**BILL ANALYSIS**

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| Senate Research Center | C.S.H.B. 2463 |
| 86R33918 ADM-D | By: King, Tracy O. (Kolkhorst) |
|  | Water & Rural Affairs |
|  | 5/19/2019 |
|  | Committee Report (Substituted) |

**AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

H.B. 2463 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. The bill requires the comptroller of public accounts of the State of Texas 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.

H.B. 2463 amends the Occupations Code to expand the permissible use of the purse account escrowed with the racing commission 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 the racing commission to determine the state horse breed registries to be allocated money from the escrow account. The bill caps the annual allocation by the racing commission 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.

H.B. 2463 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 the racing commission 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 the racing commission to revise existing rules or adopt new rules as necessary to comply with provisions of the Texas Racing Act, as amended by the bill. (Original Author's/Sponsor's Statement of Intent)

C.S.H.B. 2463 amends current law relating to the deposit and allocation of certain funds to the horse industry escrow account and to the maximum balance of that 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 follows:

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

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

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

SECTION 2. Amends Section 2028.203, Occupations Code, as follows:

Sec. 2028.203. REIMBURSEMENT FOR SIMULCAST SIGNAL COST. Requires TxRC, if a racetrack association purchases a certain interstate simulcast signal, to reimburse the racetrack association an amount equal to one-half of the signal cost that exceeds five percent of the pari-mutuel pool from the escrowed account, rather than from the escrowed purse account, under Section 2028.202(b)(4).

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

Sec. 2028.204. ALLOCATION OF MONEY IN ESCROW ACCOUNTS.

SECTION 4. Amends Section 2028.204(b), Occupations Code, as follows:

(b) Authorizes any horse racetrack association in this state to apply to TxRC for receipt of money in the horse industry escrow account 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 specifying the officially designated state horse breed registries for accredited Texas-bred horses) 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 and the percentages to be allocated, rather than is required to 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; 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, 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.

(c) Prohibits the balance of the escrow account established under Section 2028.204(b) from exceeding $50 million.

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

(a) Authorizes a certain horse racetrack association 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) Requires TxRC to allocate amounts from the escrowed account, rather than the escrowed purse account, as TxRC considers appropriate to compensate the racetrack associate for a certain decrease in handle. Prohibits the amounts allocated from exceeding 20 percent of the money in the escrowed account, rather than the escrowed purse account, that is attributable to the wagering on the interstate cross-species simulcast signal at the greyhound racetrack.

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

(a) Includes Subsection (c-3) among the subsections that create an exception to this subsection.

(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, subject to the limitation imposed under Section 2028.2041, Occupations Code, 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. Authorizes the comptroller, if satisfactory data are not available, to require taxpayers who make taxable sales or uses of those lubricants, of sporting goods, of fireworks, or of horse feed, horse supplements, or horse tack to report to the comptroller as necessary to make the allocation required by Subsection (b), (c), (c-2), or (c-3), rather than authorizing the comptroller, if satisfactory data are not available, to require taxpayers who make taxable sales or uses of those lubricants, of sporting goods, or of fireworks to report to the comptroller as necessary to make the allocation required by Subsection (b), (c), (c-2).

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. Requires the comptroller to implement a provision of this Act only if the legislature appropriates money specifically for that purpose. Authorizes, but does not require, the comptroller, if the legislature does not appropriate money specifically for that purpose, to implement a provision of this Act using other appropriations available for that purpose.

SECTION 11. Requires TxRC to implement a provision of this Act only if the legislature appropriates money specifically for that purpose. Authorizes, but does not require, TxRC, if the legislature does not appropriate money specifically for that purpose, to implement a provision of this Act using other appropriations available for that purpose.

SECTION 12. Effective date: September 1, 2019.