Historical Tax Law Changes
Pari-Mutuel Tax

The Pari-Mutuel Tax was first imposed by Laws 1949, Chapter 61, Section 9. The tax was imposed on the gross amount of money handled in the pari-mutuel pool of horse and dog races conducted within the state. The sharing formula which determines the percentage of the gross pari-mutuel pool which is distributed to the permittee and the percentage which is distributed to the state has been changed many times since the enactment of the original law. The distribution of the state's share of pari-mutuel revenues has also been changed substantially. The following is a brief history of changes in the Pari-Mutuel Tax:

Laws 1949, Chapter 61 established the following sharing formula for pari-mutuel pools:

(1)	Horse racing pools	9% to the permittee 5% to the state
(2)	Dog racing pools	9% to the permittee 5% to the state

The state's share of the pari-mutuel pool was to be paid daily during the racing meeting to the Arizona Racing Commission. All revenues received as the state's share of the pari-mutuel pool were transferred to the State Treasurer for deposit in the General Fund. (Effective July 1, 1949)

Laws 1951, Chapter 75 changed the sharing formula for pari-mutuel pools as follows:

(1)	Horse racing pools on daily amounts of $100,000 or less	11% to the permittee 4% to the state
(2)	Horse racing pools on daily amounts greater than $100,000	9% to the permittee 6% to the state
(3)	Dog Racing pools	9% to the permittee 6% to the state

The law also provided that 5% of the state's share of pari-mutuel revenues was deposited in the Arizona County Fairs Fund and 5% was deposited in the Livestock and Agriculture Fund. (Effective March 16, 1951)

Laws 1957, Chapter 31 increased the percent of state pari-mutuel revenues distributed to the Livestock and Agriculture Fund from 5% to 7.5%. The state General Fund share was reduced correspondingly. (Effective June 14, 1957)

Laws 1960, Chapter 7 increased the percent of state pari-mutuel revenues distributed to the County Fairs Fund from 5% to 7.5%. The law also provided that 5% of the state's share of pari-mutuel revenues was distributed to the State Fair Fund to be used for capital outlay. The amount distributed to the State Fair Fund was not to exceed $75,000 in any 1 year. The General Fund share was reduced correspondingly. (Effective June 25, 1960)

Laws 1964, Chapter 15 changed the names of the Arizona County Fairs Fund and the Livestock and Agricultural Fund to the "Arizona County Fairs and Breeders' Award Fund" and the "Livestock, Agriculture and Breeders' Award Fund." The $75,000 limit on the amount that could be deposited in the State Fair Fund was removed. (Effective July 15, 1964)

Laws 1965, Chapter 109 changed the sharing formula for pari-mutuel pools as follows (Effective July 20, 1965):

(1)	Horse racing pools on daily amounts of $100,000 or less	14% to the permittee

		4% to the state
(2)	Horse racing pools on daily amounts greater than $100,000	11% to the permittee
		7% to the state

For each separate dog racing program:

(1)	on amounts of $35,000 or less	12% to the permittee
		6% to the state
(2)	on amounts greater than $35,000	9% to the permittee
		9% to the state

Laws 1967, Chapter 35 changed the sharing formula for pari-mutuel pools as follows:

(1)	There was no change in the distribution for horse racing pools.	
(2)	Dog racing pools in counties having populations of 180,000 or more	9% to the permittee
		6% to the state
(3)	Dog racing pools in counties having populations of less than 180,000	11% to the permittee
		4% to the state

Under the above law, the sharing formula for counties having a population of less than 180,000 was supposed to change in October of 1969. The change never occurred because Laws 1969, Chapter 116 repealed the formula. If the 1969 law had not been enacted, the sharing formula for dog racing in counties with populations of less than 180,000 would have been as follows (Effective March 10, 1967):

(1) 9% to the permittee
(2) 6% to the state

Laws 1969, Chapter 101 increased the percent of state pari-mutuel revenues distributed to the Livestock, Agriculture and Breeders' Award Fund from 7.5% to 10.0%. The state General Fund share was reduced correspondingly. This law also changed the name of the State Fair Fund to the Arizona Coliseum and Exposition Center Fund. (Effective July 11, 1969)

Laws 1969, Chapter 116 changed the sharing formula for pari-mutuel pools as follows (Effective July 11, 1969):

(1) There was no change in the distribution for horse racing pools.
(2) The distribution to the state and permittee in counties having populations of 180,000 or more did not change.
(3) Dog racing pools in counties having populations of less than 180,000:
   a) In each separate racing program:

• On pooled amounts of $65,000 or less	11% to the permittee
	4% to the state
• On pooled amounts over $65,000	9% to the permittee
	6% to the state

Laws 1972, Chapter 108 changed the sharing formula for pari-mutuel pools as follows (Effective May 5, 1972):

(1) There was no change in the distribution for dog racing pools.
(2) Horse racing at tracks where the daily handle exceeds $100,000:

• On the first $100,000 pooled daily	14% to the permittee
	4% to the state
• On pooled amounts over $100,000	11% to the permittee
	7% to the state

(3) Horse racing at tracks where the daily handle is less than $100,000:
- The permittee receives 16%, 1% of which is used to supplement the general purse structure.
- The state receives 2% of the gross.

Laws 1974, Chapter 18 changed the sharing formula for pari-mutuel pools as follows (Effective April 16, 1974):

(1) There was no change in the regulations pertaining to dog racing, but the law had the following effect on horse racing rates:

a) Horse racing at tracks where the average daily handle for the permittee's preceding racing meeting exceeded $100,000:

• On the first $100,000 pooled daily	14% to the permittee 4% to the state
• On pooled amounts over $100,000	11% to the permittee 7% to the state

b) Horse racing at tracks where the average daily handle for the permittee's preceding racing meeting was less than $100,000:

• On the first $100,000 pooled daily	16% to the permittee* 2% to the state
• On pooled amounts over $100,000	11% to the permittee 7% to the state

* 1% is used to supplement the general purse structure.

Laws 1978, Chapter 124 changed the sharing formula for pari-mutuel pools as follows (Effective June 1, 1978):

(1) The distribution of amounts pooled in horse and harness races was changed as follows:

a) Horse racing at tracks where the average daily handle for the permittee's preceding racing meeting exceeded $200,000:

• On the first $100,000 pooled daily	14% to the permittee 4% to the state
• On pooled amounts over $100,000	12% to the permittee* 6% to the state

b) Horse racing at tracks where the average daily handle for the permittee's preceding racing meeting was less than $200,000:

• On the first $200,000 pooled daily	16% to the permittee* 2% to the state
• On pooled amounts over $200,000	12% to the permittee* 6% to the state

* 1% is used to supplement the general purse structure.

(2) At tracks investing in approved construction projects costing $100,000 or more, the percentage paid by a permittee to the state shall be reduced by an additional 1% until the permittee is reimbursed for the cost of the project but not to exceed 10 years.

(3) There was no change in the distribution of dog racing pools.

Laws 1980, Chapter 82 changed the names of the Arizona County Fairs and Breeders' Award Fund and the Livestock, Agriculture and Breeders' Award Fund to the "Arizona County Fairs Racing and Breeders' Award Fund" and the "County Fairs Livestock and Agriculture Promotion Fund." The percent of state pari-mutuel revenues distributed to the Arizona County Fairs Racing and Breeders' Award Fund was increased from 7.5% to 14% and an

additional .5% of collections was dedicated to administration of this fund. The share of Pari-Mutuel Taxes dedicated to the General Fund was reduced correspondingly. (Effective July 31, 1980)

Laws 1982, Chapter 310 established the Arizona Department of Racing and transferred the responsibility for administering the Pari-Mutuel Tax to the new Department. This law also changed the sharing formula for pari-mutuel pools. The distribution of amounts pooled in dog races was changed as follows:

(1) Dog racing in counties having a population of 700,000 or more	10.5% to the permittee* 7.5% to the state
(2) Dog racing in counties having a population of less than 700,000:	

In each separate racing program:

(1) On pooled amounts of $65,000 or less	12.5% to the permittee* 5.5% to the state
(2) On pooled amounts over $65,000	10.5% to the permittee* 7.5% to the state

* An additional 3% of the amounts pooled may be retained by the permittee for exacta, daily double, quinella and other pools involving 2 dogs, and an additional 7% of the amounts pooled may be retained by the permittee for trifecta and other pools involving more than 2 dogs in 1 or more races. Of the total amount retained by the permittee, 1% is used to supplement the general purse structure.

The distribution of amounts pooled in horse and harness races was changed as follows:

(1) Horse racing at tracks where the average daily handle for the permittee's preceding racing meeting exceeded $200,000:	
(a) On the first $100,000 pooled daily	14% to the permittee* 3% to the state
(b) On pooled amounts over $100,000	12% to the permittee* 5% to the state
(2) Horse racing at tracks where the average daily handle for the permittee's preceding racing meeting was less than $200,000:	
(a) On the first $200,000 pooled daily	15% to the permittee* 2% to the state
(b) On pooled amounts over $200,000	12% to the permittee* 5% to the state

* An additional 3% of the amounts pooled may be retained by the permittee for exacta, daily double, quinella and other pools involving two horses, and an additional 7% of the amounts pooled may be retained by the permittee for trifecta and other pools involving more than two horses in one or more races. Of the total amount retained by the permittee, 1% is used to supplement the general purse structure.

This law also authorized dog tracks to reduce the percentage of pari-mutuel pools paid to the state by 1 percentage point if they invest the amount in approved construction projects. This option was already available to horse tracks under Laws 1978, Chapter 124. Under the provisions of this law, approved construction projects (for horse and dog tracks) must cost at least $200,000 in counties with populations of 180,000 or more and at least $100,000 in counties with populations of less than 180,000. The percentage of the pari-mutuel pools paid to the

state is reduced only until sufficient funds are obtained by the race tracks to complete the approved project. This provision of the law was scheduled to expire on June 30, 1987.

A further provision of the law reduced the share of dog racing pools paid to the state by ?% for the period from October 1, 1982 through October 1, 1983. During this period, the money from this reduction will be distributed by the permittee to purse amounts. (Effective From and After September 30, 1982)

Laws 1983, Chapter 264 established a separate County Fair Racing Fund. Under this law, the fund received 3% of the collections from the Pari-Mutuel Tax. The General Fund share of collections was reduced correspondingly. (Effective July 27, 1983)

Laws 1983, Chapter 311 authorized individuals to wager on horse and dog races from a facility other than the enclosure where the race is being conducted. Under this law, permittees who conduct a race are authorized to televise the race to 1 additional facility and any person at that facility is permitted to make a wager on the race. Since this provision will increase the size of pari-mutuel pools, the law effectively increases the tax base. (Effective From and After September 30, 1983)

Laws 1986, Chapter 417 substantially altered the distribution of the pari-mutuel handle at horse and dog tracks (Effective August 13, 1986):

(1) For horse or dog racing, the total daily takeout (amount not returned to the betting public) from a regular pari-mutuel pool was increased from 18% to 20%.

(2) The state share of the daily pari-mutuel handle for horse racing was changed:

	FIRST $100,000	IN EXCESS OF $100,000	FIRST MILLION	IN EXCESS OF ONE MILLION
PRIOR TO CHAPTER 417	3%	5%	--	--
FY 1987	--	--	3%	5%
FY 1988 & thereafter	--	--	2%	5%

(3) Of the amount retained by a horse racing permittee, 50% minus the capital improvement allowance (1 percentage point of state's share), the permittee's share of breakage, and all applicable taxes shall be allocated for purses. Likewise, 50% of permittee's revenues from simulcasting races, net of advertising costs, will be used to supplement purses.

(4) In counties with population less than 700,000, the share of the daily pari-mutuel handle on dog racing was changed:

	PERMITTEE	STATE
PRIOR TO CHAPTER 417:		
(a) First $65,000 pooled	12.5%	5.5%
(b) In excess of $65,000	10.5%	7.5%
AS ENACTED:		
(a) First $100,000 pooled	14.5%	5.5%
(b) In excess of $100,000	12.5%	7.5%

(5) In counties with a population of 700,000 or more (Maricopa and Pima), the permittee's share of the daily pari-mutuel handle on dog racing was raised from 10.5% to 12.5%, while the state share remained the same at 7.5%.
(6) Extended the termination date from June 30, 1987 to June 30, 1992 that allowed dog track permittees to retain 1% of the handle from the state share for approved capital improvements.
(7) Distribution of the state share of all pari-mutuel revenues are revised:

	PRIOR	ENACTED
General Fund	67.5%	61.0%
County Fair/Breeder's Awards 1/	14.0	NA
County Fair/Betterment Fund	NA	7.5
Breeder's Award Fund	NA	9.5
Livestock	10.0	12.0
Coliseum	5.0	6.0
County Fair Racing	3.0	3.5
DOA Administration	0.5	0.5

1/ This fund was split into the two funds that follow it in the table by this bill.

Laws 1989, Chapter 243 made numerous changes in the regulation of the horse and dog racing industry (Effective September 15, 1989):

(1) Removed prohibition against racing owners or operators from controlling, managing, or owning food and beverage concessions at the race track facilities.
(2) Eliminated the distinction between race tracks whose average daily handle exceeds $200,000 from those below $200,000, for determining the state's share of the handle which will now be 2% of the first million dollars in daily pari-mutuel pools and 5% of the gross amount exceeding $1,000,000.
(3) Extended the expiration date from June 30, 1987 to June 30, 1992, allowing race track permittees to deduct 1 percentage point from the state's share of pari-mutuel wagering to make capital improvements at horse tracks. (Retroactive June 30, 1987)

Laws 1990, Chapter 212 made the following changes (Effective September 27, 1990):

(1) Expanded the definition of simulcasts to include telecasts shown outside this state of races originating within the state.
(2) Allowed permittees, except those located in Pima County, to teletrack races to more than one additional facility.
(3) Except for certain simulcasts, increased the amount deducted for purses from 3.25% to 4% of the gross pari-mutuel handle from dog racing wagering.
(4) Exempted amounts held by a permittee for payment of purses from the Transaction Privilege Tax.
(5) Allowed a permittee of a racetrack located in a county other than Maricopa or Pima to increase the deduction for capital improvements from 1% to 2% of the total amount wagered (gross handle). This, in effect, reduced the state's percentage of the gross handle by 1 percentage point. Also, the capital improvement's minimum expenditure requirement was reduced from $200,000 to $50,000.

Laws 1991, Chapter 254 modified the distribution of pari-mutuel revenues as follows (Effective September 21, 1991):

(1) Increased the distribution to the Arizona County Fairs Betterment Fund from 7.5% to 8.25%.

(2) Established a new Arizona Stallion Award Fund and designated 0.25% of revenues to this fund.
(3) Reduced the distribution to the Arizona Coliseum and Exposition Center Fund from 6% to 5% and provided that, from and after July 1, 1994, this distribution will be redirected to the state General Fund.

Laws 1991, Chapter 318 enabled the Racing Commission to contract with a breeder's association to certify an animal's breeding history and ownership for racing purposes and to assess a fee for the costs of certification or transfer and verification of Arizona breeding. Exempted the Arizona Department of Racing from the Administrative Procedure Act relating to pari-mutuel wagering rules for a period from July 1, 1991 to June 30, 1992. (Effective September 21, 1991)

Laws 1992, Chapter 82 modified the percentage distribution of pari-mutuel revenues as follows (Effective September 30, 1992):

(1) Arizona County Fairs Racing Betterment Fund: Increased from 8.25% to 8.5%.
(2) Arizona Stallion Award Fund: Increased from 0.25% to 0.50%.
(3) Arizona Coliseum and Exposition Center Fund: Decreased from 5% to 4.5% and repealed the provision in Laws 1991, Chapter 254 which would have eliminated the distribution to the Arizona Coliseum and Exposition Center Fund after July 1, 1994.

Laws 1993, Chapter 253 clarified that the Arizona Breeders' Award Fund is established to protect the integrity of the racing industry and promote, improve and advance the qualify of racehorse and greyhound breeding within this state. The bill also prescribed that persons not eligible to be licensed or who have been refused licenses are not eligible to participate in the Arizona Greyhound Breeders' Award Fund. (Effective April 22, 1993)

Laws 1994, Chapter 370 established minimum funding levels for the funds receiving state pari-mutuel racing revenues:

(1) Livestock & Agriculture Promotion Fund – 12% or $1.2 million, whichever is greater.
(2) Breeders Award Fund – 9.5% or $800,000, whichever is greater.
(3) County Fair Racing Fund – 3.5% but not less than $300,000.
(4) Racing Administration of Betterment Fund – 0.5% or $45,000, whichever is greater.
(5) Racing Betterment Fund – 8.5% or $800,000, whichever is greater.
(6) Coliseum Capital Outlay Fund – 4.5% or $400,000, whichever is greater.
(7) Stallion Award Fund – 0.5% or $40,000, whichever is greater.

The act also established an Agricultural Consulting and Training Fund in the State Treasury. The State Treasurer shall deposit 1% of the pari-mutuel revenues received by the state into the fund. The Arizona Department of Agriculture, subject to legislative appropriation, shall use the monies in the fund for the Agricultural Consulting and Training Program established by this act.

The act lowered the state share of the pari-mutuel handle received from dog racing according to the following schedules:

Maricopa County:

(1) FY 1995 – 7.50%
(2) FY 1996 – 6.84%
(3) FY 1997 – 6.18%
(4) FY 1998 – 5.50%

All other counties:

(1) FY 1995 – 5.50% of the first $100,000 and 7.50% over $100,000

(2) FY 1996 – 5.50% of the first $100,000 and 6.84% over $100,000
(3) FY 1997 – 5.50% of the first $100,000 and 6.18% over $100,000
(4) FY 1998 – 5.50% of the first $100,000 and 5.50% over $100,000

The act reinstated the Capital Improvements Program, which expired June 30, 1992 for horse tracks in counties other than Maricopa and Pima retroactive to June 29, 1992, and continuing through June 30, 1999. The percentage of the handle paid to the state will decrease by 2%, for eligible tracks, starting in FY 1996. Projects approved prior to either of the expiration dates may continue until their completion, and the decrease in the percentage paid to the state shall continue until sufficient funds have been obtained for completion of the approved capital improvement.

The act provided that beginning from and after June 30, 1995, the percentage of the handle paid to the state does not apply to monies handled in a pari-mutuel pool for wagering on simulcasts of out-of-state races.

The bill also provided a formula for providing a hardship tax credit for eligible racetracks beginning in FY 1996. The hardship tax credit is determined by:

(1) Establishing a base year by determining the highest handle generated by a racetrack between FY 1990 and FY 1994.
(2) Multiplying the racetrack's total state Pari-Mutuel Tax payments or tax liability in the previous year by the percentage decline from the base year.
(3) Multiplying the amount from step 2 by 3.

A racetrack is not required to pay tax in the current year until the balance of the hardship tax credit has been used. Of the hardship tax credit received by greyhound tracks, 25% is to be used for purses in a manner determined by the Racing Commission.

The act provided a Transaction Privilege Tax exemption equal to 1/3rd of the amount received by a racetrack from the total handle during FY 1996, 2/3rds for FY 1997, and the full amount beginning in FY 1998. The amount held by racetracks for the payment of purses is already exempt. (Effective July 17, 1994)

Laws 1995, Chapter 38 clarified that for purposes of County Fair racing meetings, “horse racing” means racing in which horses or mules are mounted and ridden by jockeys. (Effective July 13, 1995)

Laws 1995, Chapter 131 changed the provision that for dog tracks, in counties with a population less than 500,000, to offer wagering on telecasts without offering live racing, the track must have offered live racing in each calendar year from 1980 to 1990 to 8 out of 10 years. In all counties except Pima County, wagering on dark day simulcasts of dog races at a permittee’s additional facilities shall only be allowed for a maximum number of days equal to the number of days of live dog racing scheduled. The act also credited 25% of revenues derived from license fees collected from dog breeders, racing kennels and other similar operations to a fund known as the Greyhound Adoption Fund created to promote the adoption of former racing greyhounds as domestic pets. (Effective July 13, 1995)

Laws 1995, Chapter 274 authorized horse and dog tracks in Pima County to receive dark day simulcasts at the permittee’s racetrack enclosure and off-track wagering facilities if minimum live racing requirements are met. Clarified the ability of dog tracks to receive dark day simulcasts at a permittee’s additional wagering facilities. (Effective July 13, 1994)

Laws 1996, Chapter 353 restructured the distribution of pari-mutuel revenues as presented in Table 2 above, and provided that 25% of the license fees collected from dog breeders and racing kennels be transferred to the Greyhound Adoption Fund. This chapter also established the County Fair Racing Fund and the Agricultural Consulting and Training Fund, and provided for distribution of a portion of pari-mutuel revenue to them as noted in Table 2. Finally, this chapter provided that any monies remaining after the distributions noted above be

deposited in the state's General Fund. The estimated impact of this legislation on the state's General Fund is unknown, however the General Fund is currently receiving no funding from pari-mutuel revenues. (Effective July 1, 1997)

Laws 1997, Chapter 210 provided that the distribution of funds for the administration of the Arizona County Fairs Racing Betterment Fund, the Arizona Breeders' Award Fund, the Arizona Stallion Award Fund, and the Greyhound Adoption Fund be subject to legislative appropriation. (Effective July 1, 1999)

Laws 2006, Chapter 363 raised the statutory dollar amounts for funds that receive distributions from pari-mutuel taxes, license fees and unclaimed property monies. Of the 8 funds that receive distributions from these revenues, 6 funds were adjusted. For the 6 affected funds only the dollar limitation, not the percentage distribution, was raised. The law may impact the General Fund by decreasing distributions to it as distributions to the 8 funds are increased. (Effective Tax Year 2007)

Laws 2009, Chapter 3, 4th Special Session required pari-mutuel proceeds and unclaimed property revenues to be distributed to the General Fund, rather than to racing funds. The FY 2010 General Appropriation Act also appropriated General Fund monies to current racing fund recipients to partially offset the loss of pari-mutuel taxes. (Effective Tax Year 2010)