

**Department of Fiscal Services**  
Maryland General Assembly

**FISCAL NOTE**  
**Revised**

House Bill 315 (Delegates Bozman and C. Davis)

Ways and Means

Referred to Finance and Budget and Taxation

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**Horse Racing**

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This enrolled bill reduces the State wagering tax for thoroughbred and harness racing from 0.5% of the handle to 0.32% of the handle and allocates 0.18% of the handle to purses for a one-year period beginning June 1, 1997. The bill also requires that the first \$5.0 million of fiscal 1997 general fund lottery revenues over \$334.2 million be distributed to a special fund for enhancing purses. Mile thoroughbred purses shall receive 70% of this distribution, and harness tracks shall receive 30%. The Governor is required to create a commission to study ways to improve the financial viability of the industry. The commission is to report its findings by November 1, 1997 to the Legislative Policy Committee, the Senate Finance Committee, and the House Committee on Ways and Means.

This bill is effective June 1, 1997.

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**Fiscal Summary**

**State Effect:** Special fund revenues will decline by an estimated total of \$986,400 in FY 1997 and 1998. General fund revenues could decline by \$5.0 million in FY 1997. Expenditures would not be affected.

**Local Effect:** None.

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

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## Fiscal Analysis

**State Effect:** 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 reduced to 0.32%, purses would increase by \$986,400 while revenue to the special fund would decline by the same amount over the 12-month period. Thus, general fund revenue would decline by \$986,400 in fiscal 1999.

The lottery is estimated to result in \$334.2 million of general fund revenue in fiscal 1997. It currently appears that actual revenues will exceed this amount by more than \$5.0 million. While this would represent a \$5 million general fund revenue loss, the fiscal 1997 budget was based on lottery revenues of \$334.2 million.

**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. Dedicated these revenues to purses would increase total purses by about 12%. 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 - January 30, 1997  
mld Revised - House Third Reader - April 4, 1997  
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