16.105(2)):		
Prior year receipts, \$50,000,000 or less	=	1.803 percent
Prior year receipts, more than \$50,000,000	=	1.3 percent
Additional tax to fund nonprofit races (RCW 67.16.105(3))	=	0.1 percent
Additional tax to finance bonuses to owners of Washington-bred horses (RCW 67.16.102)	=	1 percent
Additional tax on exotic wagers to finance awards to breeders of Washington-bred horses (RCW 67.16.174)	=	1 percent

Distribution of Receipts

PROCEEDS OF THE 1.803 PERCENT AND 1.3 PERCENT TAXES:

Per RCW 67.16.100, these funds are used for operating expenses by the Horse Racing Commission and are deposited in the account created in RCW 67.16.280.

ADDITIONAL 0.1 PERCENT TAX:

Distributed on a pro rata per-race-day basis to nonprofit race meets to be used for purses at tracks that have operated for five consecutive years immediately preceding the year of payment. If the gross receipts from pari-mutuel machines are not sufficient to generate \$300,000 annually from the additional 0.1 percent tax, the remaining amount is taken from the Horse Racing Commission's operating account.

ADDITIONAL 1 PERCENT TAX:

Distributed by the Commission to the owners of those Washington-bred horses that finish in first, second, third, or fourth place in races at which the additional 1 percent tax was collected. Interest on the amount in the owner's bonus fund account created in RCW 67.16.275 is used to support nonprofit race meets.

## ADDITIONAL 1 PERCENT TAX

Distributed by the Commission to the breeders of those Washington-bred horses that finish in first, second, or third places in races at which an additional 6 percent is retained by the racing association on exotic wagers (wagers other than win, place, or show).

Levied by State

Administration Horse Racing Commission. Licensed racetrack operators withhold the percentage of gross receipts and report daily to the Commission.

### Recent Collections (\$000)

<u>Fiscal Year</u>	<u>Collections*</u>	<u>% Change</u>	<u>% of All State Taxes</u>
2009	\$1,547	(15.6)%	0.0%
2008	1,832	(8.1)	0.0
2007	1,994	5.0	0.0
2006	1,899	3.4	0.0
2005	1,836	3.5	0.0
2004	1,774	(2.3)	0.0
2003	1,816	(4.4)	0.0
2002	1,900	1.8	0.0
2001	1,867	(8.0)	0.0
2000	2,030	(8.6)	0.0

\*Excludes the additional 1 percent tax distributed to owners of Washington-bred horses, the additional 0.1 percent tax distributed to nonprofit tracks for purses, and the additional 1 percent tax on exotic wagers distributed to breeders of Washington-bred horses.

### Exemptions

Race meets that are nonprofit in nature, last ten days or less in duration, and have an average daily handle of less than \$120,000 are exempt from the additional 1 percent payment for owners of Washington-bred horses, the additional 1 percent tax on exotic wagers for breeders of Washington-bred horses, and from the 0.1 percent purse fund collection.

## History

The tax was instituted in 1933 at a 5 percent rate. There were no major changes until 1979 when the rate was lowered to 4.5 percent for smaller meets. The rate schedule was revised in 1982, in 1985 when rates were reduced to a range from 0.5 to 4 percent, and again in 1991 when the top rate was reduced to 2.5 percent. In 1987 wagering at satellite locations was authorized. In 1998 a significant reduction in tax rates was implemented on a temporary basis. In 2000 these reduced rates were made permanent, effective July 1, 2001. In 2003 the tax rate for race meets with annual gross in-state pari-mutuel receipts of \$50 million or less was increased from 0.52 percent of the daily gross receipts to 1.803 percent.

In 2004, advance deposit wagering (ADW) and full card simulcasting to satellite locations was authorized. ADW is the ability of Washington residents to wager on races, both in and outside the state, via telephone or by using the Internet. ADW is treated differently than pari-mutuel wagering, which can only take place at a licensed race track or authorized satellite location, and the receipts are distributed differently.

In 2009, the Horse Racing Commission was granted authority to collect and distribute the additional 1 percent tax on exotic wagers to the breeders of Washington-bred horses. The additional 1 percent is retained daily by the racing association and is paid to the Commission at the end of the licensed race meet.

## Discussion/Major Issues

Until 1993, there were three major horse racing tracks in the state: Longacres in Renton, Yakima Meadows in Yakima, and Playfair in Spokane. All three facilities have ceased operations, resulting in a significant impact, not only on pari-mutuel tax revenues, but the entire horse racing industry in Washington. Legislation in 1995 (including deferral of retail sales tax) encouraged developers to build a new facility in Auburn; the Emerald Downs racetrack began operation in 1996.

In 1998 a major reduction in pari-mutuel tax rates was enacted first on a temporary basis and then the reduced rates became permanent. One consequence of the new rate structure was elimination of funds for the county and state fair funds.