

## **BILL ANALYSIS**

Senate Research Center  
86R8856 ADM-D

S.B. 1998  
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### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

There have been calls to strengthen the racing industry in Texas through the use of incentive funds paid to owners and breeders earning purses. S.B. 1998 seeks to provide a mechanism for purse matching by requiring certain tax revenue to be deposited to a horse industry escrow account for use as purses.

S.B. 1998 amends the Tax Code to require, subject to the limitation imposed by the bill's provisions, an amount equal to the proceeds from the collection of sales and use taxes imposed on the sale, storage, or use of horse feed, horse supplements, and horse tack to be deposited to the credit of the escrow account administered by the Texas Racing Commission (TxRC). The bill requires the comptroller of public accounts of the State of Texas (comptroller) to determine that amount according to available statistical data indicating the estimated or actual total receipts in Texas from taxable sales of horse feed, horse supplements, and horse tack. The bill authorizes the comptroller, if satisfactory data are not available, to require taxpayers who make taxable sales or uses of horse feed, horse supplements, or horse tack to report to the comptroller as necessary to make the allocation.

S.B. 1998 amends the Occupations Code to expand the permissible use of the purse account escrowed with TxRC by authorizing any officially designated state horse breed registry for accredited Texas-bred horses to apply for receipt of money in the account for any event that furthers the horse industry. The bill requires TxRC to determine the state horse breed registries to be allocated money from the escrow account. The bill caps the annual allocation by TxRC to horse racetrack associations for use as purses at 70 percent of the amount deposited into the account. The bill replaces references to the escrowed purse account under the Texas Racing Act with references to the horse industry escrow account.

S.B. 1998 requires the comptroller, in each fiscal biennium, to deposit the amounts allocated under the bill's provisions into the horse industry escrow account until the comptroller determines the amount deposited into the account in that fiscal biennium equals the lesser of \$50 million or the amount appropriated to TxRC for the allocation of money in the escrow account for that fiscal biennium. The bill requires the comptroller, once the comptroller determines that the lesser of those amounts has been so deposited, to deposit the amounts allocated under the bill's provisions into the general revenue fund for the remainder of that fiscal biennium. The bill requires TxRC to revise existing rules or adopt new rules as necessary to comply with provisions of the Texas Racing Act, as amended by the bill.

As proposed, S.B. 1998 amends current law relating to the deposit and allocation of certain funds to the horse industry escrow account.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Texas Racing Commission in SECTION 9 of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 2028.202(b), Occupations Code, as effective April 1, 2019, as follows:

(b) Requires that, from the total amount deducted under Subsection (a) (relating to the requirement that a greyhound racetrack association that receives an interstate cross-species simulcast signal distribute certain amounts from each pari-mutuel pool wagered on the signal at the racetrack), a greyhound racetrack association that receives an interstate cross-species simulcast signal distribute the following amounts from each pari-mutuel pool wagered on the signal at the racetrack:

(1)–(3) makes no changes to these subdivisions; and

(4) a purse of 4.5 percent to be escrowed with the Texas Racing Commission (TxRC) in the manner provided by Section 2028.204 (Allocation of Escrowed Purses), rather than escrowed with TxRC for purses in the manner provided by Section 2028.204.

SECTION 2. Amends Section 2028.203, Occupations Code, as effective April 1, 2019, to make conforming changes.

SECTION 3. Amends the heading to Section 2028.204, Occupations Code, as effective April 1, 2019, to read as follows:

Sec. 2028.204. ALLOCATION OF MONEY IN ESCROW ACCOUNTS.

SECTION 4. Amends Section 2028.204(b), Occupations Code, as effective April 1, 2019, as follows:

(b) Authorizes any horse racetrack association in this state to apply to TxRC for receipt of money in the horse industry escrow for use as purses, rather than for receipt of all or part of the escrowed purse account for use as purses. Authorizes any state horse breed registry listed in Section 2030.002(a) (relating to the requirement that an organization that receives funds generated by live or simulcast pari-mutuel racing annually file with TxRC a copy of an audit report prepared by an independent certified public accountant) to apply for receipt of money in the account for any event that furthers the horse industry. Provides that TxRC:

(1) is required to determine the horse racetrack associations and state horse breed registries to be allocated money from the account, rather than determine the horse racetrack associations to be allocated money from the escrowed purse account, and the percentages to be allocated, taking into consideration purse levels, racing opportunities, and the financial status of the requesting racetrack association or requesting breed registry, rather than the financial status of the requesting race racetrack association; and

(2) is prohibited from annually allocating more than 70 percent of the amount deposited into the account to horse racetrack associations for use as purses.

SECTION 5. Amends Subchapter E, Chapter 2028, Occupations Code, as effective April 1, 2019, by adding Section 2028.2041, as follows:

Sec. 2028.2041. ALLOCATION OF CERTAIN FUNDS. (a) Requires the comptroller of public accounts of the State of Texas (comptroller), in each state fiscal biennium, to deposit the amounts allocated under Section 151.801(c-3), Tax Code, into the escrow account established under Section 2028.204(b), until the comptroller determines the amount deposited into the account in that fiscal biennium equals the greater of:

(1) the amount appropriated to TxRC for the purposes of Section 2028.204 for that fiscal biennium; or

(2) \$50 million.

(b) Requires the comptroller, once the comptroller determines the greater of the amount described by Subsection (a)(1) or (2) has been deposited during a state fiscal biennium into the escrow account established under Section 2028.204(b),

for the remainder of that fiscal biennium to deposit the amounts allocated under Section 151.801(c-3), Tax Code, into the general revenue fund.

SECTION 6. Amends Sections 2028.205(a) and (b), Occupations Code, as effective April 1, 2019, as follows:

(a) Authorizes a horse racetrack association operating a racetrack that is located not more than 75 miles from a greyhound racetrack that offers wagering on a cross-species simulcast signal and that sends the cross-species simulcast signal to the greyhound racetrack, in addition to money allocated under Section 2028.204, to apply to TxRC for an allocation of up to 20 percent of the money in the escrowed account, rather than the escrowed purse account, that is attributable to the wagering on a cross-species simulcast signal at the greyhound racetrack.

(b) Makes conforming changes to this subsection.

SECTION 7. Amends Section 151.801, Tax Code, by amending Subsections (a) and (d) and adding Subsection (c-3) as follows:

(a) Requires all proceeds from the collection of taxes imposed by this chapter (Limited Sales, Excise, and Use Tax), except for the amounts allocated under Subsections (b), (c), (c-2), and (c-3), rather than Subsections (b), (c), and (c-2), to be deposited to the credit of the general revenue fund.

(c-3) Requires an amount equal to the proceeds from the collection of the taxes imposed by this chapter on the sale, storage, or use of horse feed, horse supplements, and horse tack to be deposited to the credit of the escrow account administered by TxRC and established under Section 2028.204, Occupations Code.

(d) Requires the comptroller to determine the amount to be deposited to the account under Subsection (c-3) according to available statistical data indicating the estimated or actual total receipts in this state from taxable sales of horse feed, horse supplements, and horse tack. Makes a conforming change.

SECTION 8. Amends Section 151.801(e), Tax Code, by adding Subdivisions (4) and (5) to define "horse feed" and "horse supplement."

SECTION 9. Requires TxRC, as soon as practicable after the effective date of this Act, to revise existing rules or adopt new rules as necessary to comply with Subtitle A-1, Occupations Code (Texas Racing Act), as amended by this Act.

SECTION 10. Provides that this Act does not make an appropriation. Provides that a provision of this Act that imposes a new duty on a governmental entity is not mandatory during a fiscal period for which the legislature has not made a specific appropriation to implement the provision.

SECTION 11. Effective date: September 1, 2019.