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BILL ANALYSIS

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Senate Fiscal Agency

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Senate Bill 860 (Substitute S-2 as passed by the Senate)

Mich. State Law Library

Sponsor: Senator Mitch Irwin

Committee: Finance

Date Completed: 6-9-88

RATIONALE

The Racing Law of 1980 currently imposes different tax levies on race meeting licensees depending on the population size of the counties in which the race meetings are held. Licensees in counties with populations of less than 300,000 must pay to the State Treasurer from their commissions 3-1/2% of all money wagered on pari-mutuel wagering, plus 1/2 the "breaks" (the cents over any multiple of 10 otherwise payable on a wager of \$1). Licensees in all other counties must pay 4-1/2% of all money wagered, plus 1/2 the breaks. Some have argued recently that this "licensee tax" imposes a financial burden on small race tracks, especially those that are newly established and struggling to acquire a following, and serves generally as a disincentive to the growth expansion of the horse racing industry. They propose, instead, that the tax on race meeting licensees be levied according to a tiered system based on the licensee's "average daily handle", which is determined by dividing all the money wagered during a licensed race by the total number of programs run by the licenser. Under the proposed system, licensees with smaller average daily handles would pay less of their commissions to the State Treasurer than would licensees with larger average daily handles.

CONTENT

The bill would amend the Racing Law to lower the amount of money that certain holders of horse race meeting licenses, in counties with a population under 300,000, must pay to the State Treasurer from their commissions.

Under the bill, a license holder in a county under 300,000 whose license is for not more than 100 days or 20 calendar weeks in total and whose average daily handle is \$50,000 or less would not be required to make any payment to the State Treasurer. License holders in other counties under 300,000 whose average daily handles exceed \$50,000 would have to pay to the State Treasurer the following percentages of all pari-mutuel wagers, plus 1/2 the breaks:

- For an average daily handle of \$50,000.01 to \$100,000, the amount would be 1-1/2%.
- For an average daily handle of \$100,000.01 to \$175,000, the amount would be 2-1/2%.
- For an average daily handle of over \$175,000, the amount would be 3-1/2%.

Licensees in counties with a population of 300,000 or more would continue to pay 4-1/2% plus 1/2 the breaks.

The term "average daily handle" would be defined as all money wagered on pari-mutuel wagering during a licensed race meet including both straight and multiple or exotic wagers divided by the total number of programs run by that licensee.

MCL 431.75

FISCAL IMPACT

The passage of Senate Bill 860 would reduce the State's yield from the horse wagering tax by approximately \$110,000 on an annual basis.

ARGUMENTS**Supporting Argument**

The bill would establish a type of "pay according to ability" system that would lessen the tax burden for financially strapped race tracks and encourage the growth and development of the horse racing industry. The money that small race tracks would save under the bill could be used to make improvements to the tracks, pay for advertising, employ needed track personnel and take any other steps necessary to promote horse racing and encourage the public to patronize the tracks.

Response: Establishing a tiered system is unnecessary and unfair. Licensees in small counties already pay a lower percentage of their commissions as a tax than do those in larger counties. Any additional "tax break", especially a tax exemption such as that for licensees with average daily handles less than the \$50,000 minimum, would be unfair to those licensees who have worked hard to build up their clientele. The act has already made sufficient provision for the use of racing revenues to supplement purses, fund track improvements and otherwise help promote the horse racing industry in Michigan.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

S.B. 860 (6-8-88)

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