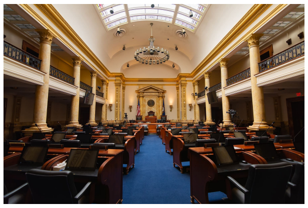

# Kentucky's Racing Taxes Under Scrutiny

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In what was a whirlwind of a shorter than normal 2021 regular session, the General Assembly had the final word on expansion of pari-mutuel wagering. A hot topic in the Commonwealth over the last several years turned into a heated discussion on the floor of the General Assembly, with lawmakers debating whether Kentucky's allowance of pari-mutuel wagering extended to historical horse racing.

Historical horse racing is a slot machine-like form of wagering that was struck down in September 2020 by the Kentucky Supreme Court. In *Family Trust Foundation of Kentucky Inc. v. Kentucky Horse Racing Commission*, the Court held that the statute allowing pari-mutuel gaming did not encompass historical horse racing, causing several facilities relying on such wagering to temporarily close.

However, the General Assembly, and the Governor, made clear its intent to protect the revenue that historical horse racing brought to those facilities, the purses for races, and the potential tax revenue from same when it quickly passed S.B. 120 during the 2021 regular session, expressly including historical horse racing in the definition of pari-mutuel wagering.

However, the vote was far from unanimous. Thus, in conjunction with its legislative fix to expand pari-mutuel wagering to include historical horse racing, on March 12, 2021, the General Assembly passed House Resolution 69, which created the Pari-Mutuel Wagering Taxation Task Force ("Task Force").

The purpose of the Task Force is to study all taxes associated with horse racing under KRS Chapter 138, convene once a month during the interim, and make proposed findings and/or recommendations to the LRC by December 1, 2021. In addition to this comprehensive analysis of Kentucky taxes and fees associated with horse racing, in particular, the Task Force is instructed to study what the impact of changing tax rates would have on the horse racing industry as well as the economy of Kentucky.

The members of the Task Force include Damon Thayer (S) Co-Chair, Adam Koenig (H) Co-Chair, Julie Raque Adams (S), Denise Harper Angel (S), Christian McDaniel (S), Stephen West (S), Jonathan Dixon (H), Al Gentry (H), Matthew Koch (H), and Jason Petrie (H).

The Task Force is scheduled to meet on July 16, 2021 at 10 a.m., August 9, 2021 at 3 p.m., September 13 at 3 p.m., October 4, 2021 at 3 p.m., and November 19, 2021 at 10 a.m. While the Task Force's monthly meeting minutes can be found on the LRC website, its final Findings of Fact/Report will likely not be published until the end of the year.

For more information about the 2021 regular session's effect on your taxes and the expansion of gaming taxes in Kentucky, visit Frost Brown Todd's Tax Law Defined Blog.