

Legislative Analysis



HORSE RACING AMENDMENTS

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4346 (H-1) as adopted
Sponsor: Rep. Angela Witwer

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

House Bill 4347 (H-1) as adopted
Sponsor: Rep. Tom Kunse

Committee: Agriculture
Complete to 7-24-25

SUMMARY:

House Bill 4346 would amend the Lawful Internet Gaming Act to change the amount of taxes collected under that act that are earmarked to the Agriculture Equine Industry Development Fund (AEIDF). Presently, 5% of the proceeds from the graduated tax on the gross revenue of internet gaming licensees is deposited into this fund, with any amount over \$3.0 million deposited instead into the Internet Gaming Fund. Under the bill, 4% of proceeds would be directed to the AEIDF unless that amount exceeds the following thresholds:

- \$9.0 million, for the 2025-26 state fiscal year.
- \$12.0 million, for the 2026-27 state fiscal year.
- \$15.0 million, for the 2027-28 state fiscal year and each following year.

Any amount above those limits would go to the Internet Gaming Fund.

MCL 432.315

House Bill 4347 would amend the Horse Racing Law to remove a provision concerning amounts allocated to the AEIDF in a fiscal year above a certain threshold, and to revise provisions regarding the authorized uses of the AEIDF, including the use of fund revenue to support horse racing and associated purses, purse supplements, and awards.

The bill would remove language that currently provides that, if the amount allocated to the AEIDF in a fiscal year exceeds \$8.0 million, the excess over that threshold must be allocated to the pari-mutuel horse racing disbursement account established under section 19 of the act.¹

The bill also would change the amount of financial support provided to various entities that organize or host different types of horse racing. Currently, the amount of state financial support for specific horse racing programs is calculated based on the prize purses offered for that type of racing or on the total amount wagered on a category of race. These calculations help determine the amounts appropriated by the legislature from the AEIDF for various horse racing programs, and the amounts available for specific purses, purse supplements, and awards.

¹ The pari-mutuel horse racing account is a method for allocating private revenue generated from advanced deposit wagering, a specific method of wagering on horse racing. It is not a state fund or account.

Under the bill, an amount that is not less than 18% of the AEIDF would be allocated for purses for standardbred harness horse races offered by fairs and races at licensed pari-mutuel racetracks. County fairs, which are currently eligible to receive up to \$15,000 each in matching funds, would instead receive an equal share of an amount equal to 5% of the fund, unless that fair held standardbred racing in the previous calendar year and will also hold standardbred racing in the current calendar year. Those fairs holding standardbred racing would receive an equal share of a separate 5% amount. Specifically, the bill would allocate money from the AEIDF in the following percentages:

- 18% for purses.
- 5% to county fairs that hosted standardbred racing in the previous calendar year and will do so in the current calendar year.
- 5% to all other county fairs.
- 25% for special purses and allowable expenses related to the costs of hosting racing.
- 1% to support the payment of cash premiums at county fairs (these premiums are cash awards paid to individuals who place in a fair's various judged categories).
- 10% for breeders' awards, with the amount awarded not exceeding 20% of the gross purse (presently, the amount allocated to this subcategory is not to exceed 10% of the gross purse).
- 10% to assist in covering certain costs of hosting horse races at county fairs. Funds would be distributed by the director of the Michigan Department of Agriculture and Rural Development (MDARD).
- 5% to pay purse supplements to parimutuel racetracks or county fairs.
- 10% to a special standardbred sire stakes fund, the entirety of which provides purses for races run exclusively for 2-year-old and 3-year-old Michigan-sired standardbred horses at licensed harness race meetings in Michigan ("Sire Stakes"). Currently, this fund receives 0.25% of all money wagered on live and simulcast horse races in Michigan.

The bill would remove current language that effectively limits state AEIDF participation to 75% of the purse. As a result, purses for harness races at fairs and at licensed pari-mutuel racetracks could be funded with 100% state AEIDF revenue.²

Michigan's one remaining race meeting licensee, Northville Downs, closed in February 2024.³ Northville Downs had been licensed for pari-mutuel wagering on standardbred harness racing, as well as simulcasting. In January 2025, the Michigan Gaming Control Board (MGCB) granted a track license for Northville Downs for a track located in Hastings, Michigan. In October 2024, the MGCB granted Northville Downs LLC a 2025 race meeting license for live horse standardbred racing days and a 2025 simulcast permit. The MGCB orders were modified in March 2025.⁴ The modified order provides for a total of 20 days of live horse racing starting August 12, 2025, through October 15, 2025.

² "Licensed pari-mutuel racetracks" is not a defined term, but as used in current law it appears to refer to race meetings licensed under section 8(1)(b) to conduct live horse racing, simulcasting, and pari-mutuel wagering on the results of live and simulcast horse races.

³ <https://www.freep.com/story/news/local/michigan/wayne/2024/02/08/northville-downs-michigans-last-horse-racing-track-closes/72472028007/>

⁴ <https://www.michigan.gov/mgcb/-/media/Project/Websites/mgcb/Horse-Racing-Executive-Orders/2025/NVD-Order-Amending-Live-Race-Dates.pdf>

Under the bill, if there is no licensed harness race meeting in Michigan, or if the licensed race meeting is unable to conduct races, the director of MDARD could designate a county fair to host those races.

For thoroughbred programs, the bill would amend the amounts paid as follows (the act does not now specify an amount for each specific program, and the proposed percentages are of the AEIDF):

- 2% to supplement purses for races conducted with only Michigan-sired horses.
- 2% to pay awards to owners of Michigan-sired horses finishing in first, second, or third place in races open to non-Michigan-sired horses in and out of Michigan. For owners awards, the bill would require the recipient to be an *eligible recipient*.
- 2% to pay breeders' awards, with the amount of the award not to exceed 20% of the gross purse. (Presently, the award is capped at 10% of the gross purse.) The bill would provide that only an owner who is an eligible recipient may receive an award, and it would allow the race meeting to take place outside of Michigan.
- 2% to pay purse supplements to licensed thoroughbred race meetings for special 4-year-old and older Michigan-sired colt and filly races. If there is no thoroughbred race meeting in Michigan, the bill would allow the racing commissioner to allot a special thoroughbred sires stakes fund for 4-year-olds to provide an award to the owners of the top five highest-earning Michigan-sired 4-year-olds by sex and distribute the money as follows:
 - 50% to the top earning 4-year-old horse and mare.
 - 25% to the second top earning 4-year-old horse and mare.
 - 12% to the third top earning 4 year-old horse and mare.
 - 8% to the fourth top earning 4 year-old horse and mare.
 - 5% to the fifth top earning 4 year-old horse and mare.
- 2% for a special thoroughbred sire stakes fund to provide purses exclusively for 2-year-old, 3-year-old, and older Michigan-sired thoroughbred horses. If there is no thoroughbred race meeting in Michigan, the bill would allow the racing commissioner to allot a special thoroughbred sires stakes fund for 4-year-olds to provide an award to the owners of the top five highest earning Michigan-sired 2-and-3-year-old colt and filly by age and sex and distribute the money as follows:
 - 50% to the top earning 2-year-old and 3-year-old colt and filly.
 - 25% to the second top earning 2-year-old and 3-year-old colt and filly.
 - 12% to the third top earning 2-year-old and 3-year-old colt and filly.
 - 8% to the fourth top earning 2-year-old and 3-year-old colt and filly.
 - 5% to the fifth top earning 2-year-old and 3-year-old colt and filly.

Eligible recipient would mean an individual who is a resident of Michigan.

To receive one of these special awards, the horse's owner would have to be an eligible recipient and would have to submit an annual supplemental purse/award eligibility form regarding their horse's earnings in the previous calendar year to the racing commission by January 15 of each year. The commissioner would then verify eligibility of the horse or mare and that the owner is an eligible recipient. Results must be submitted to the state treasurer by February 15 annually. In establishing minimum amounts or floors for the programs noted above, the bill would also require the state treasurer to index these floor amounts annually.

There has not been a race meeting licensee hosting thoroughbred racing in Michigan since April 2018.

The bill would remove references to amounts paid for various quarter-horse programs and language regarding Appaloosa, Arabian, and American Paint Horse programs.

The bill would add language specifying percentages of the AEIDF that would be allocated to Equine Industry Research, Planning, and Development Fund grants. These grants presently exist in statute, but there is not a static dollar amount or percentage of the AEIDF that must be allocated. Under the bill, 0.5% of the AEIDF would be allocated to each of the two categories specified in law.

The following expenditures would also be eligible for funding as determined by the director of MDARD under the bill:

- A water truck.
- Track maintenance vehicles.
- An announcer.
- An ambulance.
- An outrider.
- Advertising.
- An on-site veterinarian to ensure animal health and the soundness of the participating horses.

Finally, the bill would amend a provision stipulating that the pari-mutuel system of wagering may be done only at a currently licensed track. Section 26 currently states that, other than section 20, the act applies to county or state fairs or to agricultural or livestock exhibitions only if the pari-mutuel system of wagering on the result of horse racing is conducted, and that the pari-mutuel system of wagering on a racetrack is permitted only if the racetrack is licensed under the act.

MCL 431.302, 431.320, and 431.326

Each bill can take effect only if both bills are enacted.

FISCAL IMPACT:

House Bill 4346 would increase the annual amount of non-tribal internet gaming tax revenues deposited into the Agriculture Equine Industry Development Fund and correspondingly reduce the amount deposited in the School Aid Fund. While the bill would lower the 5% earmark to 4%, current revenues and revenue estimates from online gaming would result in the new AEIDF caps being hit in each fiscal year because the calculated 4% amount would be greater than the new deposit caps included in the bill. More specifically, the bill would remove the current \$3.0 million cap and replace it with a \$9.0 million cap in FY 2026, a \$12.0 million cap in FY 2027, and a \$15.0 million cap in each subsequent fiscal year, resulting in an increased deposit for the AEIDF of \$6.0 million in FY 2026, \$9.0 million in FY 2027, and \$12.0 million in each subsequent fiscal year, based on current online gaming revenue estimates.

The increase in revenues to the AEIDF would result in a corresponding decrease for the Internet Gaming Fund, which would ultimately result in a corresponding reduction to the School Aid Fund of \$6.0 million in FY 2026, \$9.0 million in FY 2027, and \$12.0 million in each subsequent fiscal year because the recipient of any remaining balance in the Internet Gaming Fund at the end of the fiscal year is the School Aid Fund.

House Bill 4347, by lifting the current \$8.0 million ceiling on allocations to the AEIDF, would allow the AEIDF revenue, expenditures, and fund balance to increase above that amount and preclude the distribution of AEIDF revenue in excess of \$8.0 million to private entities though the pari-mutuel horse racing disbursement account established in section 19 of the act.⁵

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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.

⁵ These distribution provisions were triggered in 2022, when revenue credited to the AEIDF in FY 2021-22 totaled \$9.7 million. In December 2022, MDARD transferred \$1.8 million from the AEIDF to Northville Downs, the administrator of the pari-mutuel horse racing disbursement account. Under section 19, the pari-mutuel horse racing disbursement account is distributed 50/50 between the track licensee (Northville Downs in 2022) and the certified horsemen's organization (the Michigan Harness Horsemen's Association in 2022).