

## REVENUE DISTRIBUTIONS TO THE AGRICULTURE EQUINE INDUSTRY DEVELOPMENT FUND

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<http://www.house.mi.gov/hfa>

**House Bill 4823 as introduced**  
**Sponsor: Rep. Julie Alexander**

Analysis available at  
<http://www.legislature.mi.gov>

**House Bill 4824 as introduced**  
**Sponsor: Rep. Kevin Hertel**

**Committee: Agriculture**  
**Complete to 5-11-21**

### SUMMARY:

House Bills 4823 and 4824 would respectively amend the Lawful Internet Gaming Act and the Lawful Sports Betting Act to remove the cap on revenues collected under those acts that are distributed to the Agriculture Equine Industry Development Fund (AEIDF).

The Lawful Internet Gaming Act,<sup>1</sup> which authorizes licensed internet gaming in Michigan, imposes a tax on adjusted gross receipts from that gaming and earmarks tax revenue as follows:

- 30% to the city in which the internet gaming operator's license is located.
- 65% to the Internet Gaming Fund established in the act.
- 5% to the AEIDF. The Lawful Internet Gaming Act also limits the amount of the deposit to the AEIDF to \$3.0 million per state fiscal year, and any revenue in excess of the \$3.0 million is to be credited to the Internet Gaming Fund.

Similarly, the Lawful Sports Betting Act,<sup>2</sup> which authorizes licensed sports betting, imposes a tax on sports betting gross proceeds and earmarks tax revenue in the same amounts (and with the same \$3.0 million cap) as described above.

The bills would amend the respective acts to remove the \$3.0 million annual cap on revenue distributed to the AEIDF. The bills would not change the 5% distribution to the AEIDF.

MCL 432.315 (HB 4823)  
MCL 432.415 (HB 4824)

### BACKGROUND:

The AEIDF is established in section 20 of the Horse Racing Law of 1995. Since the fund's creation, its revenue has been derived primarily from a 3.5% tax on simulcast horse race wagering. Beginning in 2020, AEIDF revenue has been supplemented by a tax on advance deposit wagering on horse races as made through licensed third-party facilitators. AEIDF revenue was \$2.3 million in 2019 and \$2.0 million in 2020. AEIDF revenue is used for horse

<sup>1</sup> 2019 PA 152 (House Bill 4311): <http://legislature.mi.gov/doc.aspx?2019-HB-4311>

<sup>2</sup> 2019 PA 149 (House Bill 4916): <http://legislature.mi.gov/doc.aspx?2019-HB-4916>

racing supplements and awards paid to owners and breeders of Michigan race horses and regulatory costs of the Michigan Gaming Control Board.<sup>3</sup>

Legislation has been passed by the House of Representatives that proposes increasing breeders' awards in Michigan from the AEIDF.<sup>4</sup>

## **FISCAL IMPACT:**

Although the Lawful Internet Gaming Act and Lawful Sports Betting Act both became effective in December 2019, the Michigan Gaming Control Board did not finalize administrative rules governing internet gaming and sports betting until December 2020. Thus, operators could not begin accepting wagers until 2021.<sup>5</sup> Because there is no history of internet gaming or sports betting in Michigan, the amount of tax revenue generated from the two acts cannot be readily determined at this time. As a result, we have not determined whether the deposit to the AEIDF from the two taxes will hit the current \$3.0 million limit in 2021 or subsequent years.<sup>6</sup>

The fiscal impact of House Bills 4823 and 4824 would be contingent on whether or not the earmark to the AEIDF from either the Lawful Internet Gaming Act or the Lawful Sports Betting Act, or both, exceeded the current \$3.0 million limitation. The bills would not affect total state revenue, but could affect the distribution of revenue between two state restricted funds. The bills would have no impact on local units of government.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

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<sup>3</sup> For additional information on horse racing and the AEIDF, see the 2017 House Fiscal Agency publication "Fiscal Focus - Horse Racing in Michigan - A Primer": [https://www.house.mi.gov/hfa/PDF/Agriculture/FiscalFocus\\_Horse\\_Racing\\_in\\_Michigan.pdf](https://www.house.mi.gov/hfa/PDF/Agriculture/FiscalFocus_Horse_Racing_in_Michigan.pdf)

<sup>4</sup> <http://legislature.mi.gov/doc.aspx?2021-HB-4599>

<sup>5</sup> [https://www.michigan.gov/mgcb/0,4620,7-351-79131\\_79259---,00.html](https://www.michigan.gov/mgcb/0,4620,7-351-79131_79259---,00.html)

<sup>6</sup> The fiscal analysis of House Bills 4311 and 4916 of the 2019-20 legislative session did provide estimates of tax revenue distributions at different revenue levels.