

Department of Fiscal Services  
Maryland General Assembly

**FISCAL NOTE**

Senate Bill 793 (Senators Bromwell and Hoffman)  
Finance and Budget and Taxation

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**Racing - Taxes - Purses**

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This bill repeals, (for fiscal 1998 only), the State wagering tax for thoroughbred and harness racing, which is 0.5% of the handle, and allocates 0.5% of the handle to purses. The bill also provides that, after cumulative distributions to the general fund for fiscal 1997 from the lottery total \$334,172,000, all lottery revenue is to be distributed to a special fund to increase purses.

This bill is effective June 1, 1997.

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**Fiscal Summary**

**State Effect:** General fund revenues could decline by an estimated \$34.5 million in FY 1997. General fund revenues could decline by an estimated \$1,983,700 and special fund expenditures may decrease by \$756,300 in FY 1998, resulting from a \$2,740,000 special fund revenue loss as discussed below.

**Local Effect:** Local revenue for those jurisdictions receiving impact aid could decline as discussed below. Expenditures would not be affected.

**Small Business Effect:** Potential meaningful effect on small businesses as discussed below.

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**Fiscal Analysis**

**State Effect:** Lottery revenues to the general fund are estimated at \$368.7 million in fiscal 1997. Under this bill, all revenues over \$334.2 million would be credited to a special fund to enhance purses. This distribution would result in a general fund revenue loss of \$34.5 million in fiscal 1997.

Wagering taxes will generate an estimated \$2.74 million in special fund revenue in fiscal 1998. This revenue is credited to a special fund, from which \$4.6 million is budgeted for

impact aid, grants, and track operations. At the end of each fiscal year, any remaining monies in the fund are credited to the general fund. Estimated fiscal 1998 special fund revenue is \$6.6 million, \$1,983,700 of which is budgeted to revert to the general fund.

If the tax is repealed, purses would increase by \$2.74 million, while revenue to the special fund would decline by the same amount. Thus, general fund revenue would decline by \$1,983,700, and the special fund would have a shortfall from budgeted expenditures of \$756,300.

Budgeted expenditures from the special fund in fiscal 1998 include \$1,155,000 for grants, \$1,344,300 for impact aid, and \$2,118,355 for track operations, which are reimbursed by the tracks. With the repeal of the wagering tax, the shortfall of \$756,300 would have to be made up from another revenue source or through reduced expenditures. If expenditures are reduced, it seems likely that the reduction would come from the grants or impact aid, since the \$2.1 million for track operations are expenditures which are reimbursed by the tracks.

**Small Business Effect:** Enhancing the purses will result in increased income for horse owners, many of whom are presumed to be small businesses. Harness purses totaled \$7.9 million in 1996 while thoroughbred purses totaled \$41 million. Dedicating 0.5% of the handle and \$34.5 million of lottery revenues would increase total purses by about 76%. To the extent that increased purses result in more out-of-state horses racing in Maryland, the increased income for Maryland owners would be reduced.

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**Information Source(s):** Department of Labor, Licensing and Regulation (State Racing Commission), Department of Fiscal Services

**Fiscal Note History:** First Reader - March 17, 1997  
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