

AHCnews



Congress Moves Fiscal Cliff

The country went over the “fiscal cliff” in early January, but, like a bungee jumper, after a short fall it was pulled back up to the precipice. Congress’ passage of the American Taxpayer Relief Act of 2012 broke the Congressional impasse and got the country past the tax increases and funding cutbacks that were scheduled to kick in on January 1 that became known as the Fiscal Cliff. But really, the cliff was only moved.

There are other cliffs still out there, including the debt limit that the country will hit in late February or early March, the budget cuts in sequestration that were pushed ahead and will hit again on March 1, and the expiration of the continuing resolution that keeps the government operating until March 31.

So the U.S. now sits on the bench next to the sign indicating “Scenic Overlook.” But it can relax and enjoy the view for only a few months.

“Nonetheless, the tax bill passed by Congress offers some needed certainty to taxpayers and includes the extension of provisions beneficial to those in the horse industry,” said Jay Hickey, AHC president.

The new law raised, and made retroactive, the Section 179 expense deduction at \$500,000, with a phase-out dollar-for-dollar once investment reaches \$2 million. This new level applies retroactively for 2012 and extends through 2013. This deduction applies to horses and other depreciable property used in the horse business. “This deduction was \$125,000 for 2012 and was to go to \$25,000 for 2013,” noted Hickey. “So increasing it several-fold, making it retroactive for 2012 purchases, and extending it through 2013 benefits those who invested in the horse industry last year or who are planning on buying horses or building their horse business in 2013.”

During 2012, a horse business could depreciate 50% of the purchase price of yearlings and new equipment purchased and used in the business. The new law extended 50% bonus depreciation, which was to go to zero this year, for qualifying new property through 2013. There is no limit on the dollar amount that can be deducted using bonus depreciation if the property qualifies.

In addition, the new law made permanent the capital gains and dividends tax rate for married couples with incomes below \$450,000 at a maximum of 15%. For those with incomes above \$450,000, the rate for capital gains and dividends is set permanently at 20%, rather than taxing dividend income at the same rate as ordinary income, now 39.6% for upper-income taxpayers. This will benefit those who sell capital assets, such as horses, and hold them for the requisite time.

The new law permanently repeals the itemized deduction limitation for married taxpayers making less than \$300,000. For families earning more than that, deductions would still be reduced. “There was a concern that any itemized deduction limitation might adversely affect taxpayers who wager on horseracing, but thanks to industry friends in Congress who realized the unfairness of such a limitation on such taxpayers, the new law exempts wagering losses from the overall

Winter 2013

- 2 **AHC Urges Horse Community to Take Part in USDA Agricultural Census**
- 3 **USDA Adopts Animal Disease Traceability Program**
- 4 **113th Congress Begins, Welcomes Many New Members**
- 4 **Unwanted Horse Coalition’s Operation Gelding Castrates 208 Stallions in 2012**





limitation on itemized deductions. In other words, wagering losses can still be deducted up to the amount of wagering winnings on a taxpayer's return, regardless of income," said Hickey.

The Act made permanent the middle class tax rates at 25%, 28%, and 33% for married taxpayers earning less than \$450,000 for 2013 and thereafter. For those families making over that amount, the marginal tax rate increased to 39.6%, a 4% increase.

Estate tax reform has been before Congress for many years with exemptions and tax rates seemingly changing from year-to-year. The new Act makes permanent the estate tax exemption at \$5 million with a top tax rate of 40%, indexed for inflation.

The law extends for two years, 2012 and 2013, the increased contribution limits and carryforward period for contributions of appreciated real property for conservation purposes.

In a somewhat surprise move, the law extended the current Farm Bill through September 30, 2013. Congress will continue to work on a new farm bill during the first session of the new Congress.

"As always, taxpayers should check with their personal tax advisors to see how these changes will affect them," said Hickey. "But expect to be back at the overlook bench in the foreseeable future."

AHC Urges Horse Community to Take Part in USDA Agricultural Census

The U.S. Department of Agriculture (USDA) is preparing to conduct its 2012 USDA Census of Agriculture. Horses will be included in the Census. Every five years, USDA conducts an agriculture census to determine the number of U.S. farms and ranches and gather vital information about U.S. agriculture, including the horse community. The census is a valuable tool to help the USDA determine land use and ownership, livestock populations, operator characteristics, production practices, farm income as well as other important information.

"It is very important that the American horse community is properly accounted for in the upcoming Census," said AHC president Jay Hickey. "The information collected by the Census will influence agricultural policy for the next five years. It's vital all farms and ranches with horses participate in the Census so the USDA has accurate information regarding the size and scope of the horse community."

Farm or ranch owners who participated in the last Census in 2007 will automatically be mailed a survey that can be filled in and mailed back. If a farm or ranch was not part of the 2007 Census and has not received a form in the mail, the owner can go to the USDA's census website <http://www.agcensus.usda.gov> and register. Once this form is submitted online, a survey will be mailed. Once they have received their form in the mail owners will have the option to fill out the Census online or mail back the form.

Further information on the 2012 Census of Agriculture can be found on the USDA's website <http://www.agcensus.usda.gov>. Farmers and ranchers should receive a Census form in the mail by early January. Completed forms are due by February 4, 2013.

"Members of the horse community need to understand that even if they have a very small farm or ranch they still qualify to take part in the Census. If you made \$1,000 from selling horses, stud fees or some other equine activity you should participate. If you made \$1,000 from any combination of agricultural activity and have horses on the property you should participate and list those horses," said Hickey. "But don't forget to send in your form before the February 4th deadline."

According to the USDA guidelines for the Census, a farm is any place from which \$1,000 or more of agricultural products, including horses, were produced and sold, or normally would have been sold, during the year.



USDA Adopts Animal Disease Traceability Program

In a move that many thought would never happen, the U.S. Department of Agriculture instituted its Animal Disease Traceability Program on January 9, 2013. The system, which will become effective March 11, is intended to improve USDA's and state authorities' ability to trace livestock, including horses, in the event of a disease outbreak. The new system applies to all livestock moving interstate.

Under the new federal regulations, horses moving interstate must be identified and accompanied by an Interstate Certificate of Veterinary Inspection (ICVI), commonly called a health certificate. "The new system is built on methods of identification and movement documentation that are already employed in the horse industry, e.g., written descriptions, digital photographs, brands, tattoos, electronic identification methods, and interstate certificates of veterinary inspection. The person or entity responsible for moving the horse interstate must ensure that it has an ICVI or other document required by the new rule," said Jay Hickey, president of the American Horse Council.

The ADTP will be administered by the states with federal support. The new rules also apply to movements to and from a Tribal area. In those cases, the Tribal authorities are involved in the system.

The horse industry has been dramatically affected by serious disease outbreaks in the last ten years, which have halted or restricted the movement of horses and the commerce surrounding the horses. The new program is intended to help the Department, state authorities and the horse industry better deal with such disease outbreaks and to minimize disease effects on horses and economic effects on owners and the industry.

This new rule is based on the previous National Animal Identification System (NAIS), which was the original voluntary system proposed by USDA to deal with disease outbreaks and traceability. The NAIS was not supported by much of the livestock industry, requiring USDA to reconsider its approach. "This more limited and simpler system just adopted is the result. The new system does not require the registration of premises housing livestock or the specific reporting of individual movements of horses," noted Hickey.

The new rules will be effective March 11, 2013. "We expect that there will be a transition period during which USDA will not enforce the new rule. This is to give livestock owners time to understand the rules and make any changes necessary to comply. We don't know how long that period might be," said Hickey.

Under the new regulations, horses moving interstate must be identified and accompanied by a health certificate or other state-approved document, such as an EIA test chart or equine passport approved by the animal health officials in the sending and receiving states.

Horses may be identified by methods currently used in the horse community, such as a description sufficient to identify the individual horse including, name, age, breed, color, gender, distinctive markings, and unique and permanent forms of identification, such as brands, tattoos, scars, cowlicks, blemishes, or biometric measurements. Electronic identification may also be used as may digital photographs.

"All states now require an ICVI to accompany any horse entering their state. This should make for a smooth transition to the new traceability rule since most horse owners moving their horses interstate for breeding, racing, showing, sale, etc. should already be in compliance with the provisions of the new rule," noted Hickey.

In the event of a disease outbreak, these documents will be used to trace horses that are or have been at the site of the outbreak and horses that have come into contact with them.

The new rule can be reviewed at <http://www.gpo.gov/fdsys/pkg/FR-2013-01-09/pdf/2012-31114.pdf>. The AHC recommends that any horse owner moving horses interstate or involved in that process review the new requirements to ensure they are complying with them.



113th Congress Begins, Welcomes Many New Members

On January 3, new Members of Congress were sworn into office and the 113th Congress officially began. Last year's election did not change the balance of power in Washington very much; the Democrats still control the White House and Senate, while the Republicans control the House of Representatives. However, the election does mean there are many new faces in Washington. This year there are 84 new Representatives, 49 Democrats and 35 Republicans, as well as 12 new Senators, 8 Democrats, 3 Republicans, and 1 independent.

For many of these new Members of Congress this is their first elected office and they will need to learn about how Congress works and about their constituents. "Right now is a great opportunity to start educating new Members of Congress about the issues important to horse owners and the horse industry," said American Horse Council legislative director Ben Pendergrass. "Now is also a good time to ask them to join the Congressional Horse Caucus."

The Congressional Horse Caucus is a bipartisan group of Representatives formed to educate Members of Congress and their staffs about the importance of the horse industry in the economic, agricultural, sporting, gaming and recreational life of the nation. By joining the Horse Caucus Members can learn about issues that impact the horse industry and show support for the whole horse community.

The AHC urges all members of the horse community to contact their Representative and ask that they join the Congressional Horse Caucus. Contact information for your Representatives can be found at <http://www.house.gov/>. To join the Horse Caucus Representatives can contact the office of caucus Co-Chair Congressman Brett Guthrie (R-KY).

"Members of Congress need our input if they are going to make informed decisions about the horse industry. It is essential that they hear about the horse industry in their states from the horse owners and service providers who live there," said American Horse Council president Jay Hickey. "Reaching out and asking them to join the Horse Caucus is a good first step to get them educated and involved with the industry."

Unwanted Horse Coalition's Operation Gelding Castrates 208 Stallions in 2012

The Unwanted Horse Coalition's (UHC) Operation Gelding program finishes 2012 with a total of 208 stallions castrated just this year. Almost 600 stallions have been castrated since the first Operation Gelding clinic in September 2010.

The program, which was first launched in late August 2010, is able to continue aiding in the castration of stallions thanks to the support and seed money provided by the American Association of Equine Practitioners Foundation, Pfizer, and the UHC. Operation Gelding is designed to offer funding assistance to organizations, associations, and events that wish to conduct a public gelding clinic under the name and guidelines of Operation Gelding. An organization that has completed an Operation Gelding clinic will receive funding of \$50 per horse, \$1,000 maximum, to aid in the costs associated with the clinic.

In 2012 alone, Operation Gelding aided in the castration of stallions from 14 different states: Connecticut, Florida, Georgia, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota, Missouri, North Carolina, Oklahoma, Texas, and Wisconsin.

The Maryland Fund for Horses (MFFH) held their first castration clinic with the help of the UHC's Operation Gelding program. Victoria Carson, president of MFFH says, "Maryland Fund for Horses' first gelding clinic was a big success. We received amazing support from local veterinarians and volunteers, and the forms and financial help from the UHC were invaluable. I think the most satisfying outcome was that every horse owner who participated reported that their horses were much better off as a result of being gelded. That's really what it's all about."

The UHC had the opportunity to work with Lacey Jo Edge and her mother, Kaye Garrison, on their third Operation Gelding clinic. They were able to castrate 12 horses at their clinic in Pilot Point, Texas. "Lacey is just so passionate about the unwanted horse. She's seen so many horses starved and abused go through the rescues in our area. Operation Gelding gives her an



avenue to help horses in need,” said Kaye Garrison. Lacey Jo Edge tells the UHC, “I have tried to make a difference in the number of unwanted horses by organizing Operation Gelding clinics in my area of North Texas. In the past three years, my friends and I have assisted in gelding 50 stallions with the help of funding from the Unwanted Horse Coalition. Owners have brought in colts as young as 4 months to stallions from rescues as old as 13 years, all varying breeds.”

Ande Miller and Hope in the Valley Horse Rescue also held their third Operation Gelding clinic. In three clinics, they have been able to geld 46 stallions. “Thanks to the UHC for giving us the opportunity to put on this much needed clinic. We have over 40 horses here currently and I have to turn horses away about every day, and it just breaks my heart to have to say no. Thanks again for giving us the chance to make a difference. I really appreciate everything you do for us,” said Miller.

Changing Leads Horse Rescue and Abby White were able to hold their first Operation Gelding clinic in Kansas City, Missouri in October. White reminds us that even a small clinic can make a difference, “Our clinic went very well. We gelded three horses. I wish we would’ve had more, but a few is better than none!”

Under the guidance of Amanda Wilson, Oklahoma State University put on two clinics this fall, one being supported by Operation Gelding. Wilson says, “Our clinic went great! We also held a second clinic to help all the stallions and horse owners we might have missed the first time around.”

Dr. Jennifer Trippany from Willow Run Veterinary services held her second Operation Gelding clinic in Rockford, Michigan this fall. “We filled 12 spots within 2 weeks of advertising the clinic. There is certainly a need for these clinics in this area and all around the country. Thank you to the UHC for the support,” says Dr. Trippany.

Operation Gelding currently has funding available for organizations that would like to host their own Operation Gelding clinic. For more information on how to host your own clinic, contact Ericka Caslin, UHC Director, at ecaslin@horsecouncil.org or 202-296-4031.

