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This bill provides that, beginning with the calendar year 1976 and for a period of three consecutive calendar years thereafter, the tax of 5 1/2% levied pursuant to Article 78B, Section 16(a) of the Code upon the half mile race tracks shall not be paid by the Timonium Race Track. Instead, the amount of this tax shall be available to Timonium for purposes of making capital improvements approved by the Racing Commission.

The effect of this bill is an estimated loss to the State of over \$4,500,000 in general fund revenue and over \$285,000 in special fund revenue for the four year period.

I am advised that the Timonium Race Track does not have a federal income tax exemption and that it pays federal income taxes on the profits made by it. This being so, a significant percentage of the money which the track would save in deductible State taxes under House Bill 854 would be paid to the Federal Government in income taxes.

I am aware that a program to fund capital improvements for the mile tracks is in operation in accordance with Article 78B, Section 12 of the Code; however, there is a significant difference between the two situations. Under Section 12, the money used to fund capital improvements at the tracks is deducted from the amount wagered on races before the track receives its share. It is then paid to the State and returned to the track by the State Racing Commission in order to make improvements authorized by the Commission. No existing State tax revenues are involved in this arrangement, and therefore to the extent any such grants are federally taxable, it is not State revenue paying the tax. Under House Bill 854, State tax revenues would be abated and part of them would wind up in the Federal treasury.

I would have no objection to signing a bill providing benefits to Timonium under an arrangement similar to that devised for the mile tracks, where the funds to support the capital improvement program would be paid from the money bet on the races and not from the State treasury. I object to an arrangement, however, where, in effect, State taxes are used in part to subsidize the Federal Government.

This bill, if signed, would not take effect until January, 1976, and, as the Timonium meet does not start until after July 1, it would produce no benefit to the track until fiscal year 1977. Thus, there will be ample opportunity for the General Assembly to attain the objectives of the bill in its 1976 Session. I have been