AMERICAN HORSE COUNCIL

The Race Horse Cost Recovery Act

Background

The 2008 Farm Bill included language that allowed all race horses to be depreciated over three years, regardless of their age when placed in service. This 2008 change to the tax code "sunseted" or expired at the end of 2014. Congress must extend it.

Currently race horses are depreciated over the prior rules, which means they are depreciated over seven years if placed in service before they turned two. Horses placed in service after two (24 months and a day from foaling date) are depreciated over three years. A horse is generally deemed to be placed in service when it begins training, which is usually at the end of its yearling year.

Depreciation is a means of recovering the cost of property, including horses, used in a business through deductions of portions of the horse's cost over a period of years. Generally, the recovery period approximates the estimated useful life of the property. The horse industry believes a three-year deprecation schedule more accurately reflects the actual time a horse will be raced than a seven-year deprecation period. Generally a shorter recovery period, closer to the useful life of a business asset, is an advantage to an owner.

Legislation

On October1, 2015, Congressman Andy Barr (R-KY) introduced the Race Horse Cost Recovery Act (H.R. 3671). This bill would permanently make all race horses eligible for three-year depreciation, regardless of their age when they were actually placed in service.

Congressional Action

The bill was referred to the House Ways and Means Committee.

AHC Position

The AHC supports this bill.

1616 H Street NW 7th Floor · Washington DC 20006 · 202-296-4031 · Fax 202-296-1970
Email: AHC@horsecouncil.org · Web Address: www.horsecouncil.org