

# Horse Racing Tax

Ohio's horse racing tax applies to both pari-mutuel and "exotic" wagering. During fiscal year 2008, the tax generated close to \$10.7 million in revenue (on \$352.4 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. 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. An additional tax on pari-mutuel wagering is also levied for the municipal corporation or township in which racing takes place, intended as a reimbursement for expenses incurred due to racing meets.

The Department of Taxation has administered the horse racing tax since 1953.

## Taxpayer

(Ohio Revised Code 3769.08)

The tax is paid by holders of racing permits issued by the Ohio State Racing Commission.

## Tax Base

(R.C. 3769.08, 3769.28, 3769.087)

The base of the tax includes the:

- 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)

The tax rates on daily pari-mutuel wagering rates are as follows:

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 3.5 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)

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

Revenue from the additional pari-mutuel wagering tax is distributed to the municipal corporation or township in which racing takes place. It 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 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, at their facilities, conduct televised simulcasts of horse races at other facilities in or outside of Ohio and conduct taxable pari-mutuel wagering on these races.

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

Off-track betting on races simulcast 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 Ohio PASSPORT Fund – established to pay for home health care and other senior citizen services – receives 25 percent of all gross tax revenue from pari-mutuel and exotic wagering, plus all tax revenue from off-track betting parlors.

The Ohio State Racing Commission’s Operating Fund receives the final 0.5 point of the 3.5 percent tax on exotic wagering.

Other distributions are made by the Tax Commissioner as shown in the following table:

Recipient	Source of Receipts	Share of Receipts
Ohio Fairs Fund	Wagering on thoroughbred, harness and quarter horse races.	0.50 percent of total pari-mutuel wagering plus 8.3 percent of the base 3 percentage points of tax on exotic wagering.
Ohio Thoroughbred Race Fund	Wagering on all thoroughbred races and on harness races at events other than county fairs.	1.125 percent of total pari-mutuel wagering on thoroughbred racing, 8.3 percent of revenue from the base 3 percentage point tax on exotic wagering on thoroughbred races, and 0.51 percent <sup>1</sup> on harness races.

Recipient	Source of Receipts	Share of Receipts
Ohio Standard-bred Development Fund	Wagering on harness racing and on all races at county fairs.	1.125 percent of pari-mutuel wagering on harness races, 0.625 percent of pari-mutuel wagering on races at county fairs, plus 8.3 percent of tax revenue from the base 3 percentage point tax on exotic wagering at harness races and at county fairs.
Quarter Horse Development Fund	Wagering on quarter horse races.	0.625 percent of total pari-mutuel wagering on quarter horse races and 8.3 percent of the revenue from the base 3 percentage points of tax on exotic wagering at quarter horse races.
County agricultural societies	Wagering on all races at county fairs.	Net tax receipts after payments to the Ohio Fairs Fund, Ohio Racing Commission Fund, Quarter Horse Fund and Standardbred Fund.
State Racing Commission Operating Fund	Thoroughbred, harness and quarter horse racing as well as all racing at county fairs.	In addition to the final 0.5 point of the exotic wagering tax noted above, receives 16.7 percent of the base 3 percentage point tax on exotic wagering and 0.25 percent of total pari-mutuel wagering on thoroughbred races.

Note: The revenue that remains from each racing day after distribution to the Ohio PASSPORT Fund is usually insufficient to pay the percentages of pari-mutuel wagering described in the table above, even after the exotic wagering revenue not allocated in the table is used to meet the targeted percentages of pari-mutuel wagering. In such cases, contributions to each fund are prorated on a proportional basis.

## Administration

The Department of Taxation administers the taxes 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.

<sup>1</sup> This percentage changes each year based on a calculation performed at the end of each calendar year.

## Chart

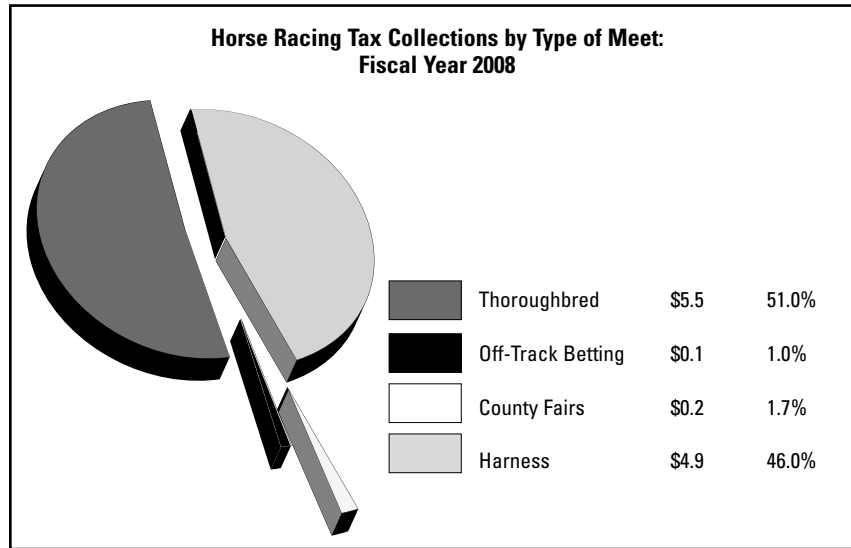


Table 1

<b>Amount Wagered on Horse Racing and Special Fund Receipts by Type of Event, Fiscal Years 2004 - 2008</b>						
<b>Pari-Mutuel Wagering</b>						
<b>Fiscal Year</b>	<b>Thoroughbred Racing</b>	<b>Commercial Harness Racing</b>	<b>Agricultural Societies Racing</b>	<b>Quarter Horse Racing</b>	<b>Off-Track Parlors</b>	<b>Total</b>
2004	\$260,903,387	\$233,604,182	\$5,428,844	\$333,586	\$14,124,923	\$514,394,922
2005	\$246,936,349	\$212,590,207	\$5,504,620	\$281,349	\$8,714,420	\$474,026,945
2006	\$236,417,769	\$200,116,137	\$4,983,661	\$296,592	\$5,962,237	\$447,776,396
2007	\$215,632,306	\$176,497,753	\$4,632,327	\$260,354	\$5,612,908	\$402,635,648
2008	\$187,046,366	\$155,672,065	\$4,474,105	\$227,002	\$4,947,766	\$352,367,304
<b>Pari-Mutuel Wagering Net Tax Receipts</b>						
2004	\$7,705,092	\$7,607,647	\$228,872	\$7,808	\$336,991	\$15,886,410
2005	\$7,198,910	\$6,724,629	\$236,615	\$7,086	\$207,504	\$14,374,744
2006	\$6,526,637	\$5,946,585	\$203,704	\$6,888	\$140,084	\$12,823,898
2007	\$6,325,354	\$5,609,985	\$196,167	\$6,708	\$128,237	\$12,266,451
2008	\$5,466,122	\$4,926,721	\$191,559	\$5,971	\$112,870	\$10,703,243

**Table 2**

<b>Amount Wagered on Horse Racing, Tax Levied and Distribution of Receipts: Fiscal Year 2008</b>						
	<b>Thoroughbred Race Meets</b>	<b>Commercial Harness Race Meets</b>	<b>County Agricultural Societies</b>	<b>Quarter Horse Race Meets</b>	<b>Off-Track Parlors</b>	<b>Total</b>
<b>Number of Meets</b>	1,027	1,316	155	10		2,508
Total Pari-Mutual Wagering	\$187,046,366	\$155,672,065	\$4,474,105	\$227,002	\$4,947,766	\$352,367,304
Exotic Wagering <sup>1</sup>	\$128,784,675	\$113,639,724	\$2,670,336	\$156,867	\$3,570,449	\$248,822,051
<b>Total Tax Levied</b>	<b>\$9,188,130</b>	<b>\$5,653,232</b>	<b>\$191,559</b>	<b>\$5,971</b>	<b>\$112,870</b>	<b>\$15,151,762</b>
Less Tax Abatements:						
Capital Improvement						\$0
Major Capital	\$3,722,008	\$726,511				\$4,448,519
<b>Net Tax Collected</b>	<b>\$5,466,122</b>	<b>\$4,926,721</b>	<b>\$191,559</b>	<b>\$5,971</b>	<b>\$112,870</b>	<b>\$10,703,243</b>
Deferred Abatement <sup>2</sup>	\$207,996	\$94,904				\$302,900
<b>Distribution of Receipts:</b>						
Agricultural	\$1,258	\$2,897	\$101,096			\$105,251
Standardbred Devel. Fund		\$1,281,378	\$34,496			\$1,315,874
Quarter Horse Special Acct.	\$0		\$39	\$1,317		\$1,356
Ohio Fairs Fund	\$862,139	\$668,334	\$29,047	\$1,111		\$1,560,631
Thoroughbred Special Acct.	\$1,663,769	\$534,535	\$176			\$2,198,480
Operating Fund	\$1,410,625	\$1,173,760	\$26,705	\$1,768		\$2,612,858
Passport Fund	\$1,528,331	\$1,265,817		\$1,775	\$112,870	\$2,908,793
<b>Total Amount</b>	<b>\$5,466,122</b>	<b>\$4,926,721</b>	<b>\$191,559</b>	<b>\$5,971</b>	<b>\$112,870</b>	<b>\$10,703,243</b>

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

2 Represents tax abatements accrued and postponed to a later date.