

# Horse Racing Tax

Ohio's horse racing tax applies to both pari-mutuel and "exotic" wagering. During Fiscal Year 2007, the tax generated close to \$12.3 million in revenue (on \$402.6 million in wagers) for horse racing development, the state PASSPORT program for senior citizens, and for other purposes,

Ohio has taxed pari-mutuel wagering on horse racing since 1933. The Department of Taxation has administered the tax since 1953.

In 1981, the horse racing tax was expanded to include "exotic" wagering: all bets made on placements other than win, place or show, such as daily doubles, quinellas, perfectas, and trifectas.

In 1994, the General Assembly approved an additional tax on pari-mutuel wagering for the municipal corporation or township in which racing takes place, intended as a reimbursement for expenses incurred due to racing meets.

## Taxpayer (Ohio Revised Code 3769.08)

Holders of racing permits issued by the Ohio State Racing Commission.

## Tax Base (R.C. 3769.08, 3769.28, 3769.087)

- Amount wagered each day on all pari-mutuel racing.
- Amount wagered each day on exotic bets.
- Total amount wagered at each horse race meeting of a permit holder.

## Rates:

### Pari-Mutuel Wagering Tax (R.C. 3769.08):

Amount Wagered Daily	Rate
First \$200,000	1.0%
Next 100,000	2.0
Next 100,000	3.0
Over 400,000	4.0

### Exotic Wagering Tax (R.C. 3769.087):

In addition to the pari-mutuel wagering tax, there is a special tax of 3 percent of the amount wagered daily on other than win, place, and show. This is termed exotic wagering and includes the daily double, perfecta, quinella, and trifecta, etc.

### Additional Pari-Mutuel Wagering Tax (R.C. 3769.28):

This money is distributed to the municipal corporation or township in which racing takes place and is intended to reimburse these areas for expenses incurred due to racing meets. The municipal corporations and townships receiving the money may reimburse an adjoining political

subdivision which also had expenses because of racing meets. The tax is levied as follows:

Total Amount Wagered Each Horse Racing Meet	Rate
Less than \$5 million	0.10%
\$5 million or more	0.15

The maximum tax liability is \$15,000 from each horse racing meet.

## Exemptions (R.C. 3769.28)

Agricultural societies are not subject to the additional pari-mutuel wagering tax.

## Credits

### Capital Improvement Credit (R.C. 3769.08):

Some racing permit holders can qualify for a Capital Improvement Credit. With the approval of the Racing Commission, permit holders making capital improvements, constructing new racing facilities, or reconstructing facilities damaged by fire or other cause that have a total cost of \$100,000 or more may reduce their tax liability by 0.75 percent of the amount wagered. For projects approved prior to March 29, 1988, the reduction continues for a period of 15 years on capital improvements and reconstruction and a period of 25 years on new race track construction, or until the total reduction in tax liability equals 70 percent of construction costs, whichever occurs first. For projects approved on or after March 29, 1988, the reduction is limited to ten years or 70 percent of costs.

### Major Capital Improvement Credit (R.C. 3769.20):

Large projects may qualify a racing permit holder for a Major Capital Improvement Credit. Permit holders renovating, reconstructing, or remodeling an existing race track facility at a cost of \$6 million or more can reduce their tax liability by 1 percent of the amount wagered for a period of ten years or until the cost of the project plus debt service is reached, whichever occurs first. If the reduction exceeds the tax on wagering, the abatement may be carried forward and applied against future tax liability. The tax reduction is in addition to the 0.75 percent Capital Improvement Credit.

## Special Provisions

### Simulcasting (R.C. 3769.089):

Permit holders may conduct electronically televised simulcasts at their facilities of horse races at other facilities in or outside of Ohio and conduct taxable pari-mutuel wagering on these races. (R.C. 3769.089)

### Off-Track Betting (R.C. 3769.26):

Off-track betting on simulcast races at a satellite facility operated by a racing permit holder is also permitted in

Ohio. Such wagers are taxable. Currently there is one such facility in operation in Sandusky.

**Filing and Payment Dates** (R.C. 3769.08, 3769.28)

**Each Day of Racing:**

Permit holder remits to the Tax Commissioner by the following day the pari-mutuel wagering and exotic wagering taxes collected.

**Close of Horse Race Meeting:**

Within ten days, the additional pari-mutuel wagering tax is remitted to the Tax Commissioner.

**Disposition of Revenue** (R.C. 3769.08, 3769.087,

3769.26)

Each permit holder pays the Tax Commissioner a sum equal to the percentage of money wagered as described in **Rates**, reduced by any capital improvements deduction. The Tax Commissioner then distributes the receipts to the funds as shown in the following tables:

**Receipts From Pari-Mutuel Wagering**

Distributed to	Source of Receipts (Wagering On)	Distribution Percent
Ohio Passport Fund	Thoroughbred, harness, and quarter horse	25% of gross tax, 0.50% of amount wagered at an off-track betting parlor, 2.5% of the amount paid on winning tickets at an off-track betting parlor
Ohio Fairs Fund	Thoroughbred, harness, and quarter horse	0.50% of amount wagered
Ohio Thoroughbred Race Fund	Thoroughbred	1.125% of amount wagered
	Harness racing at events other than agricultural expositions and fairs	0.50% of amount wagered
Ohio Standardbred Development Fund	Harness	1.125% of amount wagered
Quarter Horse Development Fund	Quarter horse	0.625% of amount wagered
Agricultural Societies	Thoroughbred, harness, and quarter horse racing at agricultural expositions and fairs	Net receipts after payments to the Ohio Fairs Fund, Standardbred Fund, Quarter Horse Fund, and Thoroughbred Race Fund

**Receipts From the Additional Pari-Mutuel Wagering Tax**

Distributed to	Source of Receipts (Wagering On)	Distribution Percent
State Racing Commission Operating Fund	Thoroughbred, harness, and quarter horse	0.25% of amount wagered
General Revenue Funds of municipalities and townships	Thoroughbred, harness, and quarter horse	0.10% of amount wagered if the total amount wagered is less than \$5 million; 0.15% of amount wagered if the total amount wagered is \$5 million or more (maximum of \$15,000)
Ohio Passport Fund	Thoroughbred, harness, and quarter horse	25% of gross tax
Ohio Fairs Fund	Thoroughbred, harness, and quarter horse	8.3% of amount wagered
Ohio Thoroughbred Race Fund	Thoroughbred	8.3% of amount wagered from thoroughbred racing
Ohio Standardbred Development Fund	Harness	8.3% of amount wagered from harness racing
Quarter Horse Development Fund	Quarter Horse	8.3% of amount wagered from quarter horse racing
Agricultural Societies	Thoroughbred harness and quarter horse agricultural expositions and fairs	16.7% of amount wagered
State Racing Commission Operating Fund	Thoroughbred harness, and quarter horse at commercial track	16.7% of amount wagered plus 0.50% of gross amount wagered <sup>1</sup>

<sup>1</sup> Gross amount is prior to any applicable tax abatements.

**Administration**

The Department of Taxation administers the tax on pari-mutuel and exotic wagering. The horse racing industry is regulated by the Ohio State Racing Commission.

**Ohio Revised Code Citations**

Sections 3769.08 and 3769.087.

**Recent Legislation**

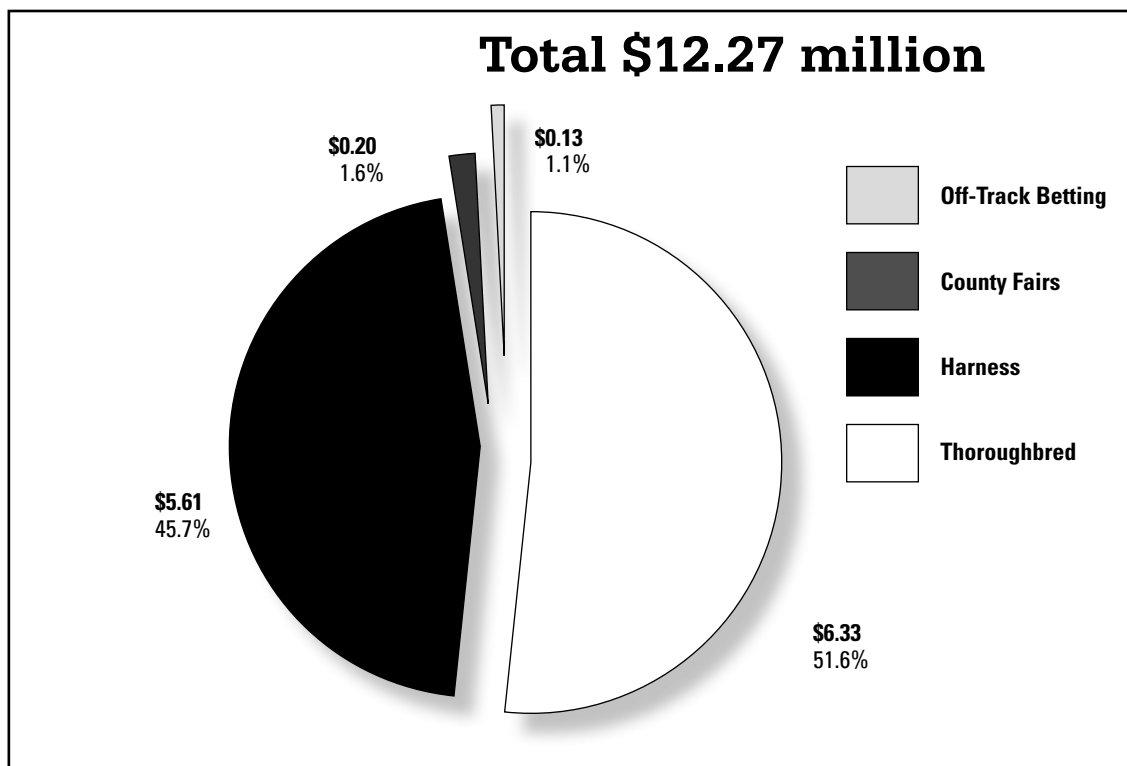
**Amended Substitute House Bill 119, 127th General Assembly (effective July 1, 2007):**

Beginning July 1, 2007, an additional amount equal to 0.25 percent of the total of all money wagered on each racing day, on all pools other than win, place, and show, shall be paid by each permit holder. The Tax Commissioner shall pay the amount of the tax received under this provision to the State Racing Commission

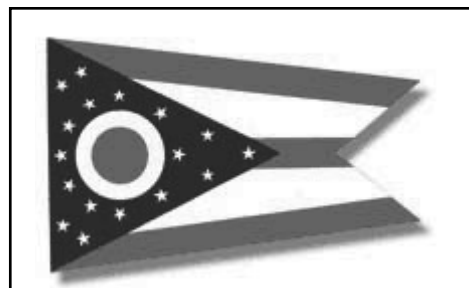
operating fund created under section 3769.03 of the Revised Code. This made permanent a provision that was previously temporary (Am. Sub. H.B. 530 of the 126th

General Assembly) and results in a total of 0.5 percent of exotic wagering (prior to tax abatements) being dedicated to the State Racing Commission.

**Chart**  
**Horse Racing Tax Collections**  
**by Type of Meet:**  
**Fiscal Year 2007**  
 (figures in millions)



Source: Department of Taxation, as reported on tax returns.



**Table 1**  
**Amount Wagered on Horse Racing and Special Fund Receipts**  
**by Type of Event:**  
**Fiscal Years 2003 - 2007**

Fiscal Year	Thoroughbred Racing	Commercial Harness Racing	Agricultural Societies Racing Pari-Mutuel Wagering	Quarter Horse Racing	Off Track Parlors	Total
<b>2003</b>	\$277,080,736	\$247,780,758	\$5,268,726	\$465,665	\$14,581,585	\$545,177,470
<b>2004</b>	260,903,387	233,604,182	5,428,844	333,586	14,124,923	514,394,922
<b>2005</b>	246,936,349	212,590,207	5,504,620	281,349	8,714,420	474,026,945
<b>2006</b>	236,417,769	200,116,137	4,983,661	296,592	5,962,237	447,776,396
<b>2007</b>	215,632,306	176,497,753	4,632,327	260,354	5,612,908	402,635,648
<b>Pari-Mutuel Wagering Net Tax Receipts</b>						
<b>2003</b>	\$7,660,350	\$7,559,068	\$206,438	\$10,398 <sup>1</sup>	\$346,687	\$15,782,941
<b>2004</b>	7,705,092	7,607,647	228,872	7,808	336,991	15,886,410
<b>2005</b>	7,198,910	6,724,629	236,615	7,086	207,504	14,374,744
<b>2006</b>	6,526,637	5,946,585	203,704	6,888	140,084	12,823,898
<b>2007</b>	6,325,354	5,609,985	196,167	6,708	128,237	12,266,451

<sup>1</sup> First year quarter horse reported separately.

**Table 2**  
**Amount Wagered on Horse Racing, Tax Levied and Distribution of Receipts:**  
**Fiscal Year 2007**

	Thoroughbred Race Meets	Commercial Harness Race Meets	County Agricultural Societies	Quarter Horse Race Meets	Off Track Parlors	Total
<b>Number of Meets</b>	1,085	1,427	162	12		2,686
Total Pari-Mutuel Wagering	\$215,632,306	\$176,497,753	\$4,632,327	\$260,354	\$5,612,908	\$402,635,648
Exotic Wagering <sup>1</sup>	\$147,273,429	\$128,570,257	\$2,779,193	\$169,581	\$4,124,352	\$282,916,812
Total Tax Levied	\$7,157,061	\$6,349,068	\$196,167	\$6,708	\$128,237	\$13,837,241
Less Tax Abatements:						
Capital Improvement						\$0
Major Capital	\$831,707	\$739,083				\$1,570,790
<b>Net Tax Collected</b>	<b>\$6,325,354</b>	<b>\$5,609,985</b>	<b>\$196,167</b>	<b>\$6,708</b>	<b>\$128,237</b>	<b>\$12,266,451</b>
Deferred Abatement <sup>2</sup>	\$238,049	\$107,572				\$345,621
<b>Distribution of Receipts:</b>						
Agricultural	\$1,298	\$3,584	\$102,227			\$107,109
Standardbred Devel. Fund		\$1,468,398	\$35,608			\$1,504,006
Quarter Horse Special Acct.	\$0		\$94	\$785		\$879
Ohio Fairs Fund	\$999,307	\$765,734	\$30,110	\$1,230		\$1,796,381
Thoroughbred Special Acct.	\$1,930,219	\$607,102	\$336			\$2,537,657
Operating Fund	\$1,623,033	\$1,336,234	\$27,792	\$1,933		\$2,988,992
Passport Fund	<u>\$1,771,497</u>	<u>\$1,428,933</u>		<u>\$2,760</u>	<u>\$128,237</u>	<u>\$3,331,427</u>
<b>Total Amount</b>	<b>\$6,325,354</b>	<b>\$5,609,985</b>	<b>\$196,167</b>	<b>\$6,708</b>	<b>\$128,237</b>	<b>\$12,266,451</b>

<sup>1</sup> Included in total pari-mutuel wagering but subject to an additional 3 percent tax.

<sup>2</sup> Represents tax abatements accrued and postponed to a later date.