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Breeders’ Cup Tax Exemption to Win (/full-blog/beet)

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Kentucky just passed a bill that will reinstate a tax break for the Breeders’ Cup. In October 2015, Keeneland, in Lexington, Kentucky, will host the Breeders’ Cup. This bill, House Bill 134, will reinstate the pari-mutuel tax exemption that was enacted in 2010, when Churchill Downs in Louisville, Kentucky hosted the Breeders’ Cup.

Racetracks that conduct pari-mutuel wagering on live horse races are required to pay between 1.5 and 3.5% of all money wagered. However, in 2010, Kentucky enacted KRS 138.510 (which has since been amended), which created tax exemptions on pari-mutuel wagering. The 2010 bill provided a tax exemption for racetracks that hosted an “international horse racing event in 2010” that distributed $15 million or more in purses during the event. In addition, the bill required the organization responsible for selecting the location to “contractually agree to conduct the international horse racing event” in Kentucky in 2011 or 2012.

Breeders’ Cup signed a contract with Churchill Downs and subsequently the track hosted the event in both 2010 and 2011. Due to this contract, Breeders’ Cup qualified for the pari-mutuel tax exemption and enjoyed this exemption in both 2010 and 2011.

Prior to the Senate’s approval of the bill, this tax exemption was no longer in effect. The 2010 bill had a caveat in place. The bill stated that after 2013, the tax exemption would remain in effect for the international horse race only if “the event occurs within three years of a previously-held international horse racing event.” In order to qualify for this exemption, Kentucky would have to have hosted Breeders’ Cup by the year 2014; however, Santa Anita Park in Arcadia, California hosted it instead in 2014.

The current version of KRS 138.510 mentions nothing about tax exemptions for international horse racing events in the state (in fact, the only tax exemption is for “live harness wagering at a county fair”).
House Representative David Osborne said this tax exemption will help to put Kentucky on par with other racing states, because Kentucky charges a greater wagering tax than any other state.[ix] Although this tax exemption will cost the state about $1 million,[x] Breeders’ Cup brought an estimated $53.3 million in revenue across the state in 2010 and thus the enormous economic potential offsets this loss.[xi] However, it is interesting that Governor Beshear approved this bill despite being unable to require Breeders’ Cup to return in the following year, as he did in 2011, because Breeders’ Cup has already announced Santa Anita Park will host the event again in 2016.[xii]


[iv] Id.

[v] Id.


[viii] Id. § 138.510(d)


