

AHCnews

Congress to Return after Elections Facing Multiple Issues, Including Tax Provisions

Congress recessed in late September for the elections and will return for a lame-duck session once the makeup of the next Congress is settled by the voters. But that makeup may not be sorted out completely by mid-November and the lame duck session. A number of races in the Senate may require runoffs or may be challenged.

Regardless, the American Horse Council is hopeful that Congress will be able to deal with several tax provisions that are important for horse owners and breeders and expired at the end of 2013. They include:

- **Three-Year Depreciation for Race Horses.** This provision expired, which means that race horses not over 24 months old when placed into service after 2013 must be depreciated over a seven year period rather than a three year period.

- **The Section 179 Expense Deduction.** The expense allowance went down at the end of 2013 from \$500,000 to \$25,000. The investment threshold phase-out which was at \$2 million, went down to \$200,000.

- **Bonus Depreciation.** First year depreciation, which allowed a deduction of 50% of the cost of certain horses and other qualified new property placed in service in a business, expired completely. There is no bonus depreciation available after 2013.

- **Conservation Easements.** Favorable rules for contributions of capital gain real property for conservation easements by farmers and ranchers, allowing a deduction of up to 100% of the donor's contribution base, expired for contributions after 2013.

All four of the above provisions are included in a long list of expired tax provisions which are being considered by both houses of Congress for renewal retroactively to January 1, 2014. The House has passed bills retroactively making permanent the expense allowance at \$500,000, bonus depreciation at 50%, and the more favorable rules for contribution of conservation easements. The Senate Finance Committee has approved a bill which retroactively extends for two years numerous expired tax provisions, including all four of the horse related tax provisions.

“There is a possibility, but not a certainty,” said AHC president Jay hickey, “that Congress will extend some or all of the provisions that have expired for some period of time during the lame duck session after the November elections.”



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2014 Update Now Available for Tax Handbook

The American Horse Council has published the 2014 Update to the 2011 Horse Owners and Breeders Tax Handbook. This update brings the 2011 Handbook up-to-date through 2014 with changes in the tax code as well as updates on important Tax Court cases. “Anyone who treats their equine activities as a business should have this valuable tax handbook,” said AHC President Jay Hickey.

Topics covered in the Handbook include:

- Business versus hobby-including summaries of important court decisions;
- Passive loss rules;
- Forms of doing business;
- Record keeping and accounting rules;
- Sales, Exchanges and Involuntary conversions;
- Depreciation;
- and much more!

This two-volume edition has everything you need to know pertaining to tax laws for your equine business. Volume-One explains the Internal Revenue Code as it relates to a horse business, and Volume-Two includes court cases involving horse owners and breeders that have had dealings with the IRS, both favorable and unfavorable. “The Horse Owners and Breeders Tax Handbook is an essential element of a federal tax library for practitioners serving the horse industry,” explains Paul Husband of Husband Law in Universal City, CA.

Visit www.horsecouncil.org to order your copy of the 2014 Update or the complete Tax Handbook today.

President Signs Veterinary Medicine Mobility Act into Law

On August 1, 2014 President Obama signed into law the Veterinary Medicine Mobility Act, allowing veterinarians to transport controlled substances with them when they provide services away from their clinics.

The Veterinary Medicine Mobility Act amended the Controlled Substances Act (CSA) to clarify that veterinarians are allowed to transport, administer and dispense controlled substances and medications outside of their registered offices and hospitals. It will ensure equine veterinarians have the ability provide mobile or ambulatory services in the field to the horse community.

“The horse industry is very happy to see the Vet Mobility Act signed into law,” said R.J. Layher, Director of Health & Regulatory Affairs for the American Horse Council. “Veterinarians can now freely transport the substances they need to provide the best quality care to horses without fear of violating the CSA.”

House Passes Bill to Block Proposed Clean Water Act Rule

Last month, the House passed the Waters of the United States Regulatory Overreach Protection Act of 2014 (H.R. 5078), introduced by Representative Steve Southerland (R-FL). The bill would prohibit the Environmental Protection Agency (EPA) and the U.S. Army Corps of Engineers (Corps) from finalizing or implementing a proposed rule to redefine “Waters of the U.S.” under the Clean Water Act (CWA). The bill is supported by the AHC and a broad coalition of agricultural groups.

“The EPA proposed rule has caused a great deal of concern in the agricultural community and House passage of this bill shows that Congress shares our concerns,” said AHC vice president of government affairs Ben Pendergrass.



The CWA regulates discharges of pollutants into certain surface waters collectively known as “Waters of the U.S.” The EPA and Corps proposed rule would create a new definition for “Waters of the U.S.” under the CWA that could significantly expand the waters subject to the requirements of the CWA. Additionally, in conjunction with the proposed rule, the EPA and Corps issued an “interpretive rule” (IR) regarding CWA section 404 exemptions for agricultural discharges of dredge and fill materials (dirt or soil) into “Waters of the U.S.” that was made effective immediately. The CWA does have exemptions for agricultural activities and discharges, but the AHC and other agricultural groups have serious concerns that both the proposed rule and the IR could undermine those exemptions.

“Any expansion of the waters regulated by the CWA could potentially impact horse farms, ranches and racetracks, create uncertainty regarding requirements under the CWA, and impose a new unnecessary regulatory burden on the horse industry,” said Pendergrass. “The EPA has said the purpose of the rule is to clarify the regulations, but it has had the opposite effect. For this reason the AHC has joined with other groups in requesting that the proposed rule and IR be withdrawn.”

The House passed bill would prohibit the EPA and Corps from finalizing or implementing the proposed rule or using the proposed rule or any substantially similar rule or guidance as the basis for any rulemaking or decision regarding the scope or enforcement of the CWA. It also requires the withdrawal of the IR regarding CWA section 404 exemptions for agricultural discharges of dredge and fill materials. Additionally, the bill would require the EPA and Corps to consult with relevant state and local officials to develop recommendations for a regulatory proposal that would identify the scope of waters covered under the CWA and the scope of waters not covered.

“We hope the House’s approval of this bill will convince the EPA and Corp to withdrawal this proposed rule and work with the agricultural community before undertaking any new rulemaking,” continued Pendergrass.

The proposed rule is currently in the public comment period that ends November 14, 2014.

The bill must now be debated and approved by the Senate.

Time to Ride’s 100 Day Horse Challenge Winners Announced

On October 1, 2014, winners of the first “100 Day Horse Challenge” were announced. Hundreds of organizations, business, and stables signed up to host events aimed at attracting newcomers to horses and horse activities. Participating Hosts competed for \$50,000 in first-place cash awards and \$50,000 in prizes provided by the American Horse Council’s (AHC) Marketing Alliance Members: Active Interest Media, American Association of Equine Practitioners, American Quarter Horse Association, Dover Saddlery, Farnam, Merck, Merial, National Thoroughbred Racing Association, Purina, Platinum Performance, United States Equestrian Federation, and Zoetis.

The Challenge was split into three Host Divisions—small, medium or large stables, businesses and horse organizations. The Hosts were required to offer newcomers any beginner-friendly opportunities such as grooming, riding, or petting a horse.

The winner of the Large Division, who received \$25,000 in cash, was Horses4Heroes. Horses4Heroes is a Las Vegas based, national non-profit organization dedicated to empowering youth, adults and families and enriching their lives through recreational, instructional and morale-boosting health & wellness programs that emphasize fun and safe activities with horses. Through programs such as “Operation Free Ride,” helped them reach 2,120 newcomers. Horses4Heroes plans to use their first-place prize money to fund beginner lesson scholarships for participating Horses4Heroes partners that generated the most newcomers.

The Medium Division winner receiving \$15,000 in cash was Corvin Performance Horses of Canyon, Texas. They reached 876 newcomers by bringing their horses to community events such as “I Heart Canyon” that reaches out to children from low-income families. In fact, of their 876 newcomers, over 400 of those were children that were able to meet and ride one of



their horses at the “I Heart Canyon” event, in addition to taking their horses to day cares and other youth activity location.

The winner of the Small Division and the \$10,000 cash prize was 16 Acres Equine Educational Complex of Union Grove, Wisconsin. During the 100-day period, 16 Acres introduced 2,840 newcomers to the joy of horses by participating in community events such as Dairy Days at a local farm, farmer’s markets, festivals, storytelling times, and community gathering at children’s activity centers.

Prizes were also awarded for 1st, 2nd and 3rd place in the Best Practices Contest for the 100 Day Horse Challenge. The Best Practices contest awarded cash prizes to Hosts for creative strategies used to welcome newcomers to horse activities, and written entries were judged based on creativity & innovation; effectiveness; and effort made to reach newcomers. First place went to Golden Ridge Stables from Lakeville, Minnesota; Second place to Shepherd Youth Ranch from Raleigh, North Carolina; and Third Place to Jericho Creek Farm II in Eagle, Wisconsin.

For more information about all of the winners visit the Time To Ride Challenge website at <http://www.timetoridechallenge.com/>.

Equine Disease Communication Center Entering the Home Stretch

The Equine Disease Communication Center (EDCC) is in the final phases of completion, and is expected to be operational in early 2015. An industry initiative, the EDCC seeks to be the official place for accurate dissemination of information regarding a disease outbreak. It will also offer access to bio-security tool-kits and information and tips on diseases, business continuity and what signs to look for in a horse if it is becoming ill.

“It’s an insurance policy for the equine industry,” says Nathaniel A. White II DVM MS Diplomate ACVS, Professor Emeritus of Equine Surgery at the Marion duPont Scott Equine Medical Center in Leesburg, Virginia. “It will help to keep horses moving if an outbreak occurs,” White said.

The initial idea stems from the effects felt by the EHV-1 outbreaks in Utah and Florida. Inaccurate information led to the disease spreading through over two dozen states across the country and cost the industry millions of dollars in lost revenue and economic activity for the areas hosting the shows.

The EDCC will work with show organizers, veterinarians, state and local health officials and the USDA to take proper actions to mitigate the spread of a disease and to continue the movement of horses, which is essential to the health and economic viability of the industry.

Funding for the EDCC will be industry driven. A total of \$300,000 is needed to operate the EDCC for the first three years. The fundraising effort is being led by the American Association of Equine Practitioners (AAEP) and the AHC. The United States Equestrian Federation has graciously volunteered services for the website and call center. Donations for the EDCC will be tax-deductible through the AAEP Foundation.

“The horse community is always just one step from a calamity and that calamity is a disease outbreak of such proportion as to widely imperil the health of our horses and threaten the economic viability of our industry. In this environment, an infectious disease outbreak can result in state, federal or international restrictions on horse movement to stop the spread of the disease,” said Jay Hickey, President of the AHC. “It’s time for the industry to be proactive in dealing with disease outbreaks with increased bio-security, education, and a plan to immediately stop the spread of diseases.”

AHC and USDA Discuss Equine Issues at September Meeting

The American Horse Council (AHC) met with leaders of the U.S. Department of Agriculture—Animal, Plant Health Inspec-



tion Service (USDA--APHIS) in September to discuss important issues facing the horse industry. This is the second meeting to take place and is helpful for both the USDA and the AHC as they work together to protect the health and economic viability of the industry.

In attendance were representatives from various AHC committees as well as other horse owners and business owners invited by USDA to participate.

The AHC discussed the National Equine Health Plan and what role the USDA would have in its preparation and implementation. Also discussed was Import/Export facilities and the services they provide including moving forward with the 60-90 day rule change. The U.S. annually sends a significant number of horses internationally to CEM-affected regions solely for competition purposes. Extending the re-entry requirements for U.S. horses returning from CEM-affected regions from “60 days” to “90 days” would be of great economic benefit to the U.S. horse industry by reducing the logistical, training, and economic burdens on owners and competitors who compete internationally.

“This rule change would put the U.S. equine competition industry on an even playing field with its international counterparts,” said Jay Hickey, President of the AHC. “The horses this would affect are non-breeding performance horses who compete internationally, and this rule change is needed,” said Hickey.

The USDA Five-Year Equine Health Business Plan was also discussed at the meeting. This plan outlines how the USDA will approach the health, regulatory and economic issues of the industry through Fiscal Year 2018. The USDA asked for comments on this and the AHC will be providing feedback in the coming weeks.

“This meeting is a great opportunity for the industry to express to USDA what changes or improvements it would like to see made,” said R.J. Layher, Director of Health & Regulatory Affairs for the AHC. “It was a very in-depth discussion and the USDA was receptive to what the industry had to say,” said Layher.

AHC Examines Equestrian Helmet Standards Bill

On May 1, 2014, Congressman Jim Himes (D-CT) introduced the Christen O’Donnell Equestrian Helmet Safety Act of 2013 (H. R. 4552). The bill would require the Consumer Product Safety Commission to establish standards for equestrian helmets. It does not mandate the use of helmets when riding horses.

“Safety is a very important issue for the horse industry, however it is unclear if this bill is the best way to improve rider safety or if it might have unintended negative effects on the industry,” said AHC president Jay Hickey. “For this reason the AHC is looking carefully at this bill and its potential impact on the horse industry.”

The bill directs the Consumer Product Safety Commission to develop a final safety standard for all equestrian helmets manufactured in the U.S. and authorizes \$500,000 to develop the final standard. The final standard would take effect not later than 1 year after the date it is issued by the commission.

Until a final standard is issued, the bill would require that all equestrian helmets manufactured meet an interim standard defined as the American Society for Testing and Materials (ASTM) standard designated as F 1163. The failure of a manufacturer to comply with either the interim standard or final standard would be a violation of the Consumer Product Safety Act.

The bill does not mandate the use of helmets when riding or impose any requirements or restrictions on equestrian organizations. However, the bill would make new Congressional findings (Congressional opinion) regarding the safety of, and injuries associated with, equestrian activities that are troubling. Similar bills have been introduced in past Congresses, but have never been brought to a vote.

This bill and previous bills were introduced due in large part to the 1998 death of 12 year old Christen O’Donnell who fell



from a horse while riding in a ring and suffered a traumatic brain injury. She was wearing a “hunt cap” type riding hat that did not provide sufficient protection.

“It is our understanding that the primary goal of this bill is prevent individuals from mistakenly purchasing hunt caps such as Christen O’Donnell was wearing in the belief that they provide a certain level of protection. Making sure people don’t make this mistake is a laudable objective,” said Hickey. “However, the horse industry has made great strides in helmet safety and education in the last decade and helmets that meet the ASTM or other standard are now widely used.”

“The horse industry is very diverse and each segment has different needs. We are not sure a single standard for all equestrian helmets is the best policy or that there is a need for a completely new Consumer Product Safety Commission standard. We need to carefully think through the possible consequences of any bill like this before the AHC takes a position,” continued Hickey.

AHC Opposes USDA Declaring Saudi Arabia Free of AHS

The American Horse Council has told the U.S. Department of Agriculture that it opposes any easing of the current 60-day quarantine requirement for horses imported from Saudi Arabia. The AHC comments were in response to the Department’s proposal to remove Saudi Arabia from the list of countries affected by African Horse Sickness and allow horses to be imported with a much shorter quarantine period.

“Any consideration of easing the import requirements on horses from an AHS-affected country must be very carefully reviewed by the Department and the industry,” the AHC comments noted. “The AHC believes that any such decision must be weighted toward maintaining the status quo in the absence of clear and convincing evidence in support of a change. The AHC does not believe that the weighing of the benefits of taking Saudi Arabia off the list of countries affected with AHS versus the risks of introducing AHS into the naïve U.S. horse population satisfies that scale.”

Horses from Saudi Arabia, and all countries affected with African Horse Sickness (AHS), must be quarantined for sixty days before entering the U.S., while horses from non-AHS countries may be admitted with a shorter quarantine period. The extended period is required to ensure that horses from AHS countries are not infected with AHS, which has a long incubation period. AHS is a highly contagious and deadly disease that affects horses, donkeys, and mules and has a mortality rate of up to 95% in naive horse populations like that in the U.S.

In response to a 2009 request by Saudi Arabia to be recognized as free of AHS, USDA studied the status of the disease in that country. The USDA evaluation used information provided by Saudi Arabia and other sources. Based on its evaluation, USDA concluded that AHS was not known to be present in Saudi Arabia and that the likelihood of introducing AHS into the U.S. through imports of horses from that country was low. But USDA also concluded that “the biological and economic consequences of an AHS outbreak in the United States could be high.”

In lengthy comments filed with the Department on August 11, the AHC opposed removing Saudi Arabia from the list of countries affected with AHS. The AHC maintained that the potential benefits were not sufficient to offset the potential adverse consequences, which included the high mortality rate, up to 95%; the costs of caring for or euthanizing and disposing of sick horses; the imposition of interstate and international controls and travel restrictions on equine movements, which is so important to the industry, that would accompany an outbreak; and the resultant economic effects and lost revenue to the industry in breeding, racing, showing exhibiting, and riding horses.

The AHC noted that most of the U.S.’s trading partners, and particularly the World Organization for Animal Health (OIE), did not recognize Saudi Arabia as AHS-free. The AHC also questioned whether USDA or the industry itself would have the resources to respond to an AHS outbreak.



Second US Privately-Owned Import Facility Opens in Puerto Rico

The second privately-owned import facility for horses to be opened in the last several years is now operating in Puerto Rico. Final approval was recently received from the U.S. Department of Agriculture for the import facility. Horses may be imported permanently into the U.S. through the facility.

The import facility will be required to follow all USDA rules on importing horses into the U.S., including health requirements and tests, quarantine periods, and biosecurity standards. USDA personnel will oversee the facility. According to a release, the facility was developed with the support of the Puerto Rico Department of Economic Development and Commerce and local organizations and investors.

The new facility is expected to facilitate the participation of horse owners in the Caribbean in Puerto Rican equine activities, including breeding, racing, and showing, by allowing horses to be brought directly to Puerto Rico rather than going through quarantine on the U.S. mainland first.

UHC's Operation Gelding Update

The Unwanted Horse Coalition's (UHC) Operation Gelding program continues to assist people who wish to castrate their stallions. Now in its fourth year, the program has assisted in funding the castration of 983 stallions at 81 clinics in 32 states. In the past year, Operation Gelding has helped to fund the castration of 225 horses in 18 clinics across the country. These included clinics at veterinary schools, such as the Virginia-Maryland Regional College of Veterinary Medicine in Blacksburg, Virginia and the Texas A&M College of Veterinary Medicine in College Station, Texas; and at veterinary clinics, such as Springhill Equine Veterinary Clinic in Newberry, Florida. Several clinics were also held at equine rescues around the country, including Faith Equine Rescue in Wild, Florida and Helping Hands, Hearts, and Hooves in Union Mills, North Carolina.

Operation Gelding is able to continue thanks to the support and seed money provided by the American Association of Equine Practitioners Foundations, Zoetis, and the UHC. Proceeds from the sales of Dr. Jennifer Williams' book, *How to Start and Run a Rescue*, and Ellen Harvey's book, *Standardbred Old Friends*, also help fund the Operation Gelding program. Books can be purchased on the UHC website: www.unwantedhorsecoalition.org

Operation Gelding provides funds and materials to assist organizations and associations that wish to host low-cost or free clinics in which horse owners can have their stallions castrated by a certified veterinarian. The impetus for these clinics is that the castration of a stallion will help prevent overbreeding, in turn reducing the number of unwanted horses. Castrations also produce a gentler horse that is more rideable, trainable, and saleable, allowing them to be used in several careers.

The UHC provides the information and forms necessary to conduct a clinic, along with seed money to defray the costs. Funds of \$50 per horse gelded with a \$1,000 maximum will be awarded to participating groups once in a 12-month period.

With seven clinics currently on the schedule, Operation Gelding anticipates hitting the 1,000-horse mark by the end of 2014. To see a current clinic schedule, visit our Facebook page or follow us on Twitter @Unwanted_Horse.

Operation Gelding currently has limited funding available for organizations that would like to host their own Operation Gelding clinic. For more information on how to host a clinic, contact Dagmar Caramello, UHC Director, at 202-296-4031. Information can also be found on the UHC website.



2015 Horse Industry Directory

The American Horse Council's (AHC) annual Horse Industry Directory is a yearly effort to publish a definitive source that puts the entire equine industry at your fingertips. It is the most comprehensive national directory of breed and sport organizations, equine publications, state resources and racing and gaming organizations available.

The 2015 Horse Industry Directory is in the process of being prepared, and will have a staggering 1,000 + listings including equine publications, state agriculture resources, federal contacts, breed registries and associations, show and sport organizations, equine service providers and more.

Listing and ad space is still available. Include your equine business or organization in the most complete equine related registry and reach the horse industry's most diverse audience.

Please contact Ashley Furst via email at afurst@horsecouncil.org if you have any questions about the Directory, or are interested in purchasing a listing or ad space.