

SENATE BILL REPORT

SB 5598

As of February 5, 2023

Title: An act relating to providing supplementary funding to legalized horse racing and the recreational use of horses in Washington state.

Brief Description: Providing supplementary funding to legalized horse racing and the recreational use of horses in Washington state.

Sponsors: Senators Mullet, Fortunato, Nguyen, Keiser, Schoesler, Kauffman, Hunt, Padden, Wilson, J., Conway, Dozier, Stanford and Van De Wege.

Brief History:

Committee Activity: Business, Financial Services, Gaming & Trade: 2/07/23.

Brief Summary of Bill

- Repeals the parimutuel tax.
- Creates the Washington Equine Industry Reinvestment Account (Account) to support the Washington Horse Racing Commission and activities related to the equine industry.
- Requires an annual transfer of \$6 million per year to the Account of revenue from sales of equines and equine-related items.
- Requires an annual appropriation of \$6 million from the Account to the Washington Horse Racing Commission Operating Account.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

Staff: Kellee Gunn (786-7429)

Background: Washington Horse Racing Commission. The Washington Horse Racing Commission (Commission) is responsible for licensing, regulating, and supervising all

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horse race meets held in Washington where the parimutuel system of betting is used. Parimutuel betting, or pool betting, is when those who bet and finish in the first three places share the total amount bet minus a percentage for management.

Betting or wagering on a horse race is lawful in Washington only if it is by the parimutuel method.

Parimutuel Tax. There is a tax on parimutuel betting in Washington State. The tax rate is dependent on the gross receipts of the previous calendar year on in-state parimutuel machines. The tax rate that must be withheld and paid to the commission daily is either:

- 1.3 percent if gross receipts from the previous calendar year are greater than \$50 million; or
- 1.803 percent if gross receipts from the previous calendar year are less than \$50 million.

Gross receipts from the parimutuel tax are deposited into a nonappropriated account for the Commission's operating expenses. If sufficient funds are available for operating, then the Commission may spend up to \$300,000 per fiscal year for the equine industry.

If a licensee is a nonprofit, and meets less than 10 days a year, they are not subject to the parimutuel tax.

Summary of Bill: Annually, beginning July 1, 2023, up to \$6 million shall be transferred into the Washington Equine Industry Reinvestment Account (Account) from the state's sales and use tax on the following items:

- equines;
- equine feed;
- prescription drugs, over-the-counter drugs, or dietary supplements to be dispensed to equines;
- equine tack;
- horse bedding and grooming supplies;
- sale of horses, including equines claimed at class 1 and class C regulated race meets; and
- other taxable sales directly related to equine ownership, riding, or boarding.

The term equine means horse, pony, mule, donkey, or hinny.

The Account is created in the state treasury to help legalized horse racing and the recreational use of horses in Washington State. Beginning in fiscal year 2024, and annually thereafter, the money in the account must be appropriated as follows:

- \$6 million to the Washington Horse Racing Commission Operating Account for commission activities and operating expenses.

Remaining Account funds shall be distributed as follows:

- 65 percent to the class 1 racing associations allocated by grant from the Washington Horse Commission;
 - 1. of the allocation, 25 percent must be used for assistance in shipping and recruitment of horses to Washington from outside the state, with the remainder being used for equine health and safety programs, research, racetrack improvements, and long-term maintenance of the racing surface;
- 10 percent to support grants for nonprofit class C race meets;
 - 1. grants must not exceed ten days unless less than ten nonprofit race days are awarded then the remainder may be distributed based on greatest need;
- 10 percent to supplement Washington breeders and bred horses awards and owners bonuses;
- 10 percent to be awarded as grants to support certain equine activities such as shows, educational activities, and sponsored rides; and
- 5 percent to the local affiliate and representative of horsemen and horsewomen in Washington State, authorized to apply for grants to implement health and welfare programs for those working in the stable area at covered tracks.

The parimutuel tax is repealed, and the statutory provision allowing the Commission to spend up to \$300,000 for equine-industry related expenses is stricken.

Appropriation: The bill contains an appropriation totaling \$6 million per year.

Fiscal Note: Requested on January 31, 2023.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.