



Illinois Harness Horsemen's Association

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WHO IS THE IHHA?

The Illinois Harness Horsemen's Association is a non-profit 501c6 corporation organized under the laws of Illinois. We are made up of 15 directors, elected by its membership for three-year terms. We are the recognized bargaining agent for the Harness Horsemen of Illinois. We exist to give horsemen a collective voice. We are the owners, trainers, drivers, grooms and breeders and we are specifically NOT employees of the racetrack. Through "The Illinois Horse Racing Act" the General Assembly has provided details for the recognition of horsemen's associations that are qualified to receive a portion of their own purse monies to be used exclusively for the benefit of Illinois horsemen.

Annually, by law, we must have an agreed upon contract with all Standardbred racetracks in Illinois. One issue addressed within this contract is a negotiated dollar amount that comes from the horsemen's purse account and allotted to the IHHA to work on behalf of its membership.

Everything our association does is ultimately to enhance the quality of life for Illinois harness racing families. We use 12 different committees to carry out our goals. Through all means possible, but specifically through our lobbying efforts, one of our continued goals when working with the Illinois legislature, is to increase our purses which will lead to growth in the horseracing industry which will create more jobs and better paying jobs.

Throughout the years, these are just a few of our accomplishments.

- Sales Tax on the Sale of Race Horses

Historically in Illinois, the sale of all horses that were to be used for racing required the seller of the horse to collect sales tax on the sale price of a horse and submit it to the State. An exemption to the payment of these taxes was granted to the horse racing industry in the 1990's. As is true for most exemptions from the payment of sales taxes, exemptions customarily sunset so that the General Assembly can reconsider the need for the exemption. In 2000, the exemption from the payment of sales taxes on racehorses' sunset. After the 2000 sales tax exemption sunset, for every racehorse sold in this State the seller owed sales tax to the State for those sales. These taxes went unpaid for several years because the industry was unaware that the exemption had sunset. In 2006, the Illinois Department of Revenue notified horsemen that they owed sales taxes on all racehorses sold between 2000 and 2006. IHHA lobbyists drafted legislation that not only re-instated the sales tax exemption for racehorses going forward, but also made the law retroactive to 2000 so that horsemen did not have to pay any taxes for the period 2000-2006, nor any taxes going forward. IHHA lobbyists also made the exemption permanent by removing the sunset language. Making the law retroactive and removing the sunset going forward were particularly difficult actions and met with some opposition, but ultimately, the IHHA lobbying team overcame these obstacles and the bill became law. Total savings for harness horsemen to date is estimated at \$22-24 million.

- Sales (Use) Tax on Out-of-State Purchases of Racing Related Items

In 2008, some harness horsemen were audited by the Illinois Department of Revenue. The Department found that there were significant taxes owed by these selected horsemen for items purchased in other states and shipped into Illinois for use. The horsemen that were impacted negotiated their own settlements for the payment of these sales taxes. However, the Department was intent on collecting the sales taxes on out-of-state purchases from the entire industry. They required that we identify other horsemen for them so that they could audit them to collect those additional tax dollars. The IHHA steadfastly refused to give them the membership list. Eventually they agreed that the IHHA would simply make horsemen aware that taxes were owed to the State on the purchase of items from out of state. To our knowledge, no additional audits were conducted based on this issue.

- Work with the Illinois Racing Board

We also function as a liaison between horsemen and the Illinois Racing Board for the purpose of collectively advocating rules and regulations that ensure integrity and safety in competition for all participants. We continually strive to develop a stronger working relationship with the Board. Recently, we were successful in our efforts to have them differentiate their policies between thoroughbred and harness horses regarding certain medication thresholds.

- 3% Riverboat Revenue Sharing Bills

In 2006, the General Assembly passed into law a bill that mandated that the top grossing riverboat casinos subsidize horse racing by transferring 3% of their adjusted gross receipts to tracks and horsemen. In the underlying negotiations on the bill, the sponsor offered a 50/50 split of revenues between purses and tracks. The IHHA lobbyists objected because the bill did nothing to end recapture. Because of the IHHA opposition, the sponsor changed the split to a 60/40 split in favor of the horsemen. The revenue sharing bill was extended in 2008 with the same split structure. Because of that perseverance, monies available for purses were increased by 20%. Total additional income to harness purses from these two laws was roughly \$32 million.

- Protecting Fair Funding from Department of Agriculture Budget

Since the 2008 recession, tax revenues to the State have declined substantially. The IHHA lobbying team monitors the Department of Agriculture budget to make certain that the funds that support Illinois Bred harness racing, primarily at the State fairs and the County fair levels, are not diminished, despite other programs throughout the state that annually get their funding slashed. The IHHA lobbying team has successfully kept these monies level for several years because of this effort. In 2017 since there was no state budget in place from the previous year, the IHHA lobbied the General Assembly and was successful in garnering two years' worth of purse money that was to go to the Springfield and DuQuoin state fairs. Total dollars collected was \$2.2m.

- ADW Law and Extensions

The IHHA lobbying team helped negotiate the original deal that provided harness horsemen with a reasonable split of online wagering revenues. Before Youbet was bought out by Twinspires, the revenue stream to harness purses was adequate as we anticipated. After the buyout, Maywood and Balmoral started Betzotic and revenues to harness purses were no longer equitable. In 2012 when the sunset of the law was approaching, the IHHA lobbying team refused to agree to extend the law and despite tremendous pressure from most of the horse racing industry demanded that it be rewritten. Recognizing that harness horsemen, through no fault of their own, were negatively impacted by the YouBet sale, an idea to replace the lost revenues was developed. The strategy produced an amended bill which contained a .25% surtax of ADW handle and a .18% surcharge on winning ADW wagers earmarked for harness purses. These two items were intended to replicate what harness purses had received prior to the Youbet sale and what future revenues would have likely been. This purse money is in addition to the traditional ADW source market fees that we receive. This bill has been extended and recently produced \$1.4m in 2021 and \$1.2m in 2022 in additional revenue for harness purses. Total additional purse dollars thru 2022 equals almost \$9 million.

- Automatic Electronic Defibrillators (AEDs)

In 2013, the IHHA lobbying team led the fight that forced the racetracks to install AED's or automated external defibrillators in paddocks and backstretch areas. We pointed out that the grandstands at most tracks had them, but areas where horsemen worked did not. The bill passed unanimously and became law and the defibrillators are now available to horsemen in these areas.

- Maywood/Balmoral Bankruptcy

We immediately hired a bankruptcy attorney and went to work to protect our future. Early on, it appeared as though our backstretch living quarters would be closed down and we would not be able to finish our 2015 racing season. However, through court orders we were able to keep Maywood fully open and operational until October and Balmoral for the entire year. When Maywood and Balmoral officially closed their doors, our purse report had shown that purses had been overpaid by \$5.3m. The additional 3% money we received at the end of 2011 had been depleted in 2014 and since then we had basically "run up the tab." This also doesn't include over \$5m. in recapture money that we had deferred payment into a time in the future. In the same bankruptcy court, we were successful in getting 300k due us from the outstanding (uncashed) tickets from Maywood and Balmoral in 2015. That money was used for purses the following year at Hawthorne.

- IRS

In 2017, the IRS erroneously claimed that the IHHA owed \$103, 645 in back taxes and penalties. After an extensive appeals process, which lasted over five months, the IRS reversed their position and lowered their claim to just \$3,372. A settlement was quickly reached.

The IHHA was incorporated as a not-for profit 501c5 Corporation in 1951. In 2006 our tax-exempt status was questioned by the IRS and eventually rescinded in early 2008, although we were still considered a non-profit organization. In 2019 we began an ambitious attempt to regain our tax-exempt status, this time, more accurately as a 501c6. Through mountains of paperwork and arduous discussions, we were ultimately successful. This new classification for us is vitally important to the long-term vision of the IHHA. It will enable us to broaden our abilities to work more efficiently on behalf of Illinois horsemen.

- Insurance

Because of our association with Harness Horsemen International, we offer a third-party liability insurance policy that comes with an IHHA paid membership.

In previous years we provided drivers, trainers and grooms and their dependents an excellent Blue Cross Blue Shield PPO health insurance policy. For this policy the IHHA subsidized up to 70% of the total cost. In 2016 because of higher costs and lesser available purse money, we were unable to continue.

- County Fairs

Because racing at our County Fairs has been decimated recently by the struggles within our industry and because we believe they are an integral part of our Illinois agribusiness, we have supported them through our sponsorship of 15 IHHA races and by paying for an insurance policy for drivers and trainers who race at those Fairs.

- Backstretch Events

In previous years, the IHHA would sponsor Thanksgiving and Christmas parties for backstretch workers at each of our racetracks. Meals for everyone and toys for every child were provided. Throughout the summer months we would host picnics and barbecues for backstretch workers. At these events, we would give away T-shirts, hats, jackets, backpacks etc. Once we get back to a more consistent, lengthy racing schedule we hope to begin these events again.

- Other Significant Relationships

We have participated and helped garner sponsorships for college scholarships.

We are actively involved with the Chicago High School of Agricultural Sciences. We have donated broodmares for their programs and work closely with them, specifically, having students spend a day with a trainer during “career days.”

We work with “Racer Placers” a Standardbred retirement group that helps our horses find a new home when their racing days are over

- Passage of Major Gaming Expansion Bill

In late August of 2018, the IHHA, ITHA and ILHBPA were able to get a private (horsemen only) sit down with Governor Pritzker and his staff. We spent over 90 minutes with him, educating him on today's realities of horse racing in Illinois as well as how he could help us thrive again. Because of this meeting, we were able to secure our place when Illinois passed SB690 on June 2, 2019. This was the long awaited racino bill that will allow us to compete with other states by merging a casino into our racetracks. After numerous years of disappointment this essential piece of legislation finally was passed and signed by the Governor.

A few highlights of this bill:

- A sliding scale of between 12.75% and 26.5% of the adjusted gross revenue from slot machines and table games that will go for purses. This percentage to purses is one of, if not the highest in the industry. 85% of this new money will be for overnight races, while 15% will be allocated to ICF races at the upstate racetracks and for ICF races at the State and County Fairs.
- Recapture will be eliminated.
- Live racing guarantees are written into the bill enabling us to get back to year-round racing.
- It will allow for another Standardbred racino to be built.

- Active Monitoring and Analysis of All Gaming Related Bills

Numerous times throughout our existence, we have needed to stand in the way and block legislation that would have negatively impacted us. If we did not have that presence in Springfield, other groups would be putting their hands in our already depleted pockets. As we move forward, the IHHA lobbying team will continue to monitor and analyze bills that impact harness horsemen. We read all bills, amendments, and budgets to determine any impact to horsemen. When negative impacts are found, we determine a course of action to minimize or remove those negative impacts.

- 2020 Coronavirus

2020 brought us new challenges in dealing with Covid-19. While being shut down from live racing for ten weeks, we assisted some horsemen that were struggling to feed their horses. We also worked to get us back to racing as soon as safely possible. During those historic times, when the Governor's office was swamped with requests to re-open the economy, we were able to get back to racing sooner than most states.

- 2021-2022

The Illinois Racing Board's budget comes from a tax on all horse racing pari-mutual wagers. That money goes into a state fund. Recently, it was realized that there was a significant surplus in that fund that was not being used. In close cooperation with the IRB, the ITHA and the ILHBPA we were able to pass legislation to have this excess money go to purses. For harness racing in 2022 we were able to add \$1.7m to the purse account, resulting in a 20% purse increase from 2021. In 2023 we added \$1.5m to the purse account with this same procedure.

As we get ready for improvements to the purse structure of Illinois, we also recognize the importance of a strong State breeding program. Because of this, the IHHA breeders committee has recommended some subtle changes to the existing law which would allow us to increase the overall quality of our program in a timelier fashion. In November, we passed a bill that still allows transported fresh semen to be shipped out of state, however beginning January 1, 2022, a mare (dam) must be in the State at least 30 days prior to foaling or remain in the State at least 30 days at the time of foaling for the resulting foal to be considered an Illinois Conceived and Foaled horse. Second, a change to the statutes was passed this fall to allow for stallions to be owned by residents, or corporations, outside of Illinois and still be Illinois eligible.

- 2023 and the future

Currently working on:

While recent legislation allows for a new Standardbred racino to be built, we are working to ensure that the new track will put racing in the spotlight and not treat us as an afterthought as some racetracks in other states have done. We have recently publicly endorsed many of the findings from the Strategic Planning Council and Team Trottingham. Both of these groups included a well-rounded representation of industry leaders and were spearheaded by Bill Wright. We believe that for us to prosper into the future we must make the concepts developed by these groups a reality. We are doing everything in our power to make this additional racino a reality.

Since the Covid-19 pandemic has brought to light some of the issues we now have with brick-and-mortar mass gatherings, discussion on legalizing online gaming has been brought up again. As the State searches for increased tax revenue, we believe it will be a realistic topic of discussion in Springfield within the next few years. We will stay close to that conversation and do what is needed to be included in this legislation if it ever becomes reality.

Hawthorne Racecourse continues to assure us that the start of construction on their racino is close. We stay in constant communication with them in trying to insure as many racing opportunities as we possibly can. We have led the way in garnering 16 additional days of racing this year at Springfield and Du Quoin. We currently have a commitment from them to race at Hawthorne in the winter of 2024 and are still discussing the rest of our season.

Once we get back to a substantial racing season, a goal will be to restore a sense of community, which has dissipated recently with the disappearance of live racing days. Hosting adult computer classes, providing legal guidance, offering mental health programs, and spiritual and religious support are just a few of the ways in which we can enrich the lives of horsemen.

Workers comp insurance is a very expensive reality of having a business in Illinois. Trying to find a way to lower our rate collectively and perhaps assist Illinois horsemen with that cost will be on the agenda. As racing days increase and stability is established, we will explore the possibility of getting horsemen involved in a "401k type" of retirement plan as some other states do.