



## Three-Year Racehorse Depreciation Signed Into Law by President

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**December 21, 2019**

A key provision that extends three-year tax depreciation for all racehorses through 2020 was signed into law by the President late Friday. The racehorse provision, which received bi-partisan support within both Houses of Congress, was passed by the Senate on Thursday by a vote of 71-23 and passed by the House of Representatives on Tuesday by a vote of 297-120.

“We are very pleased that Congress and the President worked together on a bi-partisan basis to reinstate tax extenders legislation including 3-year depreciation for racehorses,” said NTRA President and Chief Executive Officer Alex Waldrop. “We especially applaud Senate Leader McConnell, Rep. Andy Barr and Rep. John Yarmuth for helping to make this happen for Kentucky’s signature industry and the many other jurisdictions throughout the United States that contribute to this \$36.6 billion sport and agribusiness. We also thank the sales companies and thousands of individuals who support our legislative efforts in Washington.”

Uniform three-year racehorse depreciation was among numerous tax provisions across many industries that either expired at the beginning of 2018 or this year, or were set to expire as of Jan. 1, 2020. The bill reinstates the 3-year schedule for all racehorses retroactive to 2018 and through 2020.

The provision allows taxpayers to depreciate, on a three-year schedule, racehorses 24 months of age and younger when purchased and placed into service, as opposed to a seven-year schedule.

“Three year depreciation is important because it allows racehorse owners to better align the deduction for any yearling purchase with income opportunities when the horse is racing,” said Jen Shah, Director of Tax Services for Lexington, Ky.,-based Dean Dorton accounting firm and a consultant to the NTRA legislative team on federal taxation matters impacting the horse breeding and racing industry.

Three-year racehorse depreciation was most recently available to the industry in 2017 but Congress did not renew it for 2018 as part of the Tax Cuts and Jobs Act (TCJA) passed in December 2017. The

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TCJA did include 100% bonus depreciation and a \$1 million Sec. 179 expense allowance for qualified depreciable property, two important investment incentives that lessened the need for three-year depreciation in many cases. However, three-year depreciation continues to be a beneficial option for many racehorse owners, especially racing partnerships with multiple passive owners, as it better aligns deductions with corresponding income opportunities on an annual basis.

The signing into law of three year depreciation capped a nearly 24-month effort by the NTRA to have the tax option re-instated. The NTRA legislative team, which is supported by the Washington, D.C.-based lobbying firm, The Alpine Group, is charged with promoting and protecting the Thoroughbred industry's interests at the federal level. Funding for the NTRA's federal political activities are derived from contributions from thousands of individuals and national and regional horse sales companies that support the NTRA ¼-Percent Check-Off Program and Horse PAC, the NTRA-owned and managed Federal Political Action Committee.

Maintaining the three-year recovery period for racehorse purchases has been a top legislative priority for the NTRA federal legislative team since the provision's initial enactment as part of the 2008 Farm Bill.