

STORAGE NAME: h1747a.rs

DATE: April 17, 1997

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
REGULATED SERVICES
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: HB 1747

RELATING TO: Pari-Mutuel Wagering

SPONSOR(S): Representatives Fasano, Thrasher, and others

STATUTE(S) AFFECTED: Sections 550.0951, 550.09511, 550.09512, 550.09514, 550.09515,
and 550.2625, Florida Statutes

COMPANION BILL(S): SB 2200 (I)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) REGULATED SERVICES YEAS 10 NAYS 1
- (2)
- (3)
- (4)
- (5)

I. SUMMARY:

This bill removes from the July 1, 1998, repeal sections 550.0951(3) and 550.09511(2) & (3), F.S. Those sections contain the reduced tax rate for intertrack wagering (ITW) on the rebroadcasts of simulcast horserace signals; the reduced ITW tax rate for greyhound and jai alai permitholders conducting ITW within their market areas; the reduced tax rate for live jai alai performances; and the rate for jai alai permitholders that share facilities.

The bill has an estimated negative fiscal impact to the state of approximately \$3.7 million for FY 1998-1999.

The act would take effect upon becoming a law.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

During the 1996 legislative session, the Legislature considered and passed an omnibus pari-mutuel bill, the Committee Substitute for House Bill 337 by the Committee on Regulated Industries and Representative Geller (Chapter 96-364, Laws of Florida). Among the changes included in the legislation were tax reductions for the greyhound, jai alai, and horseracing industries and additional purse payment requirements for thoroughbred permitholders.

More specifically, the changes to section 550.0951, Florida Statutes, reduced the tax rate for intertrack wagering (ITW) on the rebroadcast of simulcast horserace signals from 3.3 percent to 2.4 percent. The tax rate for greyhound and jai alai intertrack wagering was reduced from 7.6 percent and 7.1 percent, respectively, to 6 percent and 6.1 percent respectively for facilities located in Jacksonville, Tampa Bay, or South Florida when conducting ITW within the market area. Further, when the tax payments of such jai alai permitholders exceed the total tax paid on ITW handle during the 1992-1993 state fiscal year, the tax rate on such ITW activity shall be 2.3 percent of the handle.

Section 550.09511, F.S., provides jai alai tax rates. The changes made last year reduced the tax rate on handle for live jai alai performances from five percent to 4.25 percent and, when the total of admissions tax, daily license fee, and tax on live handle paid to the division by a permitholder exceeds the total state taxes paid by that permitholder in the 1991-1992 state fiscal year, the tax on live handle for that jai alai permitholder is reduced to 2.55 percent. Jai alai permitholders who share facilities - those permitholders who are prohibited from operating live performances year-round pursuant to 550.0745, F.S. - were provided a live tax rate of 3.85 percent.

Last year's amendments to s. 550.09515, F.S., reduced the rates for the South Florida thoroughbred permitholders operating in the three tax periods. The tax rate was reduced from 3 percent to 2.25 percent for the January 3 through March 16 period; from 1.15 to .7 percent for the March 17 through May 22 period; and from 2.4 to 1.5 percent for the May 23 through January 2 period. The tax penalty for operating in more than one tax period was increased from the sum of the tax percentages for the periods in which the permitholder operates to double the sum of those tax percentages.

A portion of the tax reduction received by thoroughbred permitholders is required to be paid as additional purses. In the three periods, the additional purse rate is .375 percent, .225 percent, and .6 percent, respectively, pursuant to s. 550.2625(2), F.S. That section also provides for 8.5 percent of the purse account generated through intertrack wagering and interstate simulcasting to be used for Florida Owners' Awards.

Section 26 of chapter 96-364, Laws of Florida, provided an expiration of ss. 550.0951(3), 550.09511(2) &(3), 550.09515(2), and 550.2625(2), F.S. That provision states that effective July 1, 1998, the amendments made to those sections by CS/HB 337 will expire and that those sections will revert to the provisions which existed prior to the 1996 legislation.

B. EFFECT OF PROPOSED CHANGES:

This bill removes from the July 1, 1998 repeal sections 550.0951(3) and 550.09511(2) & (3), F.S. Those sections contain the reduced tax rate for ITW on the rebroadcasts of simulcast horserace signals; the reduced ITW tax rate for greyhound and jai alai permitholders conducting intertrack wagering within their market areas; the reduced tax rate for live jai alai performances; and the live tax rate for jai alai permitholders who share facilities.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

N/A

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

N/A

(3) any entitlement to a government service or benefit?

N/A

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

- a. Does the bill increase anyone's taxes?

No. This bill repeals an expiration on tax rate reductions. In the absence of such repeal, tax rates for the affected persons would revert to the rates which existed prior to the reductions provided by the 1996 legislation.

- b. Does the bill require or authorize an increase in any fees?

No.

- c. Does the bill reduce total taxes, both rates and revenues?

No.

- d. Does the bill reduce total fees, both rates and revenues?

No.

- e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

- (1) Who evaluates the family's needs?

N/A

- (2) Who makes the decisions?

N/A

- (3) Are private alternatives permitted?

N/A

- (4) Are families required to participate in a program?

N/A

- (5) Are families penalized for not participating in a program?

N/A

- b. Does the bill directly affect the legal rights and obligations between family members?

N/A

- c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

N/A

- (1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. SECTION-BY-SECTION RESEARCH:

This section need be completed only in the discretion of the Committee.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

This bill would maintain the current tax rates provided in the specified sections by removing these provisions from the repeal scheduled for July 1, 1998. The bill has no impact on currently collected taxes, but would eliminate an increase in tax rates applicable during the 1998-1999 state fiscal year due to the repeal scheduled for July 1, 1998.

The Division of Pari-Mutuel Wagering estimates that the removal of these sections from repeal will result in a loss of approximately \$3.7 million to the state. The estimate provided by the division states that the impact of not repealing the ITW of horseracing simulcast signals would result in a loss of \$1,158,404; the impact of retaining the current rate on greyhound and jai alai ITW within market areas would be \$1,216,885 and for the intertrack wagering of simulcast signals within those market areas would be \$224,874; and the impact of maintaining the reduced jai alai live tax and the reduced tax rate for shared facility permitholders would be \$1,130,358. The total impact of eliminating these provisions from repeal is estimated to be \$3,730,521 for the 1998-1999 state fiscal year. The fiscal impact for each succeeding fiscal year is estimated to be similar to that of the 1998-1999 FY and is dependent upon the handle generated by the pari-mutuel industry in those years.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

Indeterminate.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

Affected pari-mutuel permitholders would not be subject to the repeal of the lower, more favorable tax rates.

3. Effects on Competition, Private Enterprise and Employment Markets:

N/A

D. FISCAL COMMENTS:

N/A

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

N/A

V. COMMENTS:

In 1993, House Bill 2297 (Chapter 93-123, Laws of Florida) created section 550.09515, Florida Statutes, to provide thoroughbred tax rate reductions. That law created three thoroughbred racing periods with a different tax rate for each period. The tax rates for the three periods are all lower than the tax rate previously provided in s. 550.0951, F.S. Three years later, the Committee Substitute for House Bill 337 (Chapter 96-364, L.O.F.) provided additional reductions for thoroughbred permitholders operating in those three tax periods by reducing the tax rate for each of the periods.

The 1993 legislation provided a repeal of the reduced thoroughbred tax provisions, s. 550.09515, F.S. That section was scheduled to repeal on July 1, 1998, after review by the Legislature. The 1996 bill directed that the tax reductions which it provided would expire and that the law would revert to the law as it existed prior to the adoption of the legislation so that the thoroughbred tax rates would rise to the level provided by the 1993 legislation. The repeal of s. 550.09515, F.S., as envisioned by the 1993 bill, would have the effect of raising the thoroughbred tax rates to the level that existed prior to the 1993 bill.

It may be argued that the direction of the 1996 legislation to revert to the law in existence prior to that legislation would maintain the repeal of the section provided by the earlier legislation. However, it may also be argued that the amendments to that section in the course of an omnibus pari-mutuel bill such as CS/HB 337 constitutes a "review by the Legislature" as directed by the 1993 law. The validity of that argument rests upon the assumption that the latest direction of the Legislature prevails in the case of conflicting directions such as may exist in this instance. Following that line of reasoning, the result would be that the three racing periods would be maintained along with the tax rates provided for those periods by the 1993 legislation.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The bill was heard by the Committee on Regulated Services on April 16, 1997. One amendment and two amendments to that amendment were adopted. The strike-everything amendment changed the bill to include a repeal of the expiration date on harness horse provisions. The Division of Pari-Mutuel Wagering estimates a negative fiscal impact to the state of \$1,977,925 for the 1998-1999 state fiscal year due to the harness provisions of this amendment in addition to the fiscal impact stated in this document. The aggregate estimated fiscal impact for this bill as amended is \$5,708,446 for the 1998-1999 state fiscal year. The fiscal impact for each succeeding fiscal year is estimated to be similar to that of the 1998-1999 FY and is dependent upon the handle generated by the pari-mutuel industry in those years.

The amendments to the amendment dealt with greyhound purse issues. The first provided that the additional purse payments required by 550.0951(2)(b), F.S., would be prorated and paid weekly during a permitholder's live meet. The second provided that a guest greyhound

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permitholder must pay purses when it accepts wagers on intertrack and simulcast greyhound races when conducting its live meet rather than when conducting live races.

VII. SIGNATURES:

COMMITTEE ON REGULATED SERVICES:

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J Paul Whitfield Jr

Paul Liepshutz