

LEGISLATIVE HISTORY CHECKLIST
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(Race horses--sales--limit taxes)

NJSA: 54:32B-7.1

LAWS OF: 1993 **CHAPTER:** 226

BILL NO: S744

SPONSOR(S) Dimon

DATE INTRODUCED: May 7, 1992

COMMITTEE: **ASSEMBLY:** Financial Institutions; Appropriations
SENATE: Senior Citizens; Budget & Appropriations

AMENDED DURING PASSAGE: Yes Amendments during passage
 First reprint enacted denoted by superscript numbers

DATE OF PASSAGE: **ASSEMBLY:** May 3, 1993
SENATE: December 14, 1992

DATE OF APPROVAL: August 6, 1993

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes 1-14-93 & 3-4-93
SENATE: Yes 5-18-92 & 10-1-92

FISCAL NOTE: Yes

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

KBG:pp

[FIRST REPRINT]

SENATE, No. 744

STATE OF NEW JERSEY

INTRODUCED MAY 7, 1992

By Senator DIMON

1 AN ACT concerning the sales tax on race horses.

2

3 BE IT ENACTED *by the Senate and General Assembly of the*
4 *State of New Jersey:*

5 1. Notwithstanding the provisions of section 3 of P.L.1966,
6 c.30 (C.54:32B-3) to the contrary, the sale of race horses through
7 claiming races within the State shall be subject to the sales tax
8 imposed by that section only on that portion of the total purchase
9 price that exceeds the highest of any prior purchase prices paid
10 for the same horse within the State during the same calendar
11 year. If no previous purchases have been made within the
12 calendar year, the full purchase price shall be subject to the sales
13 tax. Each holder of a permit to conduct horse racing in this State
14 pursuant to P.L.1940, c.17 (C.5:5-22 et seq.) shall maintain and
15 make available to the Division of Taxation, upon reasonable
16 request, an accurate and detailed list of those sales.

17 2. This act shall take effect ¹[immediately] on the first day of
18 the third month after enactment¹.

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23 Limits sales tax on sale of race horses through claiming races.

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly AFI committee amendments adopted January 14, 1993.

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19

20 STATEMENT

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22 This bill limits the sales tax on the sale of race horses through
23 claiming races in each calendar year to the portion of the total
24 purchase price that exceeds the highest of any prior purchase
25 prices paid in that calendar year. In the case of the initial sale in
26 each calendar year, the full purchase price shall be subject to the
27 sales tax.

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32 Limits sales tax on sale of race horses through claiming races.

ASSEMBLY FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

SENATE, No. 744

with committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 14, 1993

The Assembly Financial Institutions Committee favorably reports, with committee amendments, Senate, No. 744.

Senate Bill No. 744 limits the sales tax on the sale of race horses through claiming races in each calendar year to the portion of the total purchase price that exceeds the highest of any prior purchase prices paid in the State in that calendar year. In the case of the initial sale within the State in each calendar year, the full purchase price is subject to the sales tax.

An amendment to the bill makes the bill effective on the first day of the third month after enactment.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

SENATE, No. 744

STATE OF NEW JERSEY

DATED: MARCH 4, 1993

The Assembly Appropriations Committee reports favorably Senate Bill No. 744 (1R).

Senate Bill No. 744 (1R) limits the sales tax on the sale of race horses through claiming races in each calendar year to the portion of the total purchase price that exceeds the highest of any prior purchase prices paid in the State in that calendar year. In the case of the initial sale within the State in each calendar year, the full purchase price shall be subject to the sales tax.

Currently, horses entered in claiming races may be "claimed" or purchased through a process at racetracks in which the purchaser registers a claim on the horse in a predetermined amount prior to the running of the race. The same horse can be claimed back and forth several times. Each time a horse is claimed, or purchased, a separately taxable sales transaction occurs. This situation creates multiple payments of sales taxes on the same horse.

FISCAL IMPACT:

The Office of Legislative Services estimates the maximum annual revenue loss as a result of this bill at approximately \$77,700, based on data provided by the New Jersey Racing Commission. This estimate is based on a recent typical 12-month period in which the average price of a "claim" for Standardbred horses and Thoroughbred horses ranged from \$6,078 up to \$29,546 for 116 duplicate purchases. The total for these "claims" during this period was \$1.3 million, which then can be assumed to have produced a maximum \$77,700 in sales tax revenue. Enactment of this legislation may encourage an increase in the number of horses purchased at claiming races and in the purchase price, thereby possibly offsetting any revenue loss.

SENATE SENIOR CITIZENS, VETERANS
AFFAIRS AND AGRICULTURE COMMITTEE

STATEMENT TO

SENATE, No. 744

STATE OF NEW JERSEY

DATED: MAY 18, 1992

The Senate Senior Citizens, Veterans Affairs and Agriculture Committee favorably reports Senate Bill No. 744.

This bill limits the sales tax on the sale of race horses through claiming races in each calendar year to the portion of the total purchase price that exceeds the highest of any prior purchase prices paid in that calendar year. In the case of the initial sale in each calendar year, the full purchase price shall be subject to the sales tax.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 744

STATE OF NEW JERSEY

DATED: OCTOBER 1, 1992

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 744.

Senate Bill No. 744 limits the sales tax on the sale of race horses through claiming races in each calendar year to the portion of the total purchase price that exceeds the highest of any prior purchase prices paid in the State in that calendar year. In the case of the initial sale within the State in each calendar year, the full purchase price shall be subject to the sales tax.

Horses entered in claiming races may be "claimed" or purchased through a process at racetracks in which the purchaser registers a claim on the horse in a predetermined amount prior to the running of the race. The same horse can be claimed back and forth several times. Each time a horse is claimed, or purchased, a separately taxable sales transaction occurs. This situation creates multiple payments of sales taxes on the same horse.

FISCAL IMPACT

While the authoritative data necessary to calculate the reduction in sales and use tax revenue that may result from the enactment of this bill were not available, testimony presented to the committee indicated that any such reduction would be quite limited.

LEGISLATIVE FISCAL ESTIMATE TO

[FIRST REPRINT]

SENATE, No. 744

STATE OF NEW JERSEY

DATED: March 26, 1993

Senate Bill No. 744 (1R) of 1992 would require the purchaser of a race horse purchased through a claiming race to pay sales tax only on that portion of the total purchase price which exceeds the highest of prior purchase prices paid for that horse during the calendar year. If there were no prior purchases of the horse during a calendar year, the full purchase price would be subject to the sales tax.

A horse entered in a claiming race may be "claimed", or purchased, through a process at the racetrack in which the purchaser registers a claim on the horse in a predetermined amount prior to the running of the race. The same horse can be claimed back and forth several times during a calendar year. Each time a horse is claimed, a separate taxable transaction occurs; consequently, multiple payments of the sales tax may be made during a calendar year on the same horse.

The Department of Treasury has not provided an estimate of the impact of this bill on State revenues.

The Office of Legislative Services (OLS) estimates that the maximum revenue loss to the State would be approximately \$77,700, based on data provided by the New Jersey Racing Commission which the commission states represent a typical calendar year.

During this period, the Meadowlands Racetrack had approximately 14 duplicate purchases through Standardbred claiming races at an average price of \$29,546 for a total of \$413,647, and approximately 19 duplicate purchases through Thoroughbred claiming races at an average price of \$12,562 for a total of \$238,679. All other racetracks had approximately 38 duplicate purchases through Standardbred claiming races at an average price of \$6,078 for a total of \$230,956, and 45 duplicate purchases through Thoroughbred claiming races at an average price of \$9,155 for a total of \$411,976.

For the purposes of this estimate, an average price for Standardbred horses and for Thoroughbred horses sold during the representative calendar year was used as the average price for each duplicate purchase. (Actual purchase prices were not available.) At the sales tax rate of 6 percent, \$77,716 is the sales tax which would have been due on the duplicate sales during this representative calendar year.

According to the New Jersey Racing Commission and a representative of the Thoroughbred Breeders Association, the number of times a horse is purchased during a claiming race in any one calendar year has been declining recently for a variety of reasons. In addition, when a horse is purchased several times during a calendar year, the purchase price does not generally increase significantly from one purchase to another. Therefore, it may be

assumed that the annual maximum revenue loss to the State as a result of this bill would continue to be in the range of \$77,700. This loss would be reduced if the number of sales declines or if for any sale the purchase price exceeds the highest of any prior purchase prices paid for that horse during the calendar year.

According to the commission and the association representative, the enactment of this bill may encourage the purchase of horses during claiming races. An increase in the number of purchases and any increase in the price of a duplicate purchase over the price of a prior duplicate purchase during a calendar year may result in the payment of sales tax on the difference between the prices paid, thereby offsetting the loss in revenue. It is not known whether this bill if enacted would in fact increase the number of purchases and the purchase prices.

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.