

## REVENUE ESTIMATING CONFERENCE

**TAX:** Pari-mutuel

**ISSUE:** Conversion of a jai-alai permit to a greyhound permit, and greyhound tax structure.

**BILL NUMBER(S):** CS for HB 1013

**SPONSOR(S):** Representative Machek

**MONTH/YEAR COLLECTION IMPACT BEGINS:** July 1, 2008

**DATE OF ANALYSIS:** March 20, 2008

### SECTION 1: NARRATIVE

#### a. Current Law:

Section 550.01215(6), F.S., which is an existing statute, allows any permit that was converted from a jai-alai permit to greyhound permit, to be converted to a jai-alai permit at any time if the permitholder never conducted greyhound racing, or if the permitholder has not conducted greyhound racing for a period of 12 consecutive months.

Section 550.0951(3)(b)1, F.S., imposes a tax on handle for dog racing of 5.5%.

Section 550.0745, F.S., authorizes a pari-mutuel permit to convert a summer jai-alai permit upon certain conditions.

#### b. Proposed Change:

Authorizes a conversion of a jai-alai permit to a greyhound permit under the following conditions:

- Was not previously converted from any other class of permit and has not conducted jai-alai games during a period of 10 years immediately preceding; or
- Was issued a summer jai-alai permit under Section 550.0745, F.S.

There are three jai-alai permits that are currently inactive that may become eligible to convert their permit as authorized in the bill:

- Volusia Jai-Alai which has not conduct live games since fiscal year 1991-92;
- Palm Beach Jai-Alai which has not conducted live games since fiscal year 1994-95; and
- Tampa Jai-Alai which has not conducted live games since fiscal year 1998-99.

Summer Jai-alai and Summersport Jai-alai are the permits that converted in accordance with Section 550.0745, F.S.

These permits operate at facilities that currently operate other jai-alai permits. In order to operate as a greyhound permitholder, Summer Jai-alai and Summersport Jai-alai will either have to relocate their permit to a new location or lease an existing greyhound facility.

The bill changes the tax structure for greyhound permitholders from a flat 5.5% on live handle to:

- 5.5% tax rate on handle over \$20,000,000;
- 3.0% tax rate on handle from \$20,000,001 to \$25,000,000; and
- 0.50% tax rate on handle over \$25,000,000.

The bill potentially authorizes greyhound permits to relocate their permit, and “upon such relocation may use the permit for any authorized purpose, including the conduct of pari-mutuel wagering operation of a cardroom”.

### Section 2: Description of Data and Sources

Review of: Chapter 550, F.S., 2007 Edition; pari-mutuel permitholder list, 2007-08 racing dates, and Division of Pari-Mutuel Wagering Annual Reports for FY 2004/05 through FY 2006/07.

#### Tax Credits and Exemptions for Greyhound Permitholders:

- Section 550.09514(1), F.S., provides for a tax exemption of \$360,000 per state fiscal year.
- Section 550.0951(1)(a), F.S., provides for a tax credit each state fiscal year for the daily license fees on races and games for the previous state fiscal year.
- Section 550.1647, F.S., provides for a tax credit each state fiscal year equal to the amount remitted in escheated tickets in the previous state fiscal year.

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**SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)**

Assumptions for greyhound tax credits/ exemptions:

1. If none of the jai-alai permits take advantage of converting to a greyhound permit there should be no fiscal impact. In addition, if the jai-alai permits convert and never operate as a greyhound permit there should be no fiscal impact to the state.
2. Converted greyhound permitholders will lease a pari-mutuel facility of another greyhound permitholder, as authorized by Section 550.475.
3. By leasing another greyhound permitholder’s facility they could potentially split the number of races they are anticipated to run, and maximize their tax credits.
4. Summer jai-alai permits may convert their permits to a greyhound permit during FY 2009-10, and lease a facility of another greyhound facility within their respective county.

Methodology for new greyhound tax structure:

Utilized the average live handle for Palm Beach Kennel Club using live handle figures from FY 2004/05, FY 2005/06, and FY 2006/07. Then compared year to date handle figures for FY 2006/07 and FY 2007/08, and decreased the average live handle by 12%.

The annual impact on state revenue as a result of the conversion of the jai-alai permit to a greyhound permit is approximately a \$1.8 million loss.

The annual impact on state revenue as a result of the greyhound incentive tax is approximately a \$500,000 loss.

**SECTION 4: PROPOSED FISCAL IMPACT**

State Impact—All Funds	FY 2008-09 Annualized	FY 2008-09 Cash	FY 2009-10 Cash
High	(\$2.3 Million)	(\$1.9 Million)	(\$2.3 Million)
Middle			
Low			

State Impact—All Funds	FY 2010-11 Cash	FY 2011-12 Cash
High	(\$2.3 Million)	(\$2.3 Million)
Middle		
Low		

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**SECTION 5: CONSENSUS ESTIMATE (ADOPTED 3 / 21 / 08 )** The conference adopted the proposed estimate.

	FY 2008-09 Annualized	FY 2008-09 Cash	FY 2009-10 Cash
General Revenue—conversion	(1.8)	(1.4)	(1.8)
Tax rate change	(.5)	(.5)	(.5)
State Trust	0	0	0
Total State Impact	(2.3)	(1.9)	(2.3)
Total Local Impact			
Total Impact	(2.3)	(1.9)	(2.3)

	FY 2010-11 Cash	FY 2011-12 Cash
General Revenue—conversion	(1.8)	(1.8)
Tax rate change	(.5)	(.5)
State Trust	0	0
Total State Impact	(2.3)	(2.3)
Total Local Impact		
Total Impact	(2.3)	(2.3)