

1 A CONCURRENT RESOLUTION directing the Legislative Research Commission
2 to establish a working group to study the taxation of the horse industry and gambling.

3 WHEREAS, with the recent passage of 2021 RS Senate Bill 120 authorizing the
4 continued operation of Historic Horse Racing (HHR) machines at racetracks in response
5 to a Kentucky Supreme Court decision finding one type of such machines illegal, the
6 General Assembly permitted this lucrative stream of revenue that includes support to the
7 horse industry through increased breeders' incentives and increased purses to continue;
8 and

9 WHEREAS, as part of the debate around the passage of the legislation, the current
10 tax rate on HHR, which is extremely low when compared to similar operations in other
11 states, was a contentious issue; and

12 WHEREAS, as part of negotiating the passage of 2021 RS Senate Bill 120, the
13 racing associations sent a letter to legislators in which they agreed to work constructively
14 to revise and raise the tax structure on HHR; and

15 WHEREAS, there are currently over 3,600 HHR machines operating in Kentucky,
16 and over 10,000 more have been approved by the Horse Racing Commission, in addition
17 to two new facilities currently under construction that will include HHR machines; and

18 WHEREAS, the horse industry in the Commonwealth includes the entire life-cycle
19 of the horse; and

20 WHEREAS, the horse industry is a signature industry in Kentucky; and

21 WHEREAS, the stability of the horse industry is imperative to the Commonwealth's
22 economic future; and

23 WHEREAS, it is significant to the Commonwealth that all facets of the horse
24 industry are secure for the future, including the breeding of mares, the raising of foals, the
25 selling of yearlings, and the racing of horses; and

26 WHEREAS, the Kentucky Horse Racing Commission recently awarded more than
27 \$14 million to breeders from the Kentucky Thoroughbred breeders incentive fund

1 composed of sales and use tax allocations to that fund; and

2 WHEREAS, the taxation of the horse industry and gambling in Kentucky is
3 complicated by multiple types of taxes imposed, differing tax rates based on the type of
4 wager made, distributions made on differing bases, and various funds for ear-marked
5 incentives to tracks, breeders, and universities; and

6 WHEREAS, changes to taxes could be necessary for the stability of these
7 industries, the adequacy of the state budget, and the economic future of the
8 Commonwealth;

9 NOW, THEREFORE,

10 ***Be it resolved by the House of Representatives of the General Assembly of the***
11 ***Commonwealth of Kentucky, the Senate concurring therein:***

12 ➔Section 1. The Legislative Research Commission is hereby directed to establish
13 the Horse Industry and Gaming Taxation Working Group to:

14 (1) Review the history of the implementation of HHR in Kentucky, including the
15 legal, administrative, and legislative actions and directions that resulted in the passage of
16 2021 RS Senate Bill 120;

17 (2) Review the fiscal impact on the horse industry, the state budget, and the
18 Commonwealth of the growth of HHR in Kentucky from the time the machines were first
19 installed, through the present, including projections for future revenues based on current
20 and expected approvals of additional facilities and machines;

21 (3) Review and study the different tax rates that apply to the different forms of
22 wagering in Kentucky, including the history of each and the revenues generated by each
23 for the horse industry and the Commonwealth's budget;

24 (4) Broadly review and study the tax structures of other states that have racinos
25 and that allow the operation of slot machines and compare their rates and structures to
26 Kentucky's rates and structures;

27 (5) Study the types of wagers that are currently being made in Kentucky and

1 determine if there are other types of wagers that may be made if allowed by the Kentucky
2 Revised Statutes;

3 (6) Review all tax incentives allowed to the horse industry, including the history
4 and the intended purpose of each, and determine whether these incentives continue to be
5 necessary;

6 (7) Study how other states tax the horse industry, including the types of taxes
7 imposed, any tax expenditures specifically related to the industry, any earmarked funds
8 for the industry, and any other similar item for that specific state;

9 (8) Examine the projected impact on the horse industry, the state budget, and the
10 Commonwealth if any of the tax rates, tax bases, tax incentives, or tax expenditures are
11 changed; and

12 (9) Study the various funds that receive earmarked moneys for incentives and
13 development purposes, review whether this funding mechanism is employed among other
14 states, and determine if this funding mechanism is the appropriate model for the
15 Commonwealth.

16 ➔Section 2. The Horse Industry and Gaming Taxation Working Group shall be
17 composed of the following members, with final membership of the working group being
18 subject to the consideration and approval of the Legislative Research Commission:

19 (1) Two members of the House of Representatives appointed by the Speaker of
20 the House of Representatives, one of whom shall be designated by the Speaker of the
21 House of Representatives to serve as co-chair;

22 (2) Two members of the House of Representatives appointed by the House
23 Minority Floor Leader;

24 (3) Two members of the Senate appointed by the President of the Senate, one of
25 whom shall be designated by the President of the Senate to serve as co-chair;

26 (4) Two members of the Senate appointed by the Senate Minority Floor Leader;

27 (5) The commissioner of the Department of Revenue, or designee;

1 (6) One representative of the horse industry to be submitted by the Governor; and

2 (7) One citizen at large to be submitted by the Governor.

3 ➔Section 3. The working group shall meet monthly during the 2021 Interim of
4 the General Assembly. The working group shall report its findings and recommendations
5 to the Legislative Research Commission for referral to the appropriate committee by
6 December 1, 2021.

7 ➔Section 4. Provisions of this Resolution to the contrary notwithstanding, the
8 Legislative Research Commission shall have the authority to alternatively assign the
9 issues identified herein to an interim joint committee or subcommittee thereof, and to
10 designate a study completion date.