Sports Betting in Kentucky – Now What?

Apr 05, 2023

Categories:

Publications
Tax Law Defined™ Blog

Authors:

Mark F. Sommer

The Kentucky Legislature recently enacted, after many years on the table, limited sports betting. 2023 HB 551, Ky Acts. Ch. 147 (bill.pdf (ky.gov)).

It's "limited" in that the sports betting will result in only a handful of physical locations where bets can be taken and managed. Only licensed horse racing venues are "designated areas" to conduct sports wagering, though each can contract with so-called sports wagering service providers through which it can offer on-line or mobile wagering. Each racetrack may contract with a maximum of three service providers at any given time, however.

That's the good—what's the bad? Taxes!

A new tax regime will be put in place for the State Treasury to monetize the wagering.

The applicable sports wagering excise tax rate imposed will depend on the manner in which a wager is made. A 9.75% rate is set for wagers placed at racetracks, and a 14.25% rate applies to a bet placed online, on a mobile application, or any other off-site location.

As with other Kentucky excise-type taxes, the sports wagering excise tax is due and payable monthly, with a return due on the 20th day of the next succeeding calendar month. All tax payments must be made electronically.

While sports betting will be governed and administered by the Kentucky Horse Racing Commission, the Department of Revenue is charged with compliance and enforcement of the new wagering excise tax. Expect that new compliance filings will be engineered and published, and according to the legislation must include:

- the total sum of wagers collected in person and electronically through a mobile application;
- winnings paid in person and electronically through a mobile application;

- adjusted gross revenue in person and electronically through a mobile application;
- tax rates applied to adjusted gross revenue in person and electronically through a mobile application;
- the tax due from adjusted gross revenues in person and electronically through a mobile application;
- federal excise taxes paid; and
- the total wagering tax due.

Kentucky's sports betting legislation will take effect in late June 2023.

For more information, please contact Mark Sommer or any attorney in Frost Brown Todd's Tax practice group. For up-to-date information on tax-related issues, visit our Tax Law Defined Blog.

FBT Gibbons