

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 546 (Senators Lawlah and Currie)  
Finance and Budget and Taxation

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Horse Racing - Taxes - Purses

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This bill repeals 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.

This bill is effective July 1, 1997.

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Fiscal Summary

**State Effect:** Special fund revenues will decline by an estimated \$2,740,000 annually, beginning in FY 1998. General fund revenues could decline by an estimated \$1,983,700 and special fund expenditures may decrease by \$756,300 beginning in FY 1998, resulting from the 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:** Wagering taxes will generate an estimated \$2.74 million in special fund revenues 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 If the tax is repealed, purses would increase by \$2.74 million, while revenue to the special fund would decline by the same amount.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 million, 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 would increase total purses by about 6%. 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

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