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ThinkIR Citation

Lambert, Thomas E., "A Comparison of the Economic Impact of Horse Racing Tracks in Kentucky versus neighboring Indiana" (2022). *Faculty Scholarship*. 861.

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A Comparison of the Economic Impact of Horse Racing Tracks in Kentucky versus neighboring Indiana

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The Louisville metro area is one that spans two states—Kentucky and Indiana. Since the University of Louisville has many students and employees who come from the Hoosier State, it would be interesting to see how the two states compare when it comes to what has been labeled a “signature” industry for the Commonwealth of Kentucky—horse racing.

Kentucky

Kentucky currently has 5 horse thoroughbred race tracks and at least 2 tracks for harness racing (Mint Julep Louisville 2021). As Table 1 below shows¹, the industry employees roughly 6,000 people (direct jobs), and these jobs annually support another 1,500 jobs or so throughout the state. These 1,500 jobs are jobs that are provided by the suppliers to the horse race tracks (indirect jobs) and jobs that are created by the spending of the race track employees and the employees of suppliers on food, housing, transportation, and clothing by vendors and retailers throughout the state (induced jobs). The direct jobs generated in 2019 dollars around \$170 million in payroll, and these in turn support another \$69 million in payroll among race track suppliers and other businesses in the state. With regard to state domestic product, the tracks create over a half-billion dollars in output while their suppliers and supported businesses

¹ These results are based upon pre-pandemic business activity and upon IMPLAN estimates (IMPLAN 2022).

contribute another \$223 million in domestic product. As of 2021, Kentucky state gross domestic product (GDP) is estimated to be \$190 billion (US Bureau of Economic Analysis 2022).

Table 1—Kentucky Economic Effects

Impact	Employment	Labor Income	Output
1 – Direct	5,976.81	\$169,576,976.80	\$504,646,847.51
2 – Indirect	525.98	\$25,415,853.85	\$77,888,244.64
3 – Induced	941.09	\$44,051,403.78	\$140,808,729.52
Total	7,443.88	\$239,044,234.43	\$723,343,821.68
Multipliers	1.245460371	1.409650289	1.433366373

The multipliers at the bottom of Table 1 illustrate that for every 10 jobs in the race tracks in Kentucky, another 2 jobs are supported or created whereas every \$1.00 in race track payroll supports another \$0.40 in payroll throughout the state’s economy. Finally, state output is boosted by an additional 43% beyond what the tracks produce thanks to money earned by their ancillary industries.

Table 2 below illustrates the fiscal and governmental impacts of the Kentucky tracks. The tracks alone generate \$3.2 million in local (cities, school districts, etc.) income, property, sales and excise taxes; around \$8.7 million in such taxes for the state; and around \$34.5 million in taxes for the federal government. When considering taxes collected from their suppliers and from businesses supported by their employees and the employees of suppliers, around another \$3.2 million in local tax revenues are created; around another \$7.5 million in state taxes; and around \$25 million in tax revenues for the federal government. Looking at the multipliers, each dollar the tracks pay in taxes is almost completely matched by other supported businesses at the local, county, and state government levels. Each dollar of federal taxes creates an extra 41 cents in federal taxes paid by supported businesses. Total taxes collected at the local, county, state, and federal levels for the direct, indirect, and induced levels amount to over \$72 million.

Table 2—Kentucky Taxation Impacts

Impact	Local	State	Federal	Total
1 - Direct	\$ 3,190,891.53	\$ 8,743,754.24	\$ 34,481,391.50	\$ 46,850,925.23
2 - Indirect	\$ 771,728.08	\$ 1,900,460.38	\$ 4,944,625.56	\$ 7,716,397.94
3 - Induced	\$ 2,413,921.49	\$ 5,538,496.83	\$ 9,221,015.52	\$ 17,462,040.89
Total	\$ 6,376,541.11	\$ 16,182,711.45	\$ 48,647,032.58	\$ 72,029,364.06
Multipliers	1.998357215	1.850773822	1.410819879	1.537416043

Indiana

The Hoosier state has two major horse racing tracks according to Horseracing.com (2022). One is located in the Anderson, Indiana metro area whereas the other is in the Indianapolis metro region. Although the job and income multipliers for Indiana are very close to those of Kentucky, the total employment, income, and output numbers for Indiana are only about one-third to one-fifth of those of Kentucky as Table 3 indicates.

Table 3--Indiana Economic Effects

Impact	Employment	Labor Income	Output
1 - Direct	1,514.93	\$41,457,984.01	\$177,897,707.54
2 - Indirect	123.1	\$6,559,708.30	\$20,579,671.30
3 - Induced	252.7	\$12,654,640.63	\$38,660,815.73
Totals	1,890.73	\$60,672,332.94	\$237,138,194.57
Multipliers	1.25	1.46	1.33

Interestingly, despite there only being two major tracks in the state, Indiana receives more in local taxes from racing than Kentucky, roughly matches Kentucky in state tax revenues generated, but pays a fraction of the federal taxes than does Kentucky's tracks (see Table 4). These outcomes probably are due to the higher taxation that Indiana levies on horse racing which could discourage the horse racing industry from expansion. At the same time, the state does

receive a better yield in terms of tax revenues from having higher tax rates on pari-mutuel wagering (usually 2 to 2.5%) when compared to Kentucky (usually 1.5%).

Table 4—Indiana Taxation Impacts

Impact	Local	State	Federal	Total
1 - Direct	\$8,189,910.41	\$14,591,528.57	\$11,274,365.09	\$34,055,804.08
2 - Indirect	\$397,636.61	\$778,293.40	\$1,366,864.44	\$2,542,794.45
3 - Induced	\$699,569.02	\$1,397,763.08	\$2,668,441.04	\$4,765,773.15
Totals	\$9,287,116.06	\$16,767,585.06	\$15,309,670.57	\$41,364,371.68
Multipliers	1.13	1.15	1.36	1.21

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