

BILL # HB 2368

TITLE: hardship tax credit; permittee; racing

SPONSOR: Somers

STATUS: As Introduced

REQUESTED BY: House

PREPARED BY: Brian Schmitz

FISCAL YEAR

	2001	2002	2003
REVENUES			
Department of Racing Funds – Pari-Mutuel Tax	\$ -0-	\$(1,136,000)	\$(1,154,200)
General Fund – Unclaimed Property Monies	\$ -0-	\$(1,136,000)	\$(1,154,200)

FISCAL ANALYSIS

Description

This bill would allow horse and dog racing tracks to make an inflation adjustment to the amount of their hardship tax credit. The hardship tax credit reduces the amount of pari-mutuel taxes owed by tracks through a formula that takes into account the percentage decrease in pari-mutuel wagering between a base year and the previous year. The base year is established by determining the highest annual amount of pari-mutuel wagering at a track between FY 1990 and FY 1994. This bill would increase the amount of the base year wagers by the increase in the GDP deflator since FY 1995.

Estimated Impact

The bill is estimated to reduce pari-mutuel tax revenues by \$(1,136,000) in FY 2002 and by \$(1,154,200) in FY 2003. By statute, pari-mutuel tax revenues are deposited in 8 different funds, most of which are administered by the Department of Racing. Statute guarantees a minimum level of funding for these funds and requires a shortfall in pari-mutuel revenues to be made up by an increase in funding from unclaimed property revenues. These unclaimed property revenues would otherwise be deposited into the General Fund. This bill would cause unclaimed property revenues in the amount of \$(1,136,000) in FY 2002 and \$(1,154,200) in FY 2003 to be diverted from the General Fund to the 8 other funds.

Assumptions

By allowing tracks to increase their base year amount by the rate of inflation since FY 1995, this bill would have the effect of increasing the spread between the amount wagered in the base year and the amount wagered in the previous year. Because the amount wagered has declined in real (inflation adjusted) terms over the past several years, the bill would widen the difference between the base year and the previous year, thus increasing the hardship tax credit that tracks receive.

According to information prepared by the Department of Racing, the total amount of hardship tax credits that tracks qualified for in FY 2000 was \$1,253,500. In other words, pari-mutuel tax liability was reduced by \$(1,253,500) in FY 2000 due to the hardship tax credit. This bill would increase the amount of hardship tax credits that tracks qualify for to \$2,389,500 in FY 2002 and 2,407,700 in FY 2003. This means that the net effect of the bill is a decrease in pari-mutuel tax revenues of \$(1,136,000) in FY 2002 and \$(1,154,200) in FY 2003.

The GDP Deflator figures used in this analysis come from WEFA, a national economic consulting firm. We used the GDP Deflator numbers to increase the base year wagers, as well as to grow the actual FY 2000 wagers through the biennium.

Local Government Impact

None.