

Legislative Analysis



HORSE RACING AMENDMENTS

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4346 as introduced
Sponsor: Rep. Angela Witwer

Analysis available at
<http://www.legislature.mi.gov>

House Bill 4347 as introduced
Sponsor: Rep. Tom Kunse

Committee: Agriculture
Complete to 6-25-25

SUMMARY:

House Bill 4346 would amend the Lawful Internet Gaming Act to remove the \$3.0 million cap on taxes collected under that act that are earmarked to the Agriculture Equine Industry Development Fund (AEIDF). Presently, 5% of the proceeds from the graduated tax on the gross revenue of internet gaming licensees is deposited into the AEIDF, with any amount over \$3.0 million deposited instead into the Internet Gaming Fund. Under the bill, the full 5% of those proceeds would be directed into the AEIDF.

MCL 432.315

House Bill 4347 would amend the Horse Racing Law to revise provisions regarding the authorized uses of the AEIDF, including the use of fund revenue to support horse racing and associated purses, purse supplements, and awards, and to add definitions for terms used in the act. The bill would also remove language that currently provides that if the amount allocated to the AEIDF in a fiscal year exceeds \$8.0 million, the excess over that threshold must be allocated to the pari-mutuel horse racing disbursement account established under section 19 of the act.¹

The bill would change the amount of financial support provided to various entities that organize or host different types of horse racing. Currently, the amount of state financial support for specific horse racing programs is calculated based on the prize purses offered for that type of racing or based on the total amount wagered on a category of race. These calculations help determine the amounts appropriated by the legislature from the AEIDF for various horse racing programs and the amounts available for specific purses, purse supplements, and awards.

Under the bill, at least \$1.5 million would be allocated for standardbred harness horse races offered by fairs and races at licensed pari-mutuel racetracks. County fairs would each receive at least \$5,000, unless that fair held standardbred harness racing in the prior year. If harness racing was held at that fair, the amount would be at least \$10,000 if harness racing would also be held in the current calendar year. The bill would also remove current language governing overnight races.

¹ The pari-mutuel horse racing account is a method for allocating private revenue generated from advanced deposit wagering, a specific method of wagering on horse racing. It is not a state fund or account.

The bill would remove current language that effectively limits state AEIDF participation to 75% of the purse. As a result, purses for harness horse races at fairs and at licensed pari-mutuel racetracks² could be funded 100% through state AEIDF revenue.

Purse supplements to licensed pari-mutuel harness race meetings for special 4-year-old colt and filly horse races would be increased to at least \$200,000.

For the special standardbred sire stakes fund, the amount would be changed from .25% of all money wagered on live and simulcast horse races in Michigan to at least \$800,000. The entirety of this special fund provides purses for races run exclusively for 2-year-old and 3-year-old Michigan-sired standardbred horses at licensed harness race meetings in Michigan (“sire stakes”).

However, at present, Michigan does not have a licensed horse racing track. The last facility, Northville Downs, closed in 2024.³ The bill would provide that, if there is no licensed harness race meeting in Michigan or the licensed race meeting is unable to conduct these meetings, the director of the Michigan Department of Agriculture and Rural Development (MDARD) can designate a county fair to host these races.

For thoroughbred programs, the bill would amend the sums paid as follows (the act does not now specify an amount for each specific program):

- At least \$100,000 would be allocated to pay awards to owners of Michigan-sired horses finishing in first, second, or third place in races open to non-Michigan-sired horses. The bill would also provide that these races may be in or outside of Michigan, and that only *eligible recipients* can receive an owner award.
- At least \$200,000 would be allocated to pay breeders’ awards, with the amount of the award capped at 20% of the gross purse. Presently, the award is capped at 10% of the gross purse. The bill would also allow the race meeting to take place outside of Michigan and provide that only an owner who is an eligible recipient may receive the award.
- At least \$100,000 would be allocated to pay purse supplements to licensed thoroughbred race meetings for special 4-year-old and older Michigan-sired filly and colt races. If there is no thoroughbred race meeting in Michigan, the bill would allow the racing commissioner to allot a special thoroughbred sires stakes fund for 4-year-olds to provide an award to the owners of the top five highest earning Michigan-sired 4-year-olds by sex and distribute the money as follows:
 - 50% of the fund to the top earning 4-year-old horse and mare.
 - 25% to the second top earning 4-year-old horse and mare.
 - 12% to the third top earning 4-year-old horse and mare.
 - 8% to the fourth top earning 4-year-old horse and mare.
 - 5% to the fifth top earning 4-year-old horse and mare.
- At least \$200,000 for a special thoroughbred sire stakes fund to provide purses exclusively for 2-year-old, 3-year-old, and older Michigan-sired thoroughbred horses. If there is no thoroughbred race meeting in Michigan, then the bill would allow the

² *Licensed pari-mutuel racetracks* is an undefined term, but, as used in current law, it appears to refer to a licensed raced meeting.

³ <https://www.freep.com/story/news/local/michigan/wayne/2024/02/08/northville-downs-michigans-last-horse-racing-track-closes/72472028007/>

racing commissioner to allot a special thoroughbred sires stakes fund to provide an award to the owners of the top five highest earning Michigan-sired 2- and 3-year-olds by age and sex and distribute the money as follows:

- 50% to the top earning 2-year-old and 3-year-old colt and filly.
- 25% to the second top earning 2-year-old and 3-year-old colt and filly.
- 12% to the third top earning 2-year-old and 3-year-old colt and filly.
- 8% to the fourth top earning 2-year-old and 3-year-old colt and filly.
- 5% to the fifth top earning 2-year-old and 3-year-old colt and filly.

Eligible recipient would mean an individual who is either a resident of Michigan or, if the recipient is a person composed of more than one individual, then at least 51% of the individuals composing that person would have to be Michigan residents.

To receive one of these special awards, the owner of the horse would have to be an eligible recipient and would have to submit an annual supplemental purse/award eligibility form regarding their horse's earnings in the previous calendar year to the racing commissioner by January 15 of each year. The commissioner would then verify eligibility of the horse and owner. Results would have to be submitted to the state treasurer by February 15 annually. In establishing minimum amounts for the programs as noted above, the bill would also require that these minimum amounts be ***indexed annually***.

Indexed annually would mean that the state treasurer must adjust the dollar amount by the percentage increase in the Detroit Consumer Price Index for the preceding calendar year and round to the nearest \$100 increment. "Detroit Consumer Price Index" would mean the most comprehensive index of consumer prices available for the Detroit-Warren-Dearborn area from the United States Department of Labor, Bureau of Labor Statistics.

Under the bill, the following expenditures would also be eligible for funding, as determined by the director of MDARD:

- A water truck.
- Track maintenance vehicles.
- An announcer.
- An ambulance.
- An outrider.
- Advertising.
- An on-site veterinarian to ensure animal health and the soundness of participating horses.

The bill would remove references to amounts paid for various quarterhorse programs and language regarding Appaloosa, Arabian, and American Paint Horse programs.

Finally, the bill would add the following definitions for terms that are currently used in the act without being specifically defined:

Simulcast would mean the live transmission of video and audio signals conveying a horse race to or from a licensed race meeting or third-party facilitator in Michigan or the program of horse races transmitted.

Interstate simulcast would mean a simulcast to or from a racetrack outside of Michigan.

Intertrack simulcast would mean a simulcast to or from a racetrack in Michigan.

Live horse race would mean a horse race that is held at the licensed track where the race meeting licensee that conducts wagering on the race conducts its race meeting, and that is held immediately after wagering on the race closes.

MCL 431.302 and 431.320

Each bill can take effect only if both bills are enacted.

FISCAL IMPACT:

House Bill 4346 would increase the annual amount of non-tribal internet gaming tax revenues deposited into the Agriculture Equine Industry Development Fund. Removing the \$3.0 million cap and allowing the AEIDF to realize the entire 5% would have resulted in a total deposit of \$15.3 million in FY 2024, an increase of \$12.3 million, based on final fiscal year (FY) 2024 collections, the most recent full fiscal year available. The \$12.3 million increase in revenues to the AEIDF would result in a corresponding decrease of \$12.3 million for the Internet Gaming Fund, which would ultimately result in a \$12.3 million reduction to the School Aid Fund, the recipient any remaining funding in the Internet Gaming Fund at the end of the fiscal year.

Based on estimates from the May 2025 Consensus Revenue Estimating Conference (CREC), revenue from all online gaming (internet gaming, sports betting, and fantasy contests) is expected to increase by approximately 18.7% in FY 2025. Assuming that growth rate, the AEIDF would realize a revenue increase of approximately \$15.1 million, for a total deposit of \$18.1 million, in FY 2025, which would result in a corresponding \$15.1 million decrease in School Aid Fund revenue. The May 2025 CREC online gaming growth rate estimates for FY 2026 and 2027 are 3.9% and 6.0%, respectively.

House Bill 4347, by lifting the current \$8.0 million ceiling on allocations to the AEIDF, would allow the AEIDF revenue, expenditures, and fund balance to increase above that amount.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.