

AN ACT relating to horse racing.

***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

➔Section 1. KRS 138.510 is amended to read as follows:

- (1) (a) Except as provided in paragraph (d) of this subsection and subsection (3) of this section, an excise tax is imposed on all tracks conducting pari-mutuel wagering on live racing under the jurisdiction of the commission as follows:
1. For each track with a daily average live handle of one million two hundred thousand dollars (\$1,200,000) or above, the tax shall be in the amount of three and one-half percent (3.5%) of all money wagered on live races at the track during the fiscal year; and
  2. For each track with a daily average live handle under one million two hundred thousand dollars (\$1,200,000), the tax shall be one and one-half percent (1.5%) of all money wagered on live races at the track during the fiscal year.
- (b) Beginning on April 1, 2014, an excise tax is imposed on all tracks conducting pari-mutuel wagering on historical horse races under the jurisdiction of the commission at a rate of one and one-half percent (1.5%) of all money wagered on historical horse races at the track during the fiscal year.
- (c) Money shall be deducted from the tax paid under paragraphs (a) and (b) of this subsection and deposited as follows:
1. An amount equal to three-quarters of one percent (0.75%) of all money wagered on live races and historical horse races at the track for Thoroughbred racing shall be deposited in the Thoroughbred development fund established in KRS 230.400;
  2. An amount equal to one percent (1%) of all money wagered on live races and historical horse races at the track for harness racing shall be deposited in the Kentucky standardbred development fund established in

KRS 230.770;

3. An amount equal to one percent (1%) of all money wagered on live races and historical horse races at the track for quarter horse, paint horse, Appaloosa, and Arabian horse racing shall be deposited in the Kentucky quarter horse, paint horse, Appaloosa, and Arabian development fund established by KRS 230.445;
4. An amount equal to two-tenths of one percent (0.2%) of all money wagered on live races and historical horse races at the track shall be deposited in the equine industry program trust and revolving fund established by KRS 230.550 to support the Equine Industry Program at the University of Louisville, except that the amount deposited from money wagered on historical horse races in any fiscal year shall not exceed six hundred fifty thousand dollars (\$650,000);
5.
  - a. An amount equal to one-tenth of one percent (0.1%) of all money wagered on live races and historical horse races at the track shall be deposited in a trust and revolving fund to be used for the construction, expansion, or renovation of facilities or the purchase of equipment for equine programs at state universities, except that the amount deposited from money wagered on historical horse races in any fiscal year shall not exceed three hundred twenty thousand dollars (\$320,000).
  - b. These funds shall not be used for salaries or for operating funds for teaching, research, or administration. Funds allocated under this subparagraph shall not replace other funds for capital purposes or operation of equine programs at state universities.
  - c. The Kentucky Council on Postsecondary Education shall serve as the administrative agent and shall establish an advisory committee

of interested parties, including all universities with established equine programs, to evaluate proposals and make recommendations for the awarding of funds.

- d. The Kentucky Council on Postsecondary Education may promulgate administrative regulations to establish procedures for administering the program and criteria for evaluating and awarding grants; and
6. An amount equal to one-tenth of one percent (0.1%) of all money wagered on live races and historical horse races shall be distributed to the commission to support equine drug testing as provided in KRS 230.265(3), except that the amount deposited from money wagered on historical horse races in any fiscal year shall not exceed three hundred twenty thousand dollars (\$320,000).
    - (d) The excise tax imposed by paragraph (a) of this subsection shall not apply to pari-mutuel wagering on live harness racing at a county fair.
    - (e) The excise tax imposed by paragraph (a) of this subsection, and the distributions provided for in paragraph (c) of this subsection, shall apply to money wagered on historical horse races beginning September 1, 2011, through March 31, 2014, and historical horse races shall be considered live racing for purposes of determining the daily average live handle. Beginning April 1, 2014, the tax imposed by paragraph (b) of this subsection shall apply to money wagered on historical horse races.
    - (f) 1. Notwithstanding the distributions required by subparagraphs 1., 2., and 3. of paragraph (c) of this subsection:**
      - a. If two (2) or more licensed associations receive approval from the commission to jointly offer pari-mutuel wagering on historical horse races at a single location pursuant to a written**

agreement between or among the associations and the agreement includes associations that are licensed to conduct live racing of different breeds of horses, then an amount equal to one percent (1%) of all money wagered on historical horse races shall be divided between or among the applicable breed funds, as identified in subparagraphs 1., 2., and 3. of paragraph (c) of this subsection, according to the percentage of ownership of the associations in the joint venture; or

b. Upon joint request by the associations, and receipt of consents from the applicable horsemen's organizations representing the breeds for which the associations are licensed to offer live racing, the commission may approve division of the one percent (1%) based upon criteria other than ownership interest. The commission shall, by administrative regulation promulgated in accordance with KRS Chapter 13A, establish conditions and procedures for making and considering the request.

2. a. The commission shall provide to the department the information necessary to distribute the moneys to the appropriate breed funds.

b. Distributions made pursuant to subdivision a. of this subparagraph shall become effective as part of the regular distribution schedule beginning thirty (30) days after the department receives the required information from the commission.

c. The department shall continue to distribute the funds in the manner directed by the commission until notified otherwise in writing by the commission.

- (2) (a) Except as provided in paragraph (c) of this subsection, an excise tax is imposed on:
1. All tracks conducting telephone account wagering;
  2. All tracks participating as receiving tracks in intertrack wagering under the jurisdiction of the commission; and
  3. All tracks participating as receiving tracks displaying simulcasts and conducting interstate wagering thereon.
- (b) The tax shall be three percent (3%) of all money wagered on races as provided in paragraph (a) of this subsection during the fiscal year.
- (c) A noncontiguous track facility approved by the commission on or after January 1, 1999, shall be exempt from the tax imposed under this subsection, if the facility is established and operated by a licensed track which has a total annual handle on live racing of two hundred fifty thousand dollars (\$250,000) or less. The amount of money exempted under this paragraph shall be retained by the noncontiguous track facility, KRS 230.3771 and 230.378 notwithstanding.
- (d) Money shall be deducted from the tax paid under paragraphs (a) and (b) of this subsection as follows:
1. An amount equal to two percent (2%) of the amount wagered shall be deposited as follows:
    - a. In the Thoroughbred development fund established in KRS 230.400 if the host track is conducting a Thoroughbred race meeting or the interstate wagering is conducted on a Thoroughbred race meeting;
    - b. In the Kentucky standardbred development fund established in KRS 230.770, if the host track is conducting a harness race meeting or the interstate wagering is conducted on a harness race

- meeting; or
- c. In the Kentucky quarter horse, paint horse, Appaloosa, and Arabian development fund established by KRS 230.445, if the host track is conducting a quarter horse, paint horse, Appaloosa, or Arabian horse race meeting or the interstate wagering is conducted on a quarter horse, paint horse, Appaloosa, or Arabian horse race meeting;
2. An amount equal to one-twentieth of one percent (0.05%) of the amount wagered shall be allocated to the equine industry program trust and revolving fund established by KRS 230.550 to be used to support the Equine Industry Program at the University of Louisville;
  3. An amount equal to one-tenth of one percent (0.1%) of the amount wagered shall be deposited in a trust and revolving fund to be used for the construction, expansion, or renovation of facilities or the purchase of equipment for equine programs at state universities, as detailed in subsection (1)(c)5. of this section; and
  4. An amount equal to one-tenth of one percent (0.1%) of the amount wagered shall be distributed to the commission to support equine drug testing as provided in KRS 230.265(3).
- (3) (a) The provisions of this subsection shall apply retroactively to January 1, 2015, and shall expire on December 31, 2017.
  - (b) If a host track in this state is the location for the conduct of a two (2) day international horse racing event that distributes in excess of a total of twenty million dollars (\$20,000,000) in purses and awards:
    1. The excise tax imposed by subsection (1)(a) of this section shall not apply to money wagered at the track on live races conducted at the track during the two (2) day international horse racing event; and

2. Amounts wagered at the track on live races conducted at the track during the two (2) day international horse racing event shall not be included in calculating the daily average live handle for purposes of subsection (1) of this section.
- (4) The taxes imposed by this section shall be paid, collected, and administered as provided in KRS 138.530.

➔Section 2. KRS 230.260 is amended to read as follows:

The racing commission, in the interest of breeding or the improvement of breeds of horses, shall have all powers necessary and proper to carry out fully and effectually the provisions of this chapter including but without limitation the following:

- (1) The racing commission is vested with jurisdiction and supervision over all horse race meetings in this Commonwealth and over all associations and all persons on association grounds and may eject or exclude therefrom or any part thereof, any person, licensed or unlicensed, whose conduct or reputation is such that his presence on association grounds may, in the opinion of the racing commission, reflect on the honesty and integrity of horse racing or interfere with the orderly conduct of horse racing or racing at horse race meetings; provided, however, no persons shall be excluded or ejected from association grounds solely on the ground of race, color, creed, national origin, ancestry, or sex;
- (2) The racing commission is vested with jurisdiction over any person or entity that offers advance deposit account wagering to Kentucky residents. Any such person or entity under the jurisdiction of the racing commission shall be licensed by the racing commission, and the racing commission may impose a license fee not to exceed ten thousand dollars (\$10,000) annually. The racing commission shall, by administrative regulation promulgated in accordance with KRS Chapter 13A, establish conditions and procedures for the licensing of advance deposit account wagering providers to include but not be limited to:

- (a) A fee schedule for applications for licensure; and
- (b) Reporting requirements to include quarterly reporting on:
  1. The amount wagered on Kentucky races; and
  2. The total amount wagered by Kentuckians;
- (3) The racing commission is vested with jurisdiction over any totalisator company that provides totalisator services to a racing association located in the Commonwealth. A totalisator company under the jurisdiction of the racing commission shall be licensed by the racing commission, regardless of whether a totalisator company is located in the Commonwealth or operates from a location or locations outside of the Commonwealth, and the racing commission may impose a license fee on a totalisator company. The racing commission shall, by administrative regulation promulgated in accordance with KRS Chapter 13A, establish conditions and procedures for the licensing of totalisator companies, and a fee schedule for applications for licensure;
- (4) The racing commission is vested with jurisdiction over any manufacturer, wholesaler, distributor, or vendor of any equine drug, medication, therapeutic substance, or metabolic derivative which is purchased by or delivered to a licensee or other person participating in Kentucky horse racing by means of the Internet, mail delivery, in-person delivery, or other means;
- (5) The racing commission is vested with jurisdiction over any horse training center or facility in the Commonwealth that records official timed workouts for publication;
- (6) The racing commission may require an applicant for a license under subsections (2), ~~and~~ (3), and (15) of this section to submit to a background check of the applicant, or of any individual or organization associated with the applicant. An applicant shall be required to pay~~reimburse the racing commission~~ for the cost of any background check conducted;
- (7) The racing commission, its representatives and employees, may visit, investigate



and have free access to the office, track, facilities, or other places of business of any licensee, or any person owning a horse or performing services regulated by this chapter on a horse registered to participate in a breeders incentive fund under the jurisdiction of the racing commission;

- (8) The racing commission shall have full authority to prescribe necessary and reasonable administrative regulations and conditions under which horse racing at a horse race meeting shall be conducted in this state and to fix and regulate the minimum amount of purses, stakes, or awards to be offered for the conduct of any horse race meeting;
- (9) Applications for licenses shall be made in the form, in the manner, and contain information as the racing commission may, by administrative regulation, require. Fees for all licenses issued under KRS 230.310 shall be prescribed by and paid to the racing commission;
- (10) The racing commission shall establish by administrative regulation minimum fees for jockeys to be effective in the absence of a contract between an employing owner or trainer and a jockey. The minimum fees shall be no less than those of July 1, 1985;
- (11) The racing commission may refuse to issue or renew a license, revoke or suspend a license, impose probationary conditions on a license, issue a written reprimand or admonishment, impose fines or penalties, deny purse money, require the forfeiture of purse money, or any combination thereof with regard to a licensee or other person participating in Kentucky horse racing for violation of any federal or state statute, regulation, or steward's or racing commission's directive, ruling, or order to preserve the integrity of Kentucky horse racing or to protect the racing public. The racing commission shall, by administrative regulation, establish the criteria for taking the actions described in this subsection;
- (12) The racing commission may issue subpoenas for the attendance of witnesses before

it and for the production of documents, records, papers, books, supplies, devices, equipment, and all other instrumentalities related to pari-mutuel horse racing within the Commonwealth. The racing commission may administer oaths to witnesses and require witnesses to testify under oath whenever, in the judgment of the racing commission, it is necessary to do so for the effectual discharge of its duties;

(13) The racing commission shall have authority to compel any racing association licensed under this chapter to file with the racing commission at the end of its fiscal year, a balance sheet, showing assets and liabilities, and an earnings statement, together with a list of its stockholders or other persons holding a beneficial interest in the association; and

(14) The racing commission shall promulgate administrative regulations establishing safety standards for jockeys, which shall include the use of rib protection equipment. Rib protection equipment shall not be included in a jockey's weight.

**(15) The racing commission is vested with jurisdiction over any manufacturer, distributor, or vendor of any terminal, equipment, system, or software used to offer, or that is associated with, wagering on historical horse races at a licensed Kentucky association. Any such manufacturer, distributor, or vendor shall be licensed by the racing commission, and the racing commission may impose an annual license fee not to exceed fifty thousand dollars (\$50,000). The racing commission shall, by administrative regulation promulgated in accordance with KRS Chapter 13A, establish requirements, conditions, and procedures for licensing manufacturers, distributors, or vendors listed in this subsection, and a fee schedule for applications for licensure.**

➔Section 3. No provision of subsection (1)(f) of Section 1 of this Act, or subsection (15) of Section 2 of this Act shall be construed as a recognition or finding concerning whether the operation of wagering on historical horse races constitutes a pari-mutuel form of wagering or concerning the legality of wagering on historical horse races,

the devices upon which wagering on historical horse races is conducted, or the gaming system.