

1989

Session Law 89-371

Florida Senate & House of Representatives

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H 1145 GENERAL BILL/1ST ENG by Tobin; Mackenzie and others
(Similar S 403)
~~Breeders' Crown Meet/Permitholder~~; increases amount of tax credits applicable to Breeders' Crown Meet permitholder; provides for disposition of certain earned credits. Amends 550.2636. Effective Date: 07/06/89.

03/21/89 HOUSE Prefiled
03/24/89 HOUSE Referred to Regulated Industries; Finance & Taxation; Appropriations
03/28/89 HOUSE Subreferred to Subcommittee on Pari-mutuels
04/04/89 HOUSE Introduced, referred to Regulated Industries; Finance & Taxation; Appropriations -HJ 108; Subreferred to Subcommittee on Pari-mutuels; On Committee agenda—Regulated Industries, 04/05/89, 1:15 pm, 212-HOB—For ratification to subcommittee
04/21/89 HOUSE On subcommittee agenda—Regulated Industries, 04/25/89, 3:45 pm, 214-C
04/25/89 HOUSE Subcommittee Recommendation: Favorable; On Committee agenda, pending subcommittee action—Regulated Industries, 04/27/89, 8:30 am, 214-C
04/27/89 HOUSE Preliminary Committee Action by Regulated Industries: Favorable
04/28/89 HOUSE Comm. Report: Favorable by Regulated Industries -HJ 311; Now in Finance & Taxation -HJ 311
05/03/89 HOUSE On Committee agenda—Finance & Taxation, 05/05/89, 8:30 am, 413-C—For ratification to subcommittee
05/17/89 HOUSE On Committee agenda—Finance & Taxation, 05/19/89, 8:00 am, 413-C
05/22/89 HOUSE Comm. Report: Favorable with 1 amendment(s) by Finance & Taxation -HJ 567; Now in Appropriations -HJ 567
05/24/89 HOUSE On Committee agenda—Appropriations, 05/25/89, 8:00 am, 21-HOB
05/25/89 HOUSE Preliminary Committee Action by Appropriations: Favorable
05/26/89 HOUSE Comm. Report: Favorable by Appropriations, placed on Calendar -HJ 698
05/31/89 HOUSE Placed on Special Order Calendar; Read second time -HJ 977; Amendments adopted; Read third time; Passed as amended; YEAS 106 NAYS 5 -HJ 978
06/01/89 SENATE In Messages
06/02/89 SENATE Received -SJ 868; Substituted for SB 403; Passed; YEAS 36 NAYS 1 -SJ 890
06/02/89 Ordered enrolled
06/20/89 Signed by Officers and presented to Governor
07/06/89 Became Law without Governor's Signature; Chapter No. 89-371

NOTES: Above bill history from Division of Legislative Information's *FINAL LEGISLATIVE BILL INFORMATION, 1989 SESSIONS*. Staff Analyses for bills amended beyond final committee action may not be in accordance with the enacted law. Journal page numbers (HJ & SJ) refer to daily Journals and may not be the same as final bound Journals.

****AS PASSED BY THE 1989 LEGISLATURE****

STORAGE NAME: \wp\sa\h1145-f.ri
DATE: June 23, 1989

**HOUSE OF REPRESENTATIVES
COMMITTEE ON REGULATED INDUSTRIES
FINAL STAFF ANALYSIS & ECONOMIC IMPACT STATEMENT**

BILL #: HB 1145

RELATING TO: Harness Racing; Increasing the tax credits for hosting a Breeders Crown Meet

SPONSOR(S): Representatives Tobin, Mackenzie, and others

EFFECTIVE DATE: July 1, 1989, or upon becoming a law

DATE BECAME LAW: July 6, 1989

CHAPTER #: 89-371, Laws of Florida

COMPANION BILL(S): SB 403

OTHER COMMITTEES OF REFERENCE: (1) Finance and Taxation
(2) Appropriations

I. SUMMARY:

This bill increases from \$300,000 to \$650,000 the potential tax credit for any Florida harness track conducting a Breeders Crown Meet.

A. PRESENT SITUATION:

In 1984 the Hambletonian Society began sponsoring a Breeders Crown series of harness races. The Breeders Crown series generally consists of 12 championship races conducted in October of each year. These races have normally been apportioned to different harness tracks throughout the country. A track pays a fee for each race and incurs various other contractual obligations, but these races generally attract significant fan interest.

Since 1984, the Pompano Park harness track, Florida's only active harness track, has conducted some Breeders Crown races each year.

In 1988 the Legislature passed s. 550.2636, which allows a track tax credits of up to \$300,000 for hosting Breeders Crown races. As much as \$150,000 may be credited for purses or other fees paid to the Hambletonian Society. An additional sum of up to \$150,000 may be credited for capital improvements and extraordinary expenses necessary for the operation of the meet.

The Pari-Mutuel Commission is to determine the amount to be credited. The credit is to be applied against taxes otherwise

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due and payable during the track's "next ensuing regular harness meet."

Additionally, a three day period is set aside during which all races conducted, even those which are not official Breeders Crown races, are free from state tax on handle.

In October of 1988 Pompano conducted four Breeders Crown races, the most it had ever conducted, and earned the maximum tax credit.

In 1989 Pompano plans to conduct eight Breeders Crown races. It maintains that the tax credits presently allowed are insufficient. It states that its cost to purchase the races has risen to \$50,000 per race. Since it will be conducting eight races this year, that cost will be \$400,000.

Additional costs which Pompano claims it will incur this year are:

National advertising of meet, per contract with Hambletonian Society.	\$100,000
Special local advertising	\$ 50,000
Electrical wiring and tote installation	\$ 50,000
Cost of temporary press room	\$ 20,000
Additional personnel costs	\$ 75,000
Additional lighting, parking, and seating	\$ 50,000
Lodging, meals, and entertainment for visiting dignitaries	\$ 10,000
Subtotal	<u>\$355,000</u>

Pompano maintains that its Breeders Crown meets are a boon to the local economy, and that local businesses have benefited greatly from them. It claims that this year over 40,000 people will attend these three nights of racing and that many of these will come from out of state, some from other nations.

B. EFFECT OF PROPOSED CHANGES:

This bill clarifies that whenever a Breeders Crown Meet is conducted in Florida, the tax credits earned by the host track will not be credited until the next state fiscal year.

It also increases from \$150,000 to \$400,000 the maximum tax credit which a track can obtain to offset the cost of purchasing Breeders Crown races, and increases from \$150,000 to \$250,000 the tax credit for other costs associated with conducting a Breeders Crown Meet. Thus, the potential total credit increases from \$300,000 per year to \$650,000 per year.

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However, this additional credit will be paid as follows. When a track qualifies for an additional credit (a credit exceeding \$150,000 to purchase the races, or a credit exceeding \$150,000 for other costs), during the next state fiscal year the track will be required to increase its withholding on all wagers taken during the next state fiscal year by one half of one percent.

The first \$30,000 generated by this additional withholding will be paid into the General Revenue Fund, to offset the tax loss to the state from the decline in handle which is anticipated to result from the additional withholding. Subsequent funds raised by this withholding will go toward offsetting the additional credit earned.

When the amount of the additional credit has been offset in full, additional funds generated by the additional withholding for the balance of that state fiscal year are to be split evenly between the track and additional purses.

When a Breeders Crown Meet is not conducted, or a meet is conducted but the tax credits earned do not exceed either \$150,000 for purses or \$150,000 for other costs, no additional withholding will be permitted.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring or First Year Start-Up Effects:

None

2. Recurring or Annualized Continuation Effects:

As noted above, according to the Department of Business Regulation, the \$30,000 which will be paid into the General Revenue Fund should offset the likely tax loss to the state from any decline in handle which may result from the additional withholding.

3. Long Run Effects Other Than Normal Growth:

None

4. Appropriations Consequences:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring or First Year Start-Up Effects:

None

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2. Recurring or Annualized Continuation Effects:

None

3. Long Run Effects Other Than Normal Growth:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

In the 1987-88 fiscal year, approximately \$85 million was wagered during the Pompano harness meet. At that level of handle an increase in withholding of one-half of one percent would cost the wagering public \$425,000.

2. Direct Private Sector Benefits:

This bill provides an additional tax credit of up to \$350,000 per year for the Pompano harness track when it conducts a Breeders Crown Meet.

Proponents of the bill estimate that this year's meet, which is the largest they have ever conducted, will generate 33,500 visitor days, and will have an economic impact of \$3,390,000 on the local area. They use a multiplier of 3.5 to claim an aggregate economic impact of \$11,865,000. Additionally, Breeders Crown races are televised on ESPN, giving nationwide exposure to Florida.

This bill should also provide some funding for additional purses. However, the extent of the funding will depend to a great extent upon the amount of the additional tax credit earned by Pompano in any year.

3. Effects on Competition, Private Enterprise, and Employment Markets:

According to proponents of this bill, the Broward County Tourist Development Research Department believes that for every 43 visitors to Broward County one job is created.

D. FISCAL COMMENTS:

None

III. LONG RANGE CONSEQUENCES:

This bill is arguably relevant to the goal for the economy stated in the State Comprehensive Plan. "Florida shall promote an economic climate which provides economic stability, maximizes job opportunities, and increases per capita income for its residents." Section 187.201(22)(a), F.S.

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IV. COMMENTS:

This bill may be relevant to the Mission for this Committee, which is to "support the enhancement of the pari-mutuel industry as a national and international attraction." It does not appear to be relevant to the Policy Statement issued by the 1989-90 Legislative Issues Conference.

Legislative History 1989 Session

A. Enacted Bill

House Bill 1145 was prefiled by Representative Tobin on March 21, 1989. On March 24 it was referred to the Committee on Regulated Industries, the Finance and Taxation Committee, and the Appropriations Committee. On March 28 it was subreferred to the Subcommittee on Pari-mutuels.

On April 25 the Subcommittee on Pari-mutuels made a favorable recommendation on the bill. On April 27 the Committee on Regulated Industries voted favorably on the bill.

On May 19 the Finance and Taxation Committee voted favorably on the bill with one amendment. That amendment served to clarify that a tax credit earned for hosting a Breeders' Crown Meet will not be credited until the next state fiscal year.

On May 25 the Appropriations Committee also voted favorably on the bill and the same amendment.

On May 26 the bill was placed on the Calendar. On May 31 it was placed on the Special Order Calendar, amendments were adopted, and the bill was passed as amended by a vote of 105-5.

The amendments which were adopted on the floor of the House were intended to insure that this bill was at least revenue neutral, and contain the provision requiring that any additional credit be financed by an additional 1/2 of 1% withholding, that the first \$30,000 generated by this withholding be deposited in General Revenue, and that any balance remaining after the credit has been funded be split between the permitholder and additional purses.

On June 2 the Senate received the bill, substituted it for Senate Bill 403, and passed it by a vote of 36-1.

B. Disposition of Companion

Senate Bill 403 was prefiled by Senator McPherson on March 9, 1989. On March 24 it was referred to the following Committees: Regulated Industries; Finance, Taxation, and Claims; and Appropriations.

On April 25 the Regulated Industries Committee voted favorably on the bill. On May 23 the Finance, Taxation, and Claims Committee voted favorably on the bill with one amendment. That amendment was similar to the amendment approved by the House Finance and

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Taxation Committee and clarified when a tax credit is to be credited.

On June 1 the bill was withdrawn from the Appropriations Committee and placed on the Calendar. On June 2 the bill was placed on the special Order Calendar and House Bill 1145 was substituted for it.

V. SIGNATURES:

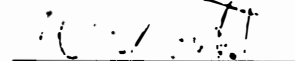
SUBSTANTIVE COMMITTEE:

Prepared by:



Robert B. Beitler

Staff Director:



Wyatt T. Martin

SECOND COMMITTEE OF REFERENCE:

Prepared by:

Staff Director:

APPROPRIATIONS:

Prepared by:

Staff Director:

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

<u>ANALYST</u>	<u>STAFF DIRECTOR</u>	<u>REFERENCE</u>	<u>ACTION</u>
1. <u>George</u>	<u>Skelton</u>	1. <u>RI</u>	<u>Favorable</u>
2. <u>Keating</u>	<u>Beggs</u>	2. <u>FTC</u>	<u>Fav/lAmend</u>
3. _____	_____	3. <u>AP</u>	_____
4. _____	_____	4. _____	_____

SUBJECT:

Breeders' Crown Meet/
Tax Credit

BILL NO. AND SPONSOR:

SB 403 by
Senator McPherson

I. SUMMARY:

A. Present Situation:

Section 550.2636, enacted by chapter 88-120, Laws of Florida, recognized statutorily a special harness race meet designated as the "Breeders' Crown Meet." The Breeders' Crown is a series of harness races sponsored each year by the Hambletonian Society, Inc. When a Florida track is selected by the Hambletonian Society to host the Breeders' Crown Meet, the Division of Pari-mutuel Wagering must issue a license to that permitholder.

The Florida track which hosts this meet is entitled to receive a credit of up to \$150,000 against the taxes that would otherwise be paid to the state. This credit is given to the track during its next regular racing meet, and the money is to be used to supplement purses or pay fees for receipt of the meet. The host track may also receive another tax credit of up to \$150,000 to pay for capital improvements and extraordinary expenses to operate the meet. The exact amount to be credited to the track is set by the Florida Pari-mutuel Commission. In addition, the host track does not pay any state tax on handle for the days the Breeders' Crown is conducted, not to exceed 3 days in any calendar year. The track is also exempt from certain purse requirements for Breeders' Crown races.

Pompano Park Associates, Ltd., located in Broward County, ran Breeders' Crown races on November 11, 12, and 18, 1988. That permitholder will take the full \$300,000 tax credit during their next regular harness meet, which begins in October of 1989. According to Harold Duris, the executive vice-president and general manager of Pompano Park, the first tax credit of \$150,000 will reimburse the track for three-fourths of the fees it is to pay the Hambletonian Society. The second \$150,000 tax credit will reimburse Pompano Park the remaining one-fourth of the money owed to the Hambletonian Society, and will cover the costs for advertising, press kits, complimentary rooms and meals for visiting press and dignitaries, hosting media events, participant hospitality events, etc.

B. Effect of Proposed Changes:

This bill amends s. 550.2636, F.S., to increase the amounts of the tax credits the Breeders' Crown Meet host track may receive. It raises the possible tax credit for purses and fees from \$150,000 to \$400,000 and raises the possible tax credit for capital improvements from \$150,000 to \$250,000. The tax credits are given for the next regular harness racing meet. As such, this bill will increase the amount of the annual tax credit allowed for the host track from \$300,000 to \$650,000, effective October 1, 1989.

II. ECONOMIC IMPACT AND FISCAL NOTE:

A. Public:

There is presently only one harness track in Florida. It is operated by Pompano Park Associates, Ltd. This permitholder held the Breeders' Crown Meet in 1988 and is expected to conduct this racing event on an annual basis. As such, this bill would benefit Pompano Park by increasing its annual tax credit by an additional \$350,000.

B. Government:

This bill would not cause any increase in the operating costs of the Division of Pari-mutuel Wagering. It would, however, decrease state tax revenue to the General Revenue Fund by an additional \$350,000 for fiscal year 1990-91 and successive years.

Total anticipated tax revenue from Florida's harness racing permitholder is estimated as follows:

<u>Fiscal Year</u>	<u>Pari-Mutuel Tax</u>	<u>Less Breeder's Crown Credit</u>	<u>Total Tax</u>
1987-88 Actual	\$1,435,775	0	\$1,435,775
1988-89 Est.	\$1,225,880	0	\$1,225,880
1989-90 Est.	\$1,281,335	\$ 300,000	\$ 981,335
1990-91 Est.	\$1,337,884	\$ 650,000	\$ 687,884
1991-92 Est.	\$1,364,641	\$ 650,000	\$ 714,641

III. COMMENTS:

Section 550.2635, F.S., contains similar provisions for tax credits for the host track of the Breeders' Cup Meet, a special racing event for thoroughbreds. That facility may receive a tax credit of up to \$800,000 to be used to supplement purses and up to \$800,000 for capital improvements and extraordinary expenses. In addition, a \$500,000 tax credit is authorized for operating income loss by another thoroughbred permitholder located within 35 miles if there is a loss of racing days resulting from a conflict with the Breeders' Cup meet.

The Breeders' Crown Meet, however, is substantially different from the Breeders' Cup Meet. The Breeders' Crown is a series of races conducted each year at different harness tracks throughout the country. Pompano Park has hosted Breeders' Crown races every year since 1984, and plans to conduct eight races in 1989. The Breeders' Cup Meet consists of one full day of racing held at one facility. The 1989 Breeders' Cup Meet will take place at Gulfstream Park, the first time this meet will be conducted at a Florida racetrack.

IV. AMENDMENTS:

#1 by Finance, Taxation, and Claims:

Clarifying language to ensure that the tax credit proposed in the bill can only be taken during the permitholder's regular harness racing meet conducted during the next state fiscal year.

SENATE COMMITTEE AMENDMENT

SB 403

No. 1
(reported favorably)

HB _____

The Committee on Fin., Tax., & Claims recommended the following amendment which was moved by Senator.....and adopted: and failed:

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Senate Amendment

On page 1, lines 17 & 18, strike
all of said lines

If amendment is text from another bill insert:

Bill No.	Draft No.	With Changes?	No	Yes
			-	

and insert:
under s. 550.09 generated during said permitholder's next
ensuing regular harness racing meet conducted during the next
state fiscal year. This credit shall be in