

CALIFORNIA'S PARIMUTUEL HORSE RACING TAX

DECEMBER 5, 1984

LEGISLATIVE ANALYST

STATE OF CALIFORNIA

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CALIFORNIA'S PARIMUTUEL HORSE RACING TAX

TESTIMONY TO SENATE AND ASSEMBLY COMMITTEES ON
GOVERNMENTAL ORGANIZATION
DECEMBER 5, 1984

YOU HAVE ASKED US TO PRESENT YOU WITH TESTIMONY REGARDING THE STATE'S PARIMUTUEL HORSE RACING TAX. IN PARTICULAR, YOU HAVE ASKED US TO COVER FOUR TOPICS:

- FIRST, WHAT THE PARIMUTUEL HORSE RACING TAX IS AND HOW IT IS LEVIED.
- SECOND, THE AMOUNT OF REVENUE WHICH THE TAX PRODUCES.
- THIRD, ANY PROBLEMS WHICH WE SEE REGARDING THE PRESENT STRUCTURE OF THE PARIMUTUEL HORSE RACING TAX, ESPECIALLY WITH REGARD TO SMALL RACING ASSOCIATIONS, AND
- FOURTH, THE REVENUE EFFECTS OF A UNIFIED LICENSE FEE SCHEDULE DEVELOPED BY THE STAFF OF THE ASSEMBLY COMMITTEE ON GOVERNMENTAL ORGANIZATION, INCLUDING THE EFFECTS WHICH THIS SCHEDULE WOULD HAVE HAD ON EACH RACING ASSOCIATION IN CALIFORNIA HAD IT BEEN IN EFFECT DURING 1984.

IN DISCUSSING THESE TOPICS, WE WILL BE MAKING REFERENCE TO THE 25 INDIVIDUAL PACING MEETS WHICH HAVE BEEN CONDUCTED IN CALIFORNIA DURING THE PAST YEAR. THESE MEETS ARE IDENTIFIED IN TABLE 1, ALONG WITH THEIR DATES, THEIR NUMBER OF PACING DAYS, AND THEIR TOTAL AND AVERAGE DAILY VOLUME OF PARIMUTUEL WAGERING. THE TABLE SHOWS THAT \$2.1 BILLION OF WAGERING OCCURRED IN CALIFORNIA DURING THE PAST YEAR, OR AN AVERAGE OF ABOUT \$2.2 MILLION FOR EACH OF THE STATE'S 940 "RACING DAYS." ABOUT 80 PERCENT OF

TABLE 1

SUMMARY DATA FOR CALIFORNIA HORSE RACING MEETINGS DURING 1984

MEET TYPE AND LOCATION	RACING DATES	RACING DAYS	TOTAL WAGERS (\$)	EXOTIC WAGERS (\$)	AVERAGE DAILY WAGER (\$)
A. THOROUGHBRED RACING MEETS					
1 PACIFIC RACING ASSOCIATION	2/7/84 TO 5/6/84	66	132,290,986	58,193,692	2,004,409
2 TANFORAN RACING ASSN. (ALBANY)	5/9/84 TO 6/24/84	38	78,315,531	35,293,691	2,125,431
3 DEL MAR CLUB	7/25/84 TO 9/12/84	43	142,774,149	64,887,526	3,320,329
4 BAY MEADOWS ASSN.	10/26/83 TO 2/6/84	72	150,214,087	70,149,001	2,086,307
5 HOLLYWOOD PARK (WINTER)	11/16/83 TO 12/24/83	30	123,832,713	65,411,134	4,127,757
6 TANFORAN RACING ASSN. (SAN MATEO)	9/16/84 TO 10/15/84	22	41,214,590	17,304,935	1,873,390
7 OAK TREE RACING ASSN.	10/3/84 TO 11/5/84	27	133,614,529	55,735,959	4,948,686
8 HOLLYWOOD PARK (SUMMER)	4/25/84 TO 7/23/84	67	344,879,200	196,368,365	5,147,451
9 LOS ANGELES TURF CLUB	12/26/83 TO 4/23/84	91	501,554,814	214,541,095	5,511,591
SUBTOTALS, THOROUGHBRED MEETS		454	1,648,690,599	777,885,398	3,631,477
B. QUARTER AND HARNESS MEETS					
10 WESTERN HARNESS RACING	1/15/84 TO 4/28/84	75	67,711,780	41,300,734	902,824
11 GOLDEN STATE RACING ASSN.	5/2/84 TO 7/28/84	54	12,492,905	7,109,619	231,350
12 HORSEMAN'S QUARTER HORSE	11/8/83 TO 1/17/84	60	56,167,674	30,221,411	936,128
13 PENINSULA	2/23/84 TO 4/29/84	49	29,490,122	13,027,225	601,839
14 LOS ALAMITOS RACE COURSE	5/1/84 TO 8/15/84	92	99,399,744	46,223,672	1,080,432
SUBTOTALS, QUARTER AND HARNESS MEETS		330	265,262,225	137,881,660	803,825
C. FAIRS AND MIXED RACING MEETS					
15 ALAMEDA CO. FAIR	6/26/84 TO 7/8/84	13	20,192,530	8,167,058	1,553,272
16 SOLANO CO. FAIR	5/10/84 TO 5/22/84	12	14,311,437	7,630,849	1,192,620
17 SONOMA CO. FAIR	7/23/84 TO 8/5/84	13	15,332,904	5,907,333	1,179,454
18 SAN JOAQUIN CO. FAIR	8/7/84 TO 8/19/84	12	8,906,595	3,641,441	742,216
19 HUMBOLDT COUNTY FAIR	8/9/84 TO 8/18/84	9	1,301,753	451,644	144,639
20 CAL EXPO STATE FAIR	8/21/84 TO 9/3/84	14	10,658,027	5,195,345	761,288
21 SAN MATEO CO. FAIR	9/1/84 TO 9/15/84	13	21,453,823	8,433,174	1,650,294
22 L.A. COUNTY FAIR	9/13/84 TO 9/30/84	18	38,925,000	18,529,758	2,162,500
23 FRESNO DISTRICT FAIR	10/8/84 TO 10/20/84	11	7,576,051	3,214,493	689,732
24 ORANGE COUNTY	10/22/84 TO 11/5/84	13	15,732,178	6,972,941	1,213,168
25 VALLEY RACING ASSN.	5/4/84 TO 6/18/84	28	13,126,348	5,794,832	468,798
SUBTOTALS, FAIRS & MIXED MEETS		156	167,516,646	73,938,858	1,073,825
TOTALS, ALL RACING MEETS		940	2,081,469,470	989,705,916	2,214,329

THIS WAGERING WAS AT THOROUGHBRED MEETS, 9 PERCENT WAS AT QUARTER HORSE MEETS, 3 PERCENT WAS AT HARNESS HORSE MEETS, AND 8 PERCENT WAS AT FAIRS AND MIXED RACING MEETS.

A. DESCRIPTIVE OVERVIEW OF CALIFORNIA'S PARIMUTUEL WAGERING TAX

CALIFORNIA'S PARIMUTUEL WAGERING TAX IS A PERCENTAGE-TYPE TAX WHICH IS LEVIED ON A DAILY BASIS ON THE DOLLAR VOLUME OF BETTING AT THE STATE'S RACETPACKS. ACTUALLY, THE WAGERING TAX IS BUT ONE COMPONENT OF A LARGER STATUTORILY-SPECIFIED PERCENTAGE "TAKEOUT" FROM EACH WAGERING DOLLAR, WHICH IS DISTRIBUTED IN VARYING PROPORTIONS BETWEEN THE STATE, THE RACING ASSOCIATIONS WHICH CONDUCT RACING MEETS, AND THE OWNERS OF RACING HORSES WHO WIN PURSES. THE WAGERING TAX COMPONENT OF THIS "TAKEOUT" IS TECHNICALLY REFERRED TO AS THE STATE PARIMUTUEL LICENSE FEE.

IN PRINCIPLE, THE LICENSE FEE IS SIMILAR TO THE STATE'S SALES AND USE TAX AND OTHER TYPES OF TAXES THAT ARE LEVIED ON AN "AD VALOREM" PERCENTAGE BASIS. HOWEVER, THE PARIMUTUEL LICENSE FEE "STANDS OUT" FROM MOST OTHER TAXES BECAUSE OF THE WIDE RANGE OF TAX RATES WHICH ARE USED. THESE RATES DEPEND ON SUCH FACTORS AS THE TYPE OF HORSE RACING OCCURRING (E.G., THOROUGHBRED VERSUS HARNESS VERSUS QUARTER HORSE VERSUS FAIR MEETS), THE SPECIFIC GEOGRAPHIC LOCATION OF MEETS, AND THE TYPE OF WAGERING BEING DONE (I.E., CONVENTIONAL WIN-PLACE-SHOW WAGERING VERSUS "EXOTIC" WAGERING, SUCH AS EXACTAS, DAILY-DOUBLES, AND "PICK-6").

TABLE 2 SUMMARIZES CALIFORNIA'S PARIMUTUEL LICENSE FEE PROVISIONS AND INDICATES WHICH OF THESE PROVISIONS APPLIED TO EACH OF THE STATE'S 1984 RACING MEETS LISTED IN TABLE 1. TABLE 2 INDICATES THAT:

Type of Meet AffectedDaily License Fee Provisions^bSpecific Meets Affected

Thoroughbred racing meets where a meet's total wagering exceeds \$250 million

5.7% of total wagering plus 1.75% of exotic wagering.

Los Angeles Turf Club (Santa Anita), Hollywood Park (winter meet)

Thoroughbred racing meets where a meet's total wagering is less than \$250 million, and meets where total wagering exceeds \$250 million which are the shorter-portion of a split meet

4.8% of first \$2 million total wagering plus 6% of any additional wagering; 1.75% of exotic wagering. However, total fee cannot exceed 5.1% of total wagering plus 1.75% of exotic wagering.

Hollywood Park (Summer meet), Bay Meadows Racing Association, Pacific Faring Association, Tanforan Racing Association (Albany and San Mateo), Del Mar Thoroughbred Club, Oak Tree Racing Association

Quarter horse meets which conducted racing meets in the northern zone prior to January 1, 1979

1.5% of first \$550,000 total wagering plus 2.75% of the next \$200,000 total wagering plus 4.75% on any additional wagering; 1.75% of exotic wagering. However, total fee cannot exceed 3.8% of total wagering plus 1.75% of exotic wagering.

Peninsula Horse Racing Association

Harness horse meets conducted in a single continuous period prior to January 1, 1979

1.5% of the first \$1 million total wagering plus 10.7% of any additional wagering; 1.75 percent of exotic wagering. However, total fee cannot exceed 3.04% of total wagering plus 1.75% of exotic wagering.

Western Harness Racing Association

Harness or quarter horse meets for which special schedules do not appear elsewhere in the law

2.5% of the first \$550,000 total wagering plus 5.5% of the next \$200,000 total wagering plus 4.7% of any additional wagering; 1.75% of exotic wagering. However, total fee cannot exceed 3.8% of total wagering plus 1.75% of exotic wagering.

Los Alamitos Race Course

Quarter horse meets conducted in the southern zone in the daytime prior to January 1, 1979, and conducted thereafter at night

Uses the preceding fee schedule with the following adjustment: for each 1% that an association's average daily wagering in 1981, during the period from its meet's start to December 25, and for a like period for five meetings thereafter, falls below its 1980 average daily wagering during the same period, the dollar license fee shall be reduced by 2%.

Horseshoe Quarter Horse

Unless otherwise provided, any fair meet, mule racing, or quarter or harness horse meet run at the Cal Expo track, whose average daily wagering is \$650,000 or less

1% of first \$300,000 total wagering, with the marginal tax rate on any additional wagering increasing by 0.5% for each \$50,000 or less of additional wagering, up to a maximum rate of 4% on wagering above \$550,000. No separate tax on exotic wagering.

Golden State Racing Association, Valley Racing Association, Humboldt County Fair

Unless otherwise specified, fair meets (including the Cal-Expo and State Fair meet) at which average daily wagering exceeds \$650,000

3.65% of total wagering plus 1.75% of exotic wagering.

San Joaquin County Fair, Cal-Expo and State Fair, San Mateo County Fair, Los Angeles County Fair, Fresno District Fair

Fairs located in Alameda, Solano, San Joaquin and Sonoma Counties which conduct any racing on the same days as any other racing meet within 100 miles

2.92% of total wagering plus 1.75% of exotic wagering.

Alameda County Fair, Solano County Fair, Sonoma County Fair

Fair meets conducting racing during the daytime since January 1, 1979 and who thereafter conduct their racing at night

2% of first \$1.5 million of total wagering plus 7.52% of any additional wagering; 1.75% of exotic wagering. However, total fee cannot exceed 2.92% of total wagering plus 1.75% of exotic wagering.

Orange County Fair

All fairs

Special 1% levy on total wagering in addition to the above levies, to be directly deposited into the Fair and Exposition Fund.

All fairs

a. Data shown applies to California racing meets conducted between October 1983 and December 1984.

b. In addition to the levies shown above, an additional 1 percent license fee on daily exotic wagering was required for wagering which occurred between August 1, 1983 and July 1, 1984.

- THE OVERALL LICENSE FEE STRUCTURE USED IN CALIFORNIA IS EXTREMELY COMPLICATED. FOR EXAMPLE, DURING 1984 TEN DIFFERENT FEE SCHEDULES WERE UTILIZED FOR THE STATE'S 25 RACING MEETS, IN ADDITION TO SEPARATE PROVISIONS FOR SPECIAL LEVIES TO SUPPORT FAIRS AND A TEMPORARY SURCHARGE ON EXOTIC WAGERING.
- THERE APPEARS TO BE NO DISCERNABLE RELATIONSHIP BETWEEN MANY OF THESE DIFFERENT SCHEDULES. FOR EXAMPLE, SOME USE A FLAT TAX RATE, SOME USE A PROGRESSIVE TAX RATE STRUCTURE, AND ONE EVEN USES A REGRESSIVE TAX RATE STRUCTURE ONCE THAT A SPECIFIED DAILY WAGERING VOLUME IS REACHED.
- THESE RATE SCHEDULES ALSO RESULT IN SIGNIFICANT DIFFERENCES IN EFFECTIVE TAX RATES ON WAGERING FOR DIFFERENT MEETS. FOR EXAMPLE, FOR THE MEETS LISTED IN TABLE 1, LICENSE FEES AS A PERCENT OF TOTAL WAGERING ARE 6.1 PERCENT FOR ALL MEETS COMBINED, BUT RANGE FROM NEARLY 6.6 PERCENT FOR THOROUGHBRED MEETS COMBINED TO ONLY 3.3 PERCENT FOR HARNESS MEETS COMBINED. THE SPREAD IS EVEN GREATER--OVER 7 PERCENT TO UNDER 2 PERCENT--WHEN INDIVIDUAL MEETS ARE COMPARED.

CALIFORNIA'S BASIC APPROACH TO PARIMUTUEL WAGERING TAXATION--ESTABLISHMENT OF AN OVERALL "TAKEOUT" PERCENTAGE AND APPLICATION OF PERCENTAGE-BASED LICENSE FEES TO DETERMINE THE STATE'S SHARE OF THIS "TAKEOUT"--IS SIMILAR IN PRINCIPLE TO THAT USED IN OTHER STATES. APPENDIX A PROVIDES A SUMMARY OF THE PARIMUTUEL TAX SCHEDULES USED BY EACH OF THE 28 STATES WHICH, IN ADDITION TO CALIFORNIA, PERMIT AND TAX PARIMUTUEL HORSE RACING WAGERING. THERE ARE CONSIDERABLE DIFFERENCES IN THE SPECIFIC

CHARACTERISTICS OF THESE SCHEDULES AND, WHILE THE LICENSE FEE SCHEDULES IN SOME STATES APPEAR TO BE MUCH SIMPLER THAN CALIFORNIA'S, IN OTHERS THEY APPEAR TO BE EQUALLY COMPLEX.

B. REVENUES DERIVED FROM CALIFORNIA'S PARIMUTUEL WAGERING TAX

TABLE 3 SUMMARIZES THE REVENUES ASSOCIATED WITH PARIMUTUEL HORSERACING WHICH THE STATE OF CALIFORNIA COLLECTED IN 1983, THE LAST FULL CALENDAR YEAR FOR WHICH COMPLETE DATA HAVE BEEN PUBLISHED. IT INDICATES THAT:

- THE STATE COLLECTED ABOUT \$133 MILLION IN HORSE RACING-RELATED REVENUES. OF THIS AMOUNT, \$116 MILLION (87 PERCENT) WENT TO THE GENERAL FUND AND \$17 MILLION (13 PERCENT) WENT TO SPECIAL FUNDS, PRIMARILY THE FAIR AND EXPOSITION FUND.
- NEARLY 92 PERCENT (\$122 MILLION) OF THIS REVENUE CAME FROM PARIMUTUEL WAGERING LICENSE FEES, WHILE THE REMAINDER CAME FROM BREAKAGE, FINES AND PENALTIES, OCCUPATIONAL LICENSE FEES, AND UNCLAIMED PARIMUTUEL TICKETS.
- OF THE LICENSE FEE REVENUES, THE VAST MAJORITY--CLOSE TO 85 PERCENT--CAME FROM THOROUGHBRED RACING.

ALTHOUGH CALIFORNIA'S HORSE RACING-RELATED REVENUES ARE SUBSTANTIAL IN DOLLAR TERMS, THEY REPRESENT A RELATIVELY SMALL REVENUE SOURCE WHEN COMPARED TO THE STATE'S TOTAL INCOME. IN 1983-84, FOR EXAMPLE, GENERAL FUND HORSERACING REVENUES ACCOUNTED FOR ONLY ABOUT ONE-HALF OF ONE PERCENT OF TOTAL GENERAL FUND REVENUES.

TABLE 3

STATE OF CALIFORNIA REVENUES FROM PARIMUTUEL HORSERACING
1983 CALENDAR YEAR
(THOUSANDS OF DOLLARS)^A

SOURCE OF REVENUES	REVENUES	
	DOLLAR AMOUNT	PERCENT OF TOTAL
LICENSE FEE REVENUES	\$121,489	91.5%
GENERAL FUND	(106,840)	(80.5)
FAIR AND EXPOSITION FUND ^B	(14,649)	(11.0)
BREAKAGE ^C	7,629	5.7
FINES AND PENALTIES	111	0.1
OCCUPATIONAL LICENSE FEES	1,010	0.8
UNCLAIMED PARIMUTUEL TICKETS	2,602	2.0
GENERAL FUND ^D	(233)	(0.2)
SPECIAL DEPOSIT FUND ^E	(2,369)	(1.8)
GRAND TOTALS	\$132,841	100.0%
GENERAL FUND	(115,823)	(87.2)
SPECIAL FUNDS	(17,018)	(12.8)

A. SOURCE: CALIFORNIA HORSE RACING BOARD. DETAIL MAY NOT ADD TO TOTALS DUE TO ROUNDING.

B. FAIR AND EXPOSITION FUND RECEIVES 0.63 PERCENT OF EACH DOLLAR WAGERED AT ALL MEETS, PLUS 1 PERCENT OF EACH DOLLAR WAGERED AT FAIR MEETS.

C. GENERAL FUND RECEIVES A SHARE OF THE BREAKAGE FROM THOROUGHBRED PACING MEETS ONLY.

D. GENERAL FUND RECEIVES UNCLAIMED PARIMUTUEL AMOUNTS FROM FAIR AND MIXED PACING MEETS.

E. AMOUNTS SHOWN REPRESENT 50 PERCENT OF UNCLAIMED WINNINGS FOR ALL RACING MEETS OTHER THAN FAIR AND MIXED PACING MEETS. THE OTHER 50 PERCENT OF THESE UNCLAIMED WINNINGS IS PAID OVER TO THE HORSEMEN'S WELFARE FUND.

PARIMUTUEL TAX LEVELS IN CALIFORNIA VERSUS OTHER STATES

TABLE 4 PRESENTS DATA ON THE LEVEL OF PARIMUTUEL WAGERING TAXATION IN CALIFORNIA VERSUS OTHER STATES, AS COMPILED FOR 1983 BY THE NATIONAL ASSOCIATION OF STATE RACING COMMISSIONERS.

THESE DATA INDICATE THAT CALIFORNIA IS A RELATIVELY HIGH TAX STATE WHEN IT COMES TO PARIMUTUEL WAGERING TAXATION. FOR EXAMPLE, CALIFORNIA PARIMUTUEL LICENSE FEES AMOUNTED TO ABOUT 5.8 PERCENT OF ITS PARIMUTUEL WAGERING IN 1983, VERSUS 4.4 PERCENT FOR THE NATION. FURTHERMORE, A DETAILED REVIEW OF PARIMUTUEL TAX DATA ON A STATE-BY-STATE BASIS INDICATES THAT ONLY THREE STATES--ARKANSAS, MONTANA, AND OREGON--HAD HIGHER EFFECTIVE PARIMUTUEL LICENSE FEE RATES THAN CALIFORNIA'S. RATES IN THE REMAINING 25 PARIMUTUEL WAGERING STATES WERE BELOW CALIFORNIA'S. THIS DISPARITY COULD RESULT EVEN IF THERE WERE NO INTERSTATE DIFFERENCES BETWEEN TAX RATES ON SPECIFIC TYPES OF RACING, SINCE THOROUGHBRED RACING GENERALLY IS TAXED AT A HIGHER RATE THAN OTHER TYPES OF RACING AND THOROUGHBRED RACING'S SHARE OF TOTAL WAGERING IS HIGHER FOR CALIFORNIA (ABOUT 80 PERCENT) THAN FOR ALL STATES COMBINED (ABOUT 60 PERCENT). HOWEVER, TABLE 4 INDICATES CALIFORNIA'S EFFECTIVE TAX RATE ON THOROUGHBRED WAGERING (6.3 PERCENT) ALSO IS WELL ABOVE THE NATIONAL AVERAGE (4.7 PERCENT).

C. PROBLEMS WITH CALIFORNIA'S CURRENT PARIMUTUEL LICENSE FEE STRUCTURE

WE BELIEVE THAT THERE ARE THREE GENERAL PROBLEM AREAS ASSOCIATED WITH THE STATE'S CURRENT PARIMUTUEL WAGERING TAX STRUCTURE.

FIRST, THE TAX HAS BECOME EXCESSIVELY COMPLEX. ALTHOUGH MANY OF CALIFORNIA'S OTHER STATE TAXES HAVE SPECIAL PROVISIONS THAT AFFECT

Table 4

Average Tax Rates on Parimutuel Wagering for
California and the Nation in 1983
(thousands of dollars)^a

	California		All Parimutuel Horseracing States ^b	
	Amount	Percent of Wagering	Amount	Percent of Wagering
A. All Types of Racing				
On-site parimutuel wagering ^c	\$2,077,440	100.00%	\$10,107,033	100.00%
Direct revenues from wagering	128,947	6.21	462,823	4.62
License fees	(121,318)	(5.84)	(438,742)	(4.36)
Breakage	(7,629)	(0.37)	(24,081)	(0.24)
Other governmental revenues ^d	9,956	0.48	40,706	0.41
Government revenues from on-site wagering	138,903	6.69	503,529	5.03
Government revenues from off-track betting ^e	--	--	138,397	8.07
Total revenues from all wagering	\$138,903	6.69%	\$641,926	5.47%
B. Thoroughbred Racing Only				
On-site parimutuel wagering ^c	\$1,584,102	100.00%	\$5,872,921	100.00%
Direct revenues from wagering	107,743	6.80	291,729	4.97
License Fees	(100,114)	(6.32)	(276,144)	(4.70)
Breakage	(7,629)	(0.48)	(15,585)	(0.27)
Other governmental revenues ^d	7,810	0.49	25,075	0.43
Government revenues from on-site wagering	115,553	7.29	316,804	5.39
Government revenues from ^e off-track betting	--	--	95,282	7.39
Total revenues from all wagering	115,553	7.29	412,086	5.75

- a. Source: Parimutuel Racing 1983: A Statistical Summary, National Association of State Racing Commissioners. Detail may not add to totals due to rounding.
- b. Twenty-nine states, including California, permit parimutuel horse race wagering.
- c. Excludes off-track betting in Connecticut and New York but includes simulcasting/telephone betting in thirteen states (including California).
- d. Includes track licenses, occupational licenses, admission taxes, and miscellaneous collections.
- e. Pertains to off-track betting in Connecticut (which totaled \$184 million for all types of racing and \$119 million for thoroughbred racing) and in New York (which totaled \$1,532 million for all types of racing and \$1,170 million for thoroughbred racing).

DIFFERENT CATEGORIES OF TAXPAYERS, THE PARIMUTUEL WAGERING TAX STANDS ALONE IN TERMS OF THE EXTREME DEGREE TO WHICH SPECIAL PROVISIONS APPLY. IN OUR VIEW, IT WOULD BE FAR BETTER OVERALL TAX POLICY TO USE A MORE STANDARDIZED TAX SCHEDULE, EITHER IN THE AGGREGATE OR FOR EACH OF THE MAJOR INDIVIDUAL TYPES OF HORSERACING. THUS, WE SUPPORT THE GENERAL CONCEPT OF MOVING TOWARD A MORE UNIFIED-TYPE PARIMUTUEL TAX STRUCTURE THAN PRESENTLY EXISTS.

SECOND, CERTAIN TECHNICAL PROVISIONS OF THE TAX SEEM QUESTIONABLE. FOR EXAMPLE, UNDER CURRENT LAW THE TAX SCHEDULES WHICH ARE TO BE USED FOR MANY ASSOCIATIONS' RACING MEETS DEPEND ON THE TOTAL OR AVERAGE DAILY HANDLE OF THE MEET IN THE PRIOR YEAR. IN OUR VIEW, THE CURRENT YEAR'S WAGERING LEVELS SHOULD BE USED TO DETERMINE WHICH SCHEDULE APPLIES, EVEN IF THIS MEANS THAT AN ASSOCIATION MUST MAKE ESTIMATED TAX PREPAYMENTS AND WAIT UNTIL THE END OF ITS MEET TO "SETTLE UP" ITS FINAL TAX LIABILITY WITH THE STATE. WE ARE UNAWARE OF ANY OTHER CALIFORNIA STATE TAX FOR WHICH A PRIOR YEAR'S LEVEL OF ACTIVITY CAN AFFECT HOW THE CURRENT YEAR'S FINAL TAX LIABILITY IS COMPUTED. ANOTHER CURIOUS PROVISION IN THE LAW INVOLVES THE TREATMENT OF THOROUGHBRED MEETS WITH TOTAL WAGERING HANDLES OF OVER \$250 MILLION. IF SUCH A MEET IS A SPLIT MEET, THE SHORTER HALF OF THE MEET (E.G., HOLLYWOOD PARK'S WINTER MEET) PAYS A DIFFERENT DAILY TAX THAN IF IT WERE TAXED AS A PART OF THE TOTAL MEET. THE LOGIC FOR THIS IS UNCLEAR TO US. WE BELIEVE THAT THE ANALYTICAL BASIS BEHIND PROVISIONS SUCH AS THESE SHOULD BE REVIEWED BY THE LEGISLATURE.

THIRD, THERE IS THE QUESTION YOU HAVE RAISED OF WHETHER THE EXISTING TAX STRUCTURE IS EQUITABLE, ESPECIALLY FOR SMALL RACING ASSOCIATIONS AND ASSOCIATIONS THAT INCUR OPERATING LOSSES. WE HAVE NO SIMPLE ANSWER TO THIS

QUESTION SINCE ANSWERING IT INVOLVES DEFINING WHAT AN "EQUITABLE" TAX STRUCTURE IS, AND ONLY THE LEGISLATURE IS IN A POSITION TO DO THIS. HOWEVER, THE MERE FACT THAT A PARTICULAR RACING MEET LOSES MONEY CERTAINLY DOES NOT NECESSARILY MEAN THAT IT IS BEING INEQUITABLY TAXED. AFTER ALL, THOUSANDS OF BUSINESSES LOSE MONEY EACH YEAR, BUT THE FACT THEY DO SO DOES NOT IMPLY THAT SUCH LEVIES AS THE SALES TAX OR PROPERTY TAXES ARE IN SOME SENSE "UNFAIR" TO THEM. SUCH FIRMS MAY SIMPLY NOT BE ABLE TO PROFITABLY SURVIVE IN THE ECONOMIC MARKET PLACE DUE TO FACTORS OTHER THAN TAXATION, AND THE SAME CAN BE TRUE OF HORSE RACING MEETS CONDUCTED IN CERTAIN LOCATIONS.

GIVEN THIS, WHEN A HORSE RACING MEET DOES INCUR OPERATING LOSSES, WHAT SHOULD THE LEGISLATURE DO? FOR STARTERS, WE BELIEVE THAT SEVERAL THINGS SHOULD BE LOOKED AT BEFORE THE LEGISLATURE CONSIDERS GRANTING THE MEET A SPECIAL PARIMUTUEL TAX BREAK. FOR EXAMPLE, THE VARIOUS MANAGEMENT PRACTICES OF THE RACING ASSOCIATION CONDUCTING THE MEET WHICH AFFECT ITS PROFITABILITY SHOULD BE ASSESSED. ONE SUCH PRACTICE INVOLVES ADVERTISING AND MARKETING THE MEET. OTHER PRACTICES WHICH SHOULD BE REVIEWED INCLUDE THE DETERMINATION OF ADMISSION FEES, THE OPERATION OF CONCESSIONS AND PARKING FACILITIES, AND LABOR PRACTICES. IF SUCH A REVIEW INDICATES THAT IMPROVED MANAGEMENT PRACTICES DO NOT APPEAR ABLE TO SOLVE A MEET'S FINANCIAL PROBLEMS, THEN THE STATE HAS THREE BASIC OPTIONS:

- THE STATE CAN DO NOTHING, IN WHICH CASE THE MEET MAY GO OUT OF BUSINESS. IF THE MEET'S RACING DAYS CAN BE PROFITABLY USED AT A COMPETING LOCATION, THIS WILL NOT HURT STATE REVENUES OR THE RACING PUBLIC GENERALLY. HOWEVER, IF THIS IS NOT THE CASE, THEN THE STATE AND THE RACING PUBLIC ARE BOTH LOSERS.

- THE STATE CAN INCREASE THE SHARE OF WAGERING THAT THE ASSOCIATION GETS TO KEEP BY PERMITTING AN INCREASE IN THE TOTAL TAKEOUT, AND ALLOCATING THESE EXTRA MONIES TO THE ASSOCIATION. THIS WILL NOT HURT STATE REVENUES UNLESS WAGERING DROPS OFF DUE TO THE HIGHER TAKEOUT. THIS APPROACH ALSO HAS THE EFFECT OF MAKING TRACK PATRONS PAY THE COSTS OF ELIMINATING THE MEET'S OPERATING LOSSES, INSTEAD OF THE STATE.
- LASTLY, THE STATE CAN INCREASE THE SHARE OF THE WAGERING DOLLAR THAT THE ASSOCIATION GETS TO KEEP BY LEAVING THE TOTAL TAKEOUT UNCHANGED BUT REDUCING THE STATE'S LICENSE FEE. THIS RESULTS IN THE STATE, NOT THE BETTORS, PAYING FOR THE OPERATING LOSSES OF THE MEET.

WE BELIEVE THAT IF THE LEGISLATURE MAKES A DECISION TO REDUCE STATE TAXES IN ORDER TO ELIMINATE OPERATING LOSSES OF A RACING MEET, IT SHOULD DO SO ONLY AFTER IT HAS DETERMINED THAT THE MEET'S PROBLEMS CANNOT BE ELIMINATED BY IMPROVED MANAGEMENT PRACTICES AND THAT THERE IS SOME REASON WHY A MEET'S RACING PATRONS SHOULD NOT COVER THE COSTS OF OPERATING THE MEET. IN OTHER WORDS, IT IS NOT CLEAR TO US WHY THE STATE SHOULD AUTOMATICALLY REDUCE ITS OWN SHARE OF THE WAGERING DOLLAR JUST BECAUSE SOME MEETS DO NOT OPERATE IN AS FAVORABLE AN ECONOMIC ENVIRONMENT AS DO OTHERS. RATHER, WE BELIEVE THAT COVERING OPERATING LOSSES BY REDUCING THE STATE'S TAX RATE SHOULD BE A ACT OF LAST RESORT, TAKEN ONLY AFTER ALL OTHER OPTIONS HAVE BEEN SPECIFICALLY EXAMINED AND RULED OUT. THIS ASSUMES THAT THE LEGISLATURE ALREADY HAS A LICENSE FEE SCHEDULE IN PLACE FOR EACH TYPE OF HORSERACING WHICH IT BELIEVES RAISES A "FAIR" AMOUNT OF STATE REVENUES FROM EACH WAGERING DOLLAR.

D. REVENUE EFFECTS OF THE PROPOSED UNIFIED PARIMUTUEL TAX SCHEDULE

TABLE 5 SUMMARIZES THE UNIFIED LICENSE FEE SCHEDULE FOR WHICH YOU HAVE ASKED US TO ANALYZE THE STATE REVENUE IMPLICATIONS, ASSUMING THAT THE PROPOSED SCHEDULE WOULD HAVE APPLIED TO ALL CALIFORNIA HORSE RACING MEETS DURING 1984. AS TABLE 5 INDICATES, THIS PROPOSED SCHEDULE IMPOSES A HIGHLY PROGRESSIVE TAX STRUCTURE ON DAILY WAGERING, WITH MARGINAL TAX RATES RANGING FROM 1 PERCENT UP TO A MAXIMUM OF 9 PERCENT. IN ADDITION, THE REGULAR STATE SURCHARGE ON "EXOTIC" WAGERING WOULD BE RAISED BY 0.25 PERCENT, FROM ITS CURRENT 0.75 PERCENT TO 1 PERCENT. AS REQUESTED BY YOUR STAFF, WE HAVE ASSUMED THAT ALL OTHER EXISTING LICENSE FEE PROVISIONS WOULD REMAIN IN FORCE, INCLUDING THE SPECIAL 1 PERCENT FAIR AND EXPOSITION FUND LEVY ON FAIR WAGERING AND THE SPECIAL 1 PERCENT LEVY ON EXOTIC WAGERING PROVIDED FOR IN SECTION 19610.5(A) OF THE BUSINESS AND PROFESSIONS CODE.

TABLE 6 SUMMARIZES OUR REVENUE ESTIMATES. FOR EACH RACING MEET THE TABLE SHOWS CURRENT-LAW LICENSE FEES, PROPOSED-LAW LICENSE FEES, AND THE DIFFERENCES BETWEEN PROPOSED AND CURRENT LAW FOR BOTH REGULAR LICENSE FEES AND EXOTIC-WAGERING LICENSE FEES. TABLE 7 SHOWS THE AVERAGE PARIMUTUEL WAGERING TAX RATE FOR EACH MEET UNDER PROPOSED AND CURRENT LAW. TOGETHER THESE TABLES INDICATE THAT:

- THE PROPOSED FEE SCHEDULE, IN THE AGGREGATE, RAISES LICENSE FEES BY A TOTAL OF \$3.7 MILLION, THEREBY RAISING THE AVERAGE PARIMUTUEL WAGERING TAX RATE FROM 6.1 PERCENT TO 6.3 PERCENT. THUS, THIS PROPOSED SCHEDULE IS NOT "REVENUE NEUTRAL."
- OF THE \$3.7 MILLION TAX INCREASE, \$1.2 MILLION COMES FROM THE NEW FEE SCHEDULE AND \$2.5 MILLION COMES FROM THE INCREASED SURCHARGE ON EXOTIC WAGERING.

TABLE 5

UNIFIED PARIMUTUEL LICENSE FEE SCHEDULE
PROPOSED BY STAFF TO ASSEMBLY GOVERNMENT ORGANIZATION COMMITTEE

A. REGULAR LICENSE FEE SCHEDULE

<u>DAILY WAGERING</u>	<u>PARIMUTUEL LICENSE FEES</u>
\$500,000 AND UNDER	1 PERCENT OF HANDLE
\$500,001 TO \$600,000	\$5,000 PLUS 2 PERCENT OF HANDLE IN EXCESS OF \$500,001
\$600,001 TO \$700,000	\$7,000 PLUS 3 PERCENT OF HANDLE IN EXCESS OF \$600,001
\$700,001 TO \$800,000	\$10,000 PLUS 4 PERCENT OF HANDLE IN EXCESS OF \$700,001
\$800,001 TO \$1,000,000	\$14,000 PLUS 5 PERCENT OF HANDLE IN EXCESS OF \$800,001
\$1,000,001 TO \$1,200,000	\$24,000 PLUS 6 PERCENT OF HANDLE IN EXCESS OF \$1,000,001
\$1,200,001 TO \$1,600,000	\$36,000 PLUS 7 PERCENT OF HANDLE IN EXCESS OF \$1,200,001
\$1,600,001 TO \$2,000,000	\$64,000 PLUS 8 PERCENT OF HANDLE IN EXCESS OF \$1,600,001
\$2,000,001 AND OVER	\$96,000 PLUS 9 PERCENT OF HANDLE IN EXCESS OF \$2,000,001

B. BASIC SURCHARGE ON EXOTIC WAGERING

THE STATE "SURCHARGE" ON EXOTIC WAGERING WOULD BE INCREASED FROM THE PRESENT .75 PERCENT TO 1 PERCENT.

C. MAXIMUM LIMITATION ON TOTAL LICENSE FEES PAID

THE TOTAL LICENSE FEE PAID ON ANY DAY SHALL NOT EXCEED 5.7 PERCENT OF THE CONVENTIONAL HANDLE PLUS 6.7 PERCENT OF THE EXOTIC HANDLE.

D. OTHER LEVIES

IN ADDITION TO THE ABOVE PROVISIONS, ASSOCIATIONS SHALL CONTINUE TO PAY ANY OTHER FEES REQUIRED UNDER CURRENT LAW, INCLUDING THE SPECIAL 1 PERCENT LEVY ON TOTAL WAGERING AT FAIRS AND THE 1 PERCENT LEVY ON EXOTIC WAGERING UNDER SECTION 19610.5(A) OF THE BUSINESS AND PROFESSIONS CODE.

STATE LICENSE FEES PAID BY CALIFORNIA RACING ASSOCIATIONS
(\$)

MEET TYPE AND LOCATION	CURRENT LAW LICENSE FEES BY TYPE OF WAGER:			PROPOSED LAW LICENSE FEES BY TYPE OF WAGER:			DIFFERENCES BETWEEN PROPOSED LAW AND CURRENT LAW LICENSE FEES BY TYPE OF WAGER:		
	REGULAR	EXOTIC	TOTAL	REGULAR	EXOTIC	TOTAL	REGULAR	EXOTIC	TOTAL
A. THOROUGHBRED RACING MEETS									
1 PACIFIC RACING ASSOCIATION	6,597,179	1,690,327	8,107,505	6,222,731	1,745,811	7,968,541	- 284,448	145,484	- 138,963
2 TACKERAM RACING ASSN. (ALBANY)	3,998,751	579,577	4,661,328	3,935,773	1,058,811	4,994,584	45,022	88,234	133,256
3 DEL MAR CLUB	7,264,713	1,135,532	8,400,244	8,103,611	1,297,751	9,401,361	838,898	162,219	1,001,117
4 BAY MEADOWS ASSN.	7,417,334	1,929,098	9,346,431	7,166,373	2,104,470	9,270,843	49,839	175,373	224,411
5 HOLLYWOOD PARK (WINTER)	6,315,146	1,293,866	8,113,952	7,058,465	1,962,334	9,020,799	743,319	163,528	906,847
6 TANFORD RACING ASSN. (SAN MAT)	2,015,116	302,636	2,317,753	1,927,918	346,099	2,274,017	-87,198	43,262	-43,936
7 OAK TREE RACING ASSN.	6,814,341	975,379	7,789,720	7,616,028	1,114,719	8,730,747	801,687	139,340	941,027
8 HOLLYWOOD PARK (SUMMER)	19,658,114	4,871,688	24,529,722	19,658,114	5,362,529	25,020,643	0	490,921	491,921
9 LOS ANGELES TURF CLUB	28,588,624	5,899,880	34,488,505	28,588,624	6,436,233	35,024,857	0	536,353	536,353
SUBTOTALS, THOROUGHBRED MEETS	88,471,318	19,484,042	107,955,360	90,577,637	21,428,755	112,006,392	2,106,319	1,944,713	4,051,032
B. QUARTER AND HARNESS MEETS									
10 WESTERN HARNESS RACING	1,357,697	1,135,770	2,493,377	1,522,149	1,239,022	2,761,171	164,542	103,252	267,794
11 GOLDEN STATE RACING ASSN.	125,402	48,691	174,082	124,929	66,452	191,381	- 473	17,772	17,299
12 HORSEMAN'S QUARTER HORSE	1,991,910	831,089	2,822,998	1,318,117	906,642	2,224,760	- 673,792	75,554	- 598,239
13 PENINSULA	589,674	358,249	947,923	398,961	390,817	789,778	- 110,913	32,568	-78,345
14 LOS ALAMITOS RACE COURSE	3,640,316	1,077,368	4,717,624	2,785,648	1,192,867	3,978,515	- 854,668	115,559	- 739,109
SUBTOTALS, QUARTER AND HARNESS	7,625,109	3,451,096	11,076,205	6,149,805	3,795,800	9,945,605	-1,475,304	344,204	-1,131,600
C. FAIR AND MIXED RACING MEETS									
15 ALAMETA CO. FAIR	791,547	171,560	963,107	1,025,720	191,977	1,217,698	234,173	20,418	254,591
16 SOLANO CO. FAIR	561,008	133,540	694,548	586,229	152,617	738,846	25,221	19,077	44,298
17 SONOMA CO. FAIR	601,050	103,378	704,428	629,577	118,147	747,724	29,527	14,768	43,295
18 SAN JOAQUIN CO. FAIR	414,157	63,725	477,882	241,532	72,829	314,360	- 172,625	9,114	- 163,511
19 HUMBOLDT COUNTY FAIR	26,035	0	26,035	26,035	1,129	27,164	0	1,129	1,129
20 CAL EXPO STATE FAIR	495,598	90,919	586,517	309,989	103,907	413,896	- 185,609	12,988	- 172,621
21 SAN MATEO CO. FAIR	997,603	147,581	1,145,183	1,147,006	168,663	1,315,670	149,404	21,083	170,487
22 L.A. COUNTY FAIR	1,810,013	324,271	2,134,283	2,335,438	370,595	2,706,033	525,426	46,324	571,750
23 FRESNO DISTRICT FAIR	352,286	56,253	408,540	193,728	64,290	258,018	- 158,558	8,036	- 150,522
24 ORANGE COUNTY	473,175	122,026	595,202	641,636	139,459	781,145	168,511	17,432	185,944
25 VALLEY RACING ASSN.	190,497	57,948	248,446	133,069	72,435	205,505	-57,428	14,487	-42,941
SUBTOTALS, FAIRS & MIXED MEETS	6,712,970	1,271,201	7,984,171	7,270,810	1,456,048	8,726,858	557,041	184,847	741,888
TOTALS, ALL RACING MEETS	102,809,397	24,206,339	127,015,736	103,997,452	26,680,604	130,678,056	1,188,055	2,474,265	3,662,320

NOTE: DATA SHOWN ARE FOR EACH ASSOCIATION'S MOST RECENTLY COMPLETED RACING MEETING AS OF LATE NOVEMBER 1984. THE SPECIAL 1% LEVY ON FAIR WAGERING FOR THE FAIR AND EXPOSITION FUND APPEARS UNDER THE HEADING OF 'REGULAR' LICENSE FEES. IN ADDITION, 'REGULAR' LICENSE FEES FOR HORSEMAN'S QUARTERHORSE MEET DO NOT REFLECT A \$749,694 REDUCTION PERMITTED UNDER SECTION 19612(F) OF THE STATE OF CALIFORNIA BUSINESS AND PROFESSIONS CODE.

TABLE 7

AVERAGE WAGERING TAX RATES LEVIED ON
CALIFORNIA RACING MEETS

MEET TYPE AND LOCATION	AVERAGE TAX RATE	
	CURRENT LAW	PROPOSED LAW
A. THOROUGHBRED MEETS		
PACIFIC RACING ASSOCIATION	.0613	.0602
TANFORAN RACING ASSN. (ALBANY)	.0621	.0638
DEL MAR CLUB	.0588	.0658
BAY MEADOWS ASSN.	.0622	.0637
HOLLYWOOD PARK (WINTER)	.0655	.0728
TANFORAN RACING ASSN. (SAN MATEO)	.0562	.0552
OAK TREE RACING ASSN.	.0583	.0653
HOLLYWOOD PARK (SUMMER)	.0711	.0725
LOS ANGELES TURF CLUB	.0688	.0698
TOTAL, THOROUGHBRED MEETS	.0655	.0679
B. QUARTER AND HARNESS MEETS		
WESTERN HARNESS RACING	.0368	.0408
GOLDEN STATE RACING ASSN.	.0139	.0153
HORSEMAN'S QUARTER HORSE	.0503	.0396
PENINSULA	.0294	.0268
LOS ALAMITOS RACE COURSE	.0475	.0400
TOTAL, QUARTER AND HARNESS MEETS	.0418	.0375
C. FAIRS AND MIXED MEETS		
ALAMEDA CO. FAIR	.0477	.0603
SOLANO CO. FAIR	.0485	.0516
SONOMA CO. FAIR	.0459	.0488
SAN JOAQUIN CO. FAIR	.0537	.0353
HUMBOLDT COUNTY FAIR	.0200	.0209
CAL EXPO STATE FAIR	.0550	.0388
SAN MATEO CO. FAIR	.0534	.0613
L.A. COUNTY FAIR	.0548	.0695
FRESNO DISTRICT FAIR	.0539	.0341
ORANGE COUNTY	.0378	.0497
VALLEY RACING ASSN.	.0189	.0157
TOTAL, FAIRS AND MIXED MEETS	.0477	.0521
GRAND TOTAL, ALL MEETS	.0610	.0628

NOTE: TAX RATES FOR FAIRS INCLUDE THE SPECIAL FAIR AND EXPOSITION FUND 1% LEVY ON TOTAL WAGERING. IN ADDITION, TAX RATES SHOWN DO NOT INCLUDE A \$749,694 REDUCTION IN LICENSE FEES FOR THE HORSEMAN'S QUARTERHORSE MEET PERMITTED UNDER SECTION 19612(F) OF THE CALIFORNIA BUSINESS AND PROFESSIONS CODE. WHEN THIS REDUCTION IS INCLUDED, THE CURRENT-LAW AVERAGE TAX RATE FOR THIS MEET IS 3.69 PERCENT.

- THE EFFECTS OF THE PROPOSED SCHEDULE DIFFER SIGNIFICANTLY FOR DIFFERENT TYPES OF PACING AND FOR DIFFERENT INDIVIDUAL RACING MEETS. NATURALLY, ALL MEETS PAY MORE ON EXOTIC WAGERING UNDER THE PROPOSAL. HOWEVER, REGARDING THE REGULAR LICENSE FEE LEVIED UNDER THE PROPOSED PROGRESSIVE TAX SCHEDULE, 10 MEETS PAY LESS THAN UNDER CURRENT LAW, 12 MEETS PAY MORE, AND 3 MEETS ARE UNAFFECTED. REGARDING TYPES OF RACING, THOROUGHBRED MEETS COLLECTIVELY PAY MORE, AS DO HARNESS HORSE MEETS AND FAIR MEETS, WHILE QUARTER HORSE MEETS COLLECTIVELY PAY LESS. IN PERCENTAGE TERMS, FOR EXAMPLE, REGULAR QUARTER HORSE FEES COLLECTIVELY DROP BY ABOUT 27 PERCENT (\$1.6 MILLION), WHILE REGULAR FEES INCREASE BY 11.1 PERCENT (\$165,000) FOR HARNESS MEETS COLLECTIVELY, 8.3 PERCENT (\$557,000) FOR FAIRS AND MIXED MEETS, AND 2.4 PERCENT (\$2.1 MILLION) FOR THOROUGHBRED MEETS.

GIVEN THESE RESULTS, WE BELIEVE THAT THERE ARE TWO PRINCIPAL CONSIDERATIONS THAT CONFRONT YOU WITH REGARD TO THIS PARTICULAR UNIFIED LICENSE FEE SCHEDULE. THE FIRST CONSIDERATION IS THAT THE SCHEDULE IS NOT "REVENUE NEUTRAL" IN THE AGGREGATE, WHICH YOU INDICATED WAS ONE OF YOUR OBJECTIVES. THIS PROBLEM CAN EASILY BE RESOLVED, EITHER BY ADJUSTING THE SCHEDULE'S MARGINAL TAX RATES AND TAX RATE BOUNDARIES, AND/OR BY REDUCING THE SURCHARGE ON EXOTIC WAGERING. FOR EXAMPLE, THE PROPOSED SCHEDULE WOULD IN THE AGGREGATE BE "REVENUE NEUTRAL" IF THE REGULAR SURCHARGE ON EXOTIC WAGERING, RATHER THAN BEING RAISED FROM .75 PERCENT TO 1 PERCENT, WERE REDUCED TO ABOUT .63 PERCENT.

THE SECOND AND MORE DIFFICULT CONSIDERATION IS WHETHER THE RATHER SIGNIFICANT REDISTRIBUTIONS OF TAX BURDENS BETWEEN MEETS AND TYPES OF RACING WHICH RESULT FROM THE PROPOSED SCHEDULE ARE WHAT YOU DESIRE. THIS ULTIMATELY IS A POLICY ISSUE WHICH ONLY THE LEGISLATURE CAN DECIDE. SHOULD A DIFFERENT DISTRIBUTION OF THE TAX BURDEN BE DESIRED THAN WHAT IS SHOWN IN TABLES 6 AND 7, THIS PROBLEM CAN BE APPROACHED BY MANIPULATING THE MARGINAL TAX RATES AND TAX BRACKETS OF YOUR STAFF'S PROPOSED UNIFIED FEE SCHEDULE, OR BY DEVELOPING SEPARATE UNIFIED LICENSE FEE SCHEDULES FOR EACH MAJOR TYPE OF RACING. THESE APPROACHES WOULD ENABLE YOU TO ARRIVE AT A TAX SYSTEM THAT IS BOTH "REVENUE NEUTRAL" IN THE AGGREGATE AND THAT MORE CLOSELY APPROXIMATES THE TAX BURDENS ON INDIVIDUAL MEETS WHICH YOU SEEK, WHILE AT THE SAME TIME HOLDING TO THE GENERAL PRINCIPLE OF A UNIFIED FEE SCHEDULE. HOWEVER, IF YOU DO CHOOSE TO ADOPT A UNIFIED FEE SCHEDULE CONCEPT, YOU WILL PROBABLY FIND IT IMPOSSIBLE TO DESIGN A SCHEDULE WHICH COMPLETELY AVOIDS CHANGING THE DOLLAR AMOUNT OF PARIMUTUEL WAGERING TAXES THAT DIFFERENT MEETS PAY TODAY. THAT IS, AT LEAST SOME REDISTRIBUTION OF THE PARIMUTUEL TAX BURDEN BETWEEN DIFFERENT MEETS WILL BE INEVITABLE.