

FISCAL NOTE

Requested by Legislative Council
01/18/2005

Bill/Resolution No.: HB 1389

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	(\$27,239)	\$0	(\$27,239)
Expenditures	\$0	\$0	\$0	(\$27,239)	\$0	(\$27,239)
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

The bill provides for a reduction in the taxes assessed on both live and simulcast horse racing wagers. The amount of wagering that must occur before the tax rate is decreased as follows:

Changes from \$35.5 million to \$11 million per biennium the amount of win, place and show wagers needed before the tax rates decrease to a total of 3/16 of 1% - 1/16 of 1% each for the general fund, purse, and breeders' funds. Under current law, win, place and show wagers above \$35.5 million are taxed at 1/2 of 1% for the general fund, purse, and breeders funds, for a total tax of 1 1/2%. Wagers of less than \$35.5 million are taxed at 2% for the general fund, and 1/2 of 1% for the purse and breeders' funds, for a total tax of 3%. This bill does not change the tax rates for wagering of \$11 million or less.

Changes from \$102.4 million to \$11 million per biennium the amount of exotic wagers (wagers combining two or more horses) needed before the tax rates decrease to 1/4 of 1% - 1/16 of 1% each for the general fund, purse, breeders, and promotion funds. Under current law, wagers above \$102.4 million are taxed at 1/4 of 1% for the general fund, and 1/2 of 1% each for the purse, promotion, and breeders funds, for a total tax of 1.75%. Wagers of less than \$102.4 million are taxed at 2% for the general fund, and 1/2 of 1% each for the promotion, purse, and breeders' funds, for a total tax of 3 1/2%. This bill does not change the tax rates for wagering of \$11 million or less.

This bill allows the provider to retain the breakage, which is currently deposited in the promotion fund. Breakage is the rounding down of winning payoffs. For example, if a wager paid \$3.88 on a \$2 wager, the payoff is rounded down to the nearest dime. The breakage would be \$.08.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

In lieu of the breakage, the promotion fund would receive 1/4 of 1% on the first \$11 million in wagers, which will generate an estimated \$18,989 for the biennium. Using the \$23,114 collected for calendar year 2004 as an annual estimate, the

net reduction to the promotion fund for breakage is estimated at \$27,239.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

With the revenue reduction reflected above, up to \$27,239 in expenditures could be reduced.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

The purse, breeders', and promotion funds are continuing appropriations and are not budgeted.

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