

SUBJECT: Revising taxation and regulation of boxing and wrestling events

COMMITTEE: Licensing and Administrative Procedures — committee substitute recommended

VOTE: 7 ayes — Wilson, Kubiak, Goolsby, Haggerty, Hamric, Torres, Yarbrough
0 nays
2 absent — D. Jones, Pickett

WITNESSES: For — None
Against — None
On — David Gunn and Richard Cole, Texas Department of Licensing and Regulation; Don Jackson

BACKGROUND : Texas regulates professional boxing and boxing and wrestling promoters under the Texas Boxing and Wrestling Act (VACS art. 8501-1). Under the act, the Texas Department of Licensing and Regulation (TDLR) licenses boxers, boxing managers, boxing officials, and boxing promoters. The department also registers wrestling promoters.

Boxing events and simulcasts of boxing events are assessed a three-percent gross receipts tax for deposit into the general revenue fund. Taxes are due within 72 hours of the event.

DIGEST: CSHB 2538 would require that professional wrestlers and wrestling managers and promoters be licensed by the TDLR and impose the three-percent gross receipts tax on all boxing and wrestling events, including closed-circuit and pay-per-view telecasts. Taxes also would be imposed on the sale of television rights, up to \$50,000.

Taxes for all events would be due by the 21st day after the event or telecast was held. Anyone selling pay-per-view telecast rights to an event shown in Texas would have to be licensed as a promoter and obtain a permit.

Promoters would have to notify TDLR of the names and addresses of all Texas facilities showing a telecast at least 14 days before the date of the telecast, and update that list daily. Facilities used to telecast a closed circuit or pay-per-event event would have to file a report with TDLR stating the number of orders sold and the price per order within 15 days of the telecast, but would not be responsible for payment of any taxes under the bill.

TDLR would be authorized to provide the necessary reporting forms and conduct audits of reports. It also could determine a specified percentage of the total tax revenues for deposit into a separate general revenue account, known as the Texas boxing and wrestling sports fund, not to exceed 20 percent of total annual tax revenues or \$50,000, whichever was less. The fund could be used to award grants to local youth recreational or amateur athletic programs.

CSHB 2538 also would ban ultimate or extreme fighting and prohibit any person from promoting, sponsoring, attending, or participating in that type of event. No governmental entity could issue a permit or license to engage in ultimate fighting. The prohibition would not prevent a health care professional from treating or assisting in the treatment of a participant in extreme fighting.

The bill would change the offense for violations of the Texas Boxing and Wrestling Act from a Class A misdemeanor (punishable by a maximum penalty of one year in jail and a \$4,000 fine) to a Class B misdemeanor (maximum 180 days in jail and a \$2,000). It also would increase the maximum administrative penalty that could be assessed for violations of the act from the current \$1,000 per violation to \$10,000.

The bill would take effect September 1, 1997. Provisions governing televised and pay-per view taxes would apply to events held on or after January 1, 1998; persons required to be licensed would have until March 1, 1998 to obtain a license.

**SUPPORTERS
SAY:**

CSHB 2538 would update the Texas Boxing and Wrestling Act to reflect current practices. The bill would apply to wrestling the regulations now governing professional boxing. These sports are similar and should be regulated in similar manners. The bill also would expand the concept of a

wrestling or boxing event to include closed circuit and pay-per-view, as these are increasingly becoming the venues of choice for spectators. In doing so, CSHB 2538 would have a net positive impact to general revenue of more than \$630,000 over the next biennium. The bill would not impose restrictive burdens on the industry, thereby jeopardizing entertainment for wrestling and boxing fans in Texas; promoters are not likely to walk away from this lucrative market.

CSHB 2538 would also ban ultimate fighting, a dangerous activity that has the potential to cause serious bodily harm to its participants and has been banned in many other states.

**OPPONENTS
SAY:**

CSHB 2538 would expand state oversight of a sport that is already adequately regulated and impose a broad tax that could discourage promoters and fighters from operating in Texas. This industry provides a number of jobs in the areas where events are held and furnishes popular family entertainment. CSHB 2538 could lead promoters to limit closed-circuit and pay-per-view access because of the increased administrative and tax burdens imposed by the bill.

NOTES:

The committee substitute to HB 2538 prohibited promoters from knowingly or intentionally making a fraudulent report; established a timetable for payment of taxes; created the separate sports fund; established new effective dates for license and broadcast provisions; and eliminated from the definition of wrestling that wrestlers may not be required to use their best efforts in order to win and winners may have been pre-selected.

The companion bill, SB 1319 by Barrientos, has been referred to the Senate State Affairs Committee.