AN ACT relating to pari-mutuel tax.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔Section 1. KRS 138.510 is amended to read as follows:

(1) (a) Except as provided in paragraph (d) of this subsection and subsection (3) of this section, an excise tax is imposed on all tracks conducting pari-mutuel wagering on live racing under the jurisdiction of the commission as follows:

1. For each track with a daily average live handle of one million two hundred thousand dollars ($1,200,000) or above, the tax shall be in the amount of three and one-half percent (3.5%) of all money wagered on live races at the track during the fiscal year; and

2. For each track with a daily average live handle under one million two hundred thousand dollars ($1,200,000), the tax shall be one and one-half percent (1.5%) of all money wagered on live races at the track during the fiscal year.

(b) ***1.*** Beginning on April 1, 2014, an excise tax is imposed on all tracks conducting pari-mutuel wagering on historical horse races under the jurisdiction of the commission at a rate of one and one-half percent (1.5%) of all money wagered on historical horse races at the track during the fiscal year.

2. Beginning on October 1, 2022, a surtax shall be imposed in addition to the tax levied in subparagraph 1. of this paragraph on all tracks conducting pari-mutuel wagering on historical horse races under the jurisdiction of the commission at the rate of one and one-half percent (1.5%) of all money wagered on historical horse races at the track during the fiscal year.

(c) Money shall be deducted from the tax paid under paragraphs (a) and (b)***1.*** of this subsection and deposited as follows:

1. An amount equal to three-quarters of one percent (0.75%) of all money wagered on live races and historical horse races at the track for Thoroughbred racing shall be deposited in the Thoroughbred development fund established in KRS 230.400;
2. An amount equal to one percent (1%) of all money wagered on live races and historical horse races at the track for harness racing shall be deposited in the Kentucky standardbred development fund established in KRS 230.770;
3. An amount equal to one percent (1%) of all money wagered on live races and historical horse races at the track for quarter horse, paint horse, Appaloosa, and Arabian horse racing shall be deposited in the Kentucky quarter horse, paint horse, Appaloosa, and Arabian development fund established by KRS 230.445;
4. An amount equal to two-tenths of one percent (0.2%) of all money wagered on live races and historical horse races at the track shall be deposited in the equine industry program trust and revolving fund established by KRS 230.550 to support the Equine Industry Program at the University of Louisville, except that the amount deposited from money wagered on historical horse races in any fiscal year shall not exceed six hundred fifty thousand dollars ($650,000);
5. a. An amount equal to one-tenth of one percent (0.1%) of all money wagered on live races and historical horse races at the track shall be deposited in a trust and revolving fund to be used for the construction, expansion, or renovation of facilities or the purchase of equipment for equine programs at state universities, except that the amount deposited from money wagered on historical horse races in any fiscal year shall not exceed three hundred twenty

thousand dollars ($320,000).

b. These funds shall not be used for salaries or for operating funds for teaching, research, or administration. Funds allocated under this subparagraph shall not replace other funds for capital purposes or operation of equine programs at state universities.

c. The Kentucky Council on Postsecondary Education shall serve as the administrative agent and shall establish an advisory committee of interested parties, including all universities with established equine programs, to evaluate proposals and make recommendations for the awarding of funds.

d. The Kentucky Council on Postsecondary Education may promulgate administrative regulations to establish procedures for administering the program and criteria for evaluating and awarding grants; and

6. An amount equal to one-tenth of one percent (0.1%) of all money wagered on live races and historical horse races shall be distributed to the commission to support equine drug testing as provided in KRS 230.265(3), except that the amount deposited from money wagered on historical horse races in any fiscal year shall not exceed three hundred twenty thousand dollars ($320,000).

(d) The excise tax imposed by paragraph (a) of this subsection shall not apply to pari-mutuel wagering on live harness racing at a county fair.

(e) The excise tax imposed by paragraph (a) of this subsection, and the distributions provided for in paragraph (c) of this subsection, shall apply to money wagered on historical horse races beginning September 1, 2011, through March 31, 2014, and historical horse races shall be considered live racing for purposes of determining the daily average live handle. Beginning

April 1, 2014, the tax imposed by paragraph (b)***1.*** of this subsection shall apply to money wagered on historical horse races. ***Beginning October 1, 2022, the surtax imposed by paragraph (b)2. of this subsection shall apply to money wagered on historical horse races.***

(2) (a) Except as provided in paragraph (c) of this subsection, an excise tax is imposed on:

1. All tracks conducting telephone account wagering;
2. All tracks participating as receiving tracks in intertrack wagering under the jurisdiction of the commission; and
3. All tracks participating as receiving tracks displaying simulcasts and conducting interstate wagering thereon.

(b) The tax shall be three percent (3%) of all money wagered on races as provided in paragraph (a) of this subsection during the fiscal year.

(c) A noncontiguous track facility approved by the commission on or after January 1, 1999, shall be exempt from the tax imposed under this subsection, if the facility is established and operated by a licensed track which has a total annual handle on live racing of two hundred fifty thousand dollars ($250,000) or less. The amount of money exempted under this paragraph shall be retained by the noncontiguous track facility, KRS 230.3771 and 230.378 notwithstanding.

(d) Money shall be deducted from the tax paid under paragraphs (a) and (b) of this subsection as follows:

1. An amount equal to two percent (2%) of the amount wagered shall be deposited as follows:

   a. In the Thoroughbred development fund established in KRS 230.400 if the host track is conducting a Thoroughbred race meeting or the interstate wagering is conducted on a Thoroughbred race meeting;

b. In the Kentucky standardbred development fund established in KRS 230.770, if the host track is conducting a harness race meeting or the interstate wagering is conducted on a harness race meeting; or

c. In the Kentucky quarter horse, paint horse, Appaloosa, and Arabian development fund established by KRS 230.445, if the host track is conducting a quarter horse, paint horse, Appaloosa, or Arabian horse race meeting or the interstate wagering is conducted on a quarter horse, paint horse, Appaloosa, or Arabian horse race meeting;

2. An amount equal to one-twentieth of one percent (0.05%) of the amount wagered shall be allocated to the equine industry program trust and revolving fund established by KRS 230.550 to be used to support the Equine Industry Program at the University of Louisville;

3. An amount equal to one-tenth of one percent (0.1%) of the amount wagered shall be deposited in a trust and revolving fund to be used for the construction, expansion, or renovation of facilities or the purchase of equipment for equine programs at state universities, as detailed in subsection (1)(c)5. of this section; and

4. An amount equal to one-tenth of one percent (0.1%) of the amount wagered shall be distributed to the commission to support equine drug testing as provided in KRS 230.265(3).

(3) If a host track in this state is the location for the conduct of a two (2) day international horse racing event that distributes in excess of a total of twenty million dollars ($20,000,000) in purses and awards:

(a) The excise tax imposed by subsection (1)(a) of this section shall not apply to money wagered at the track on live races conducted at the track during the two (2) day international horse racing event; and

(b) Amounts wagered at the track on live races conducted at the track during the two (2) day international horse racing event shall not be included in calculating the daily average live handle for purposes of subsection (1) of this section.

(4) The taxes imposed by this section shall be paid, collected, and administered as provided in KRS 138.530.

➔Section 2. KRS 138.513 is amended to read as follows:

(1) ***(a)*** Beginning August 1, 2014, an excise tax is imposed on all advance deposit account wagering licensees licensed under KRS 230.260 at a rate of one-half of one percent (0.5%) of all amounts wagered through the licensee by Kentucky residents.

(b) Beginning October 1, 2022, a surtax is imposed on all advance deposit account wagering licensees licensed under KRS 230.260 at a rate of two and one-half percent (2.5%) of all amounts wagered through the licensee by Kentucky residents.

(2) The ***taxes***~~[tax]~~ imposed by this section shall be paid, collected, administered, and distributed as provided in KRS 138.530.

➔Section 3. KRS 138.530 is amended to read as follows:

(1) The department shall enforce the provisions of and collect the tax and penalties imposed and other payments required by KRS 138.510 to 138.550, and in doing so it shall have the general powers and duties granted it in KRS Chapters 131 and 135, including the power to enforce, by an action in the Franklin Circuit Court, the collection of the tax, penalties and other payments imposed or required by KRS 138.510 to 138.550.

(2) (a) The remittance of the taxes imposed by KRS 138.510 shall be made weekly to

the department no later than the fifth business day, excluding Saturday and Sunday, following the close of each week of racing, during each race meeting, and following the close of each week when historical horse races are conducted, and shall be accompanied by reports as prescribed by the department.

(b) Except as otherwise provided in KRS 138.510 to 138.550, all funds received by the department from the taxes imposed by KRS 138.510 shall be paid into the State Treasury and shall be credited to the general fund.

(c) The supervisor of pari-mutuel betting appointed by the commission shall weekly, during each race meeting, and during each week when historical horse races are conducted, report to the department the total amount bet or handled the preceding week and the amount of tax due the state thereon, under the provisions of KRS 138.510 to 138.550.

(d) The supervisor of pari-mutuel betting appointed by the commission or his or her duly authorized representatives shall, at all reasonable times, have access to all books, records, issuing or vending machines, adding machines, and all other pari-mutuel equipment for the purpose of examining and checking the same and ascertaining whether or not the proper amount or amounts due the state are being or have been paid.

(e) Every person, corporation, or association required to pay the tax imposed by KRS 138.510 shall keep its books and records so as to clearly show by a separate record the total amount of money contributed to every pari-mutuel pool.

(3) (a) The remittance of the tax imposed by KRS 138.513 shall be made weekly to the department no later than the first business day of the week next succeeding the week during which the wagers forming the base of the tax were received.

(b) Along with the remittance of the tax, each advance deposit account wagering licensee shall file a return that includes the information required by the department.

(c) Every advance deposit account wagering licensee shall keep its books and records in such a manner that:

1. Kentucky residents having accounts with the advance deposit account wagering licensee can be individually identified and their identity and residence verified; and

2. The amount wagered through each account held by a Kentucky resident and the date of each wager can be determined and verified.

(d) All books and records of the advance deposit account wagering licensee required by paragraph (c) of this subsection and any books and records that the department requires a licensee to maintain through promulgation of an administrative regulation shall be open to inspection by the department and the commission.

(e) All revenue received by the department from the tax imposed by ***subsection (1)(a) of Section 2 of this Act***~~[KRS 138.513]~~ shall be distributed as follows:

1. Fifteen percent (15%) shall be distributed to the Commonwealth and credited to the general fund; and

2. a. Eighty-five percent (85%) of revenue received from a wager placed on a race conducted at a track in Kentucky shall be distributed to the association that conducted the race;

b. Eighty-five percent (85%) of revenue received from a wager placed on a race conducted at a track outside Kentucky shall be distributed to the Kentucky track that is recognized as the host track by the commission at the time the wager is placed. However, if a wager subject to the tax imposed by KRS 138.513 is placed on a race conducted at a track outside Kentucky, and the individual placing the wager has registered an address with the advance deposit account wagering licensee that is within twenty-five (25) miles of a Kentucky track, the association licensed by the commission to operate that track shall receive the tax revenue derived from that wager; and

c. An association receiving distributions under subdivisions a. and b. of this subparagraph shall allocate one-half (1/2) of the amount distributed to its purse account.

➔Section 4. KRS 230.750 is amended to read as follows:

The commission, including the ***taxes***~~[tax]~~ levied in KRS 138.510, deducted from the gross amount wagered by the person, corporation, or association which operates a harness horse track under the jurisdiction of the racing commission at which betting is conducted through a pari-mutuel or other similar system shall not exceed eighteen percent (18%) of the gross amount handled on straight wagering pools and twenty-five percent (25%) of the gross amount handled on multiple wagering pools, plus the breaks, which shall be made and calculated to the dime. Multiple wagering pools shall include daily double, perfecta, double perfecta, quinella, double quinella, trifecta, and other types of exotic betting. An amount equal to three percent (3%) of the total amount wagered and included in the commission of a harness host track shall be allocated by the harness host track in the following manner. Two percent (2%) shall be allocated to the host for capital improvements, promotions, including advertising, or purses, as the host track shall elect. Three-quarters of one percent (3/4 of 1%) shall be allocated to overnight purses. One-quarter of one percent (1/4 of 1%) shall be allocated to the Kentucky standardbred development fund. This allocation shall be made after deduction from the commission of the pari-mutuel tax but prior to any other deduction, allocation or division of the commission.