



2017

Horse PAC® Annual Report



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FOREWORD

This annual report summarizes the 2017 activities of Horse PAC®, the Federal Political Action Committee (PAC) of the National Thoroughbred Racing Association (NTRA). The Committee was activated in 2002 to promote and facilitate the accumulation of voluntary contributions from members of the NTRA and its subsidiaries and affiliates, for the support of political parties and candidates for elective office in the United States. As a multi-issue PAC, the Committee gives bipartisan support to federal political candidates who:

- Serve on Congressional committees that oversee livestock and agricultural issues, Internet gaming, taxation, immigration and the Interstate Horseracing Act
- Are established leaders
- Understand horse racing's issues
- Have racetracks, OTBs, ADW facilities, breeding farms, training centers and other equine venues in their districts
- Are members of the Congressional Horse Caucus
- Are emerging leaders meriting "early support"

MESSAGE FROM THE HORSE PAC® PRESIDENT

March 12, 2018

Capping a tumultuous year, Congress passed a sweeping tax reform bill in December that included a number of provisions beneficial to the Thoroughbred industry. The tax reform package slashed corporate tax rates and reduced most individual tax rates; it also included significant and positive changes to depreciation and expensing of yearlings, breeding stock, farm equipment and other qualifying depreciable property.

With the help of numerous Congressional allies, the industry also achieved a long-sought change to IRS regulations for reporting and withholding on pari-mutuel proceeds and fended off an amendment to the December tax legislation that would have eliminated the itemized miscellaneous deduction for gambling losses. Consequently, horseplayers will continue to be allowed to deduct their losses from wagering transactions (i.e., losing tickets) up to the amount of winnings. For an in-depth look at the year in Congress, please see the summary that begins on page 20.

Thanks to the support of more than 500 donors over the years, Horse PAC® reached another milestone in 2017, surpassing the \$4 million mark in funds raised since its inception in 2002. We are grateful to all our donors, especially our many longtime supporters whose constancy has helped make Horse PAC® the racing industry's leading federal political action committee.

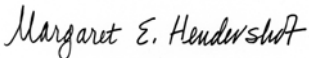
Total contributions to Horse PAC® in 2017 reached \$211,845, slightly below last year's \$223,145, raised during a contentious presidential election year. One-hundred-twenty-three NTRA members contributed to the PAC, including some 30 at the \$5,000 Champions level. A list of donors appears on page 7.

With disbursements totaling \$234,500, Horse PAC® supported over 30 individual members of the House and Senate and dozens more through Congressional Leadership PACs. A list of candidates and Leadership PACs supported in 2017 appears on page 11.

To our 2017 PAC donors and the Horse PAC® Board Directors, thank you. Your support will help ensure that our industry maintains a strong presence in Washington, D.C. and continues to build lasting relationships with our Congressional allies.

Finally, we say farewell to the late Beverly Lewis, a Horse PAC® Founding Supporter who contributed to the PAC every year since its inception. We are profoundly grateful for her support and leadership.

Sincerely,



Margaret E. Hendershot, Horse PAC® President

2017 HORSE PAC® BOARD OF DIRECTORS

The Horse PAC® Board of Directors is composed of NTRA members representing diverse industry stakeholder groups and geography. Board members are appointed by the Horse PAC® President; the PAC's by-laws allow up to 25 members on the Board of Directors. Board members serve one-year, renewable terms.

Under the leadership of Chairman William S. Farish, Jr., the Board raises funds for Horse PAC® from NTRA members. The Board also approves PAC disbursements. The PAC President and NTRA staff provide support and direction for annual fund-raising programs and develop a disbursements plan in consultation with the NTRA's legislative team. The 2017 Board of Directors consisted of:



William S. Farish, Jr., Chairman

Gregory Avioli*
George B. Bolton
Keith Chamblin
Terrence P. Finley
John C. Harris
Wilhelmina McEwan
Justin Nicholson
Anne W. Poulson
Joseph V. Shields, Jr.
Alexander M. Waldrop

Margaret E. Hendershot
President

Amber Florence
Treasurer

**Resigned from the Board in mid-2017.*

THE NTRA LEGISLATIVE TEAM

Under the direction of the NTRA President and CEO, Alexander M. Waldrop, the NTRA's legislative team advocates on behalf of the Thoroughbred racing industry in a number of areas, including—but not limited to—Internet gaming, taxes and trade, immigration, the Interstate Horseracing Act, the Farm Bill, anti-terrorism measures affecting consumers and major racing events, and equine health and welfare.



ALEX WALDROP

Mr. Waldrop is the President and CEO of the NTRA, where he leads the Thoroughbred industry's national office responsible for matters pertaining to federal legislative advocacy, racing safety and integrity, marketing and promotion of the sport, group purchasing and management of issues of national significance to Thoroughbred racing. Mr. Waldrop is Chair of the Racing Medication and Testing Consortium Board of Directors, a Trustee of the American Horse Council, and Chair of the American Horse Council Racing Advisory Committee. Mr. Waldrop spent 13 years with Churchill Downs Incorporated, as President and General Manager of Churchill Downs Racetrack from 1999 to 2002, as General Counsel from 1992 to 1998, and as senior vice president, Public Affairs from 2003 to 2004. He is also a former partner in the Louisville office of Wyatt Tarrant & Combs where he was the Founding Chair of the firm's Equine, Gaming & Entertainment Practice Group.

The NTRA's lobbyists, all based with the Alpine Group in Washington, D.C., include:



GREG MEANS

Mr. Means brings over two decades of experience on Capitol Hill and as a lobbyist in Washington, D.C. As a founder of the Alpine Group, Mr. Means has assisted a variety of clients in numerous areas including energy and environment, Internet gaming, transportation, tax and trade and other issues. Mr. Means provides assistance to clients in designing and executing grassroots lobbying plans and in the development and execution of clients' political action committees. On Capitol Hill, Mr. Means served in several staff capacities for Representative Dennis E. Eckart (D-OH), a member of the powerful House of Representatives Energy and Commerce Committee, including four years as his Chief of Staff. Mr. Means also served as the Staff Director for a congressional subcommittee chaired by Congressman Eckart.

THE NTRA LEGISLATIVE TEAM



LAUREN DARLING BAZEL

Before joining the Alpine Group, Ms. Bazel served as the Senior Tax Policy Advisor to Senator John Kerry (D-MA). Previously, she was the Associate Director for Government Affairs at the Center for American Progress (CAP), working with Members of Congress, the Executive Branch and outside organizations on policy and legislative strategies.

Before joining CAP, she was the Senior Advisor for Tax Policy to Senator Maria Cantwell (D-WA) and supported the Senator in her capacity as a member of the Senate Finance Committee and Senate Small Business Committee. Earlier in her career, Ms. Bazel lobbied on federal tax issues for Ernst & Young; she was also the Chief Tax Reporter for the *BNA Daily Tax Report*, responsible for coverage and analysis of federal budget and tax legislative issues.



MICHAEL HAYWOOD

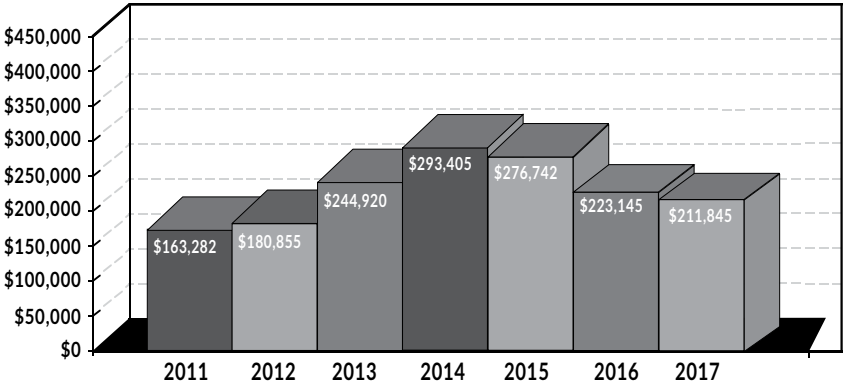
Mr. Haywood is a former senior aide to Sen. Jim Bunning (R-KY) and Rep. Dave Camp (R-MI). Before joining the Alpine Group, Mr. Haywood was in private practice for several years. During his tenure representing clients before the Congress and the Administration, Mr. Haywood developed expertise on a wide array of issues, including

energy, the environment and taxes. He is also an avid Thoroughbred racing fan and horseplayer.

RECEIPTS

From inception through December 31, 2017, Horse PAC® has raised \$4,098,133. The committee raised \$344,137 for the 2011/2012 election cycle, \$538,325 for the 2013/2014 election cycle and \$499,887 for the 2015/2016 election cycle.

HORSE PAC® RECEIPTS SINCE 2011



2017 HORSE PAC® CONTRIBUTORS

CHAMPIONS – \$5,000

Josephine E. Abercrombie
Barbara Banke
Ramona Bass
Cornelia Corbett
Adele B. Dilschneider
Donald Dizney
Everett Dobson
Jerry Durant
Sarah Farish
William S. Farish

Hugh A. Fitzsimons, Jr.
H. Greg Goodman
Deborah R. Hancock
Seth Hancock
G. Watts Humphrey, Jr.
Brereton Jones
Jon Kelly
Robert V. LaPenta
Robert E. Meyerhoff
Jerome S. Moss

Justin & Katie Nicholson
J. Michael O' Farrell, Jr.
Arthur F. Preston
Maury Shields
Joseph V. Shields, Jr.
Samantha Siegel
William W. Thomason, Jr.
Kenny Troutt
Lisa Troutt
Charlotte Weber

LEADERS – \$2,500 - \$4,999

Leland Ackerley
John W. Amerman
Jenny Craig
CTBA PAC

Peter Fluor
Emory A. Hamilton
Waddell W. Hancock II
John C. Harris

Bruce Lunsford
Audrey Otto
Alex Waldrop

WINNERS – \$1,000 - \$2,499

Madeline Auerbach
Craig & Holly Bendoroff
George Bolton
Chester & Mary Broman, Sr.
Keith Chamblin
Richard Duchossois
Gerald & Kelli Ford

Helen K. Groves
Marc Keller
Beverly Lewis
Jeffrey & Margery Lewis
Richard & Sue Ann Masson
Paul Oreffice
John C. Oxley

George Strawbridge, Jr.
Jack R. Swain
Mark & Julia Taylor
Paul Weitman
Eddie Woods

2017 HORSE PAC® CONTRIBUTORS

SUPPORTERS – UP TO \$999

| | | |
|--------------------------|------------------------|-------------------------|
| Carl W. Asmus | Edward Glasscock | William I. Mott |
| Kathryn Asmus | David Gordon | Nick Nicholson |
| Joe Bacigalupo | Curtis & Linda Green | Susan Nicholson |
| John H. Barr | Walker Hancock | Howard C. Nolan, Jr. |
| Robert Berger | Margaret E. Hendershot | William Parsons, Jr. |
| Gary Bizantz | Stuart Huston | Craig Peretz |
| David P. Block | Russell B. Jones, Jr. | John W. Phillips |
| Perry & Aurelia Bolton | Bill Landes | Dr. Hiram C. Polk, Jr. |
| James C. Brady | Peter A. Leidel | Anne Poulson |
| Jeffrey I. Burch | Wayne H. Lobdell | Michele Ravencraft |
| W. Cothran Campbell | Preston & Anita Madden | Dr. J. David Richardson |
| Mrs. Patricia Chapman | Robert Manfuso | Allen Schubert |
| Ellen MacNeille Charles | John McDaniel | William Shurman |
| Sherwood Chillingworth | Greg Means | Michael Simpson |
| Lou Dunn Diekemper | Jim Meeks | Gary P. Snoonian |
| David & Christy DiPietro | Tony Metaxas | Beverly R. Steinman |
| Deborah A. Easter | Maurleen V. Miller | Patricia A. Thompson |
| Carl Gessler | Mark Moran | Robert M. Watt III |

NTRA ADVANTAGE

Contributors to Horse PAC® receive exclusive equine discounts on programs and services from nationally known companies like John Deere, Nationwide, Sherwin-Williams, Office Depot, Red Brand Fencing and more through NTRA Advantage. When you use NTRA Advantage, a portion of your purchase price goes to support the equine industry. To enjoy the benefits call toll-free **(866) 678-4289** or visit **www.ntraadvantage.com** before you buy!

2017 HORSE PAC® DISBURSEMENTS

Federal Candidates by Amount*

| State | Amount | Rank |
|--------------|------------------|------|
| KY | \$45,000 | 1 |
| CA | \$31,000 | 2 |
| NY | \$23,500 | 3 |
| TX | \$22,500 | 4 |
| FL | \$15,000 | 5 |
| AR | \$10,000 | 6 |
| PA | \$10,000 | 7 |
| OR | \$10,000 | 8 |
| NJ | \$10,000 | 9 |
| IN | \$7,500 | 10 |
| MA | \$5,000 | 11 |
| NV | \$5,000 | 12 |
| IL | \$5,000 | 13 |
| MT | \$2,500 | 14 |
| OH | \$2,500 | 15 |
| NE | \$2,500 | 16 |
| WI | \$2,000 | 17 |
| WA | \$2,000 | 18 |
| DE | \$1,000 | 19 |
| Total | \$212,000 | |

* Excludes disbursements to political committees that are not associated with individual candidates.

Federal Candidates by State*

| State | Amount | Rank |
|--------------|------------------|------|
| AR | \$10,000 | 6 |
| CA | \$31,000 | 2 |
| DE | \$1,000 | 19 |
| FL | \$15,000 | 5 |
| IL | \$5,000 | 13 |
| IN | \$7,500 | 10 |
| KY | \$45,000 | 1 |
| MA | \$5,000 | 11 |
| MT | \$2,500 | 14 |
| NE | \$2,500 | 16 |
| NJ | \$10,000 | 9 |
| NV | \$5,000 | 12 |
| NY | \$23,500 | 3 |
| OH | \$2,500 | 15 |
| OR | \$10,000 | 8 |
| PA | \$10,000 | 7 |
| TX | \$22,500 | 4 |
| WA | \$2,000 | 18 |
| WI | \$2,000 | 17 |
| Total | \$212,000 | |

* Excludes disbursements to political committees that are not associated with individual candidates.

2017 HORSE PAC® DISBURSEMENTS

Federal Contributions: \$234,500

House Candidates/PACs 76% \$178,500

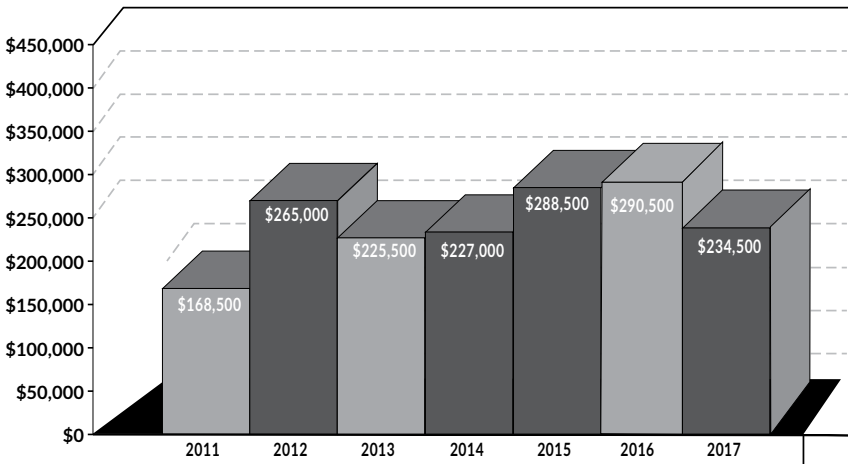
Senate Candidates/PACs 24% \$56,000

Democratic Candidates 30% \$69,500

Republican Candidates 70% \$165,000

From inception through December 31, 2017, Horse PAC® has disbursed \$3,766,379. The committee disbursed \$438,500 for the 2011/2012 election cycle, \$452,500 for the 2013/2014 election cycle and \$579,000 for the 2015/2016 election cycle.

HORSE PAC® DISBURSEMENTS SINCE 2011



Total Disbursements to Date

\$3,766,379

2017 HORSE PAC® DISBURSEMENTS

The following candidates and political committees received Horse PAC® funds in 2017:

United States House of Representatives

| House of Reps | Party | State | Re-election Year | 2017 Disbursed | Committees |
|-----------------|-------|-------|------------------|----------------|----------------------------------|
| Jim Costa | D | CA | 2018 | \$2,500 | Agriculture, Natural Resources |
| Kevin McCarthy | R | CA | 2018 | \$5,000 | Majority Leader |
| Devin Nunes | R | CA | 2018 | \$5,000 | Ways & Means |
| Jeff Denham | R | CA | 2018 | \$2,500 | Agriculture |
| Scott Peters | D | CA | 2018 | \$2,500 | Energy & Commerce |
| Adam Schiff | D | CA | 2018 | \$1,000 | Judiciary |
| Vern Buchanan | R | FL | 2018 | \$5,000 | Ways & Means |
| Carlos Curbelo | R | FL | 2018 | \$2,500 | Ways & Means |
| Tom Rooney* | R | FL | 2018 | \$5,000 | Appropriations |
| Pete Roskam | R | IL | 2018 | \$5,000 | Ways & Means |
| Jackie Walorski | R | IN | 2018 | \$2,500 | Ways & Means |
| Andy Barr | R | KY | 2018 | \$5,000 | Financial Services, CHC Co-Chair |
| James Comer | R | KY | 2018 | \$5,000 | Agriculture |
| Brett Guthrie | R | KY | 2018 | \$5,000 | Energy & Commerce, CHC |
| John Yarmuth | D | KY | 2018 | \$5,000 | Budget, Energy & Commerce, CHC |
| Richard E. Neal | D | MA | 2018 | \$5,000 | Ways & Means |
| Adrian Smith | R | NE | 2018 | \$2,500 | Ways & Means, CHC |
| Donald Norcross | D | NJ | 2018 | \$2,500 | Education and the Workforce |
| Frank Pallone | D | NJ | 2018 | \$5,000 | Energy & Commerce, CHC |
| Bill Pascrell | D | NJ | 2018 | \$2,500 | Ways & Means, CHC |
| Brian Higgins | D | NY | 2018 | \$1,000 | Ways & Means |
| Tom Reed | R | NY | 2018 | \$10,000 | Ways & Means |
| Paul Tonko | D | NY | 2018 | \$5,000 | Energy & Commerce, CHC Co-Chair |
| Pat Tiberi* | R | OH | 2018 | \$2,500 | Ways & Means, CHC |
| Kurt Schrader | D | OR | 2018 | \$5,000 | Energy & Commerce |
| Patrick Meehan* | R | PA | 2018 | \$5,000 | Ways & Means |
| Kevin Brady | R | TX | 2018 | \$5,000 | Ways & Means |
| Mike Burgess | R | TX | 2018 | \$2,500 | Energy & Commerce, CHC |
| Kenny Marchant | R | TX | 2018 | \$5,000 | Ways & Means |

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*Candidate has retired. Horse PAC® seeks refunds from retiring candidates; however, those refunds are made at the candidate's discretion. Candidates may choose to refund none, part or all of a contribution.

2017 HORSE PAC® DISBURSEMENTS

United States House of Representatives *(continued)*

| House of Reps | Party | State | Re-election Year | 2017 Disbursed | Committees |
|----------------------------|-------|-------|------------------|------------------|---|
| Suzan DelBene | D | WA | 2018 | \$1,000 | Ways & Means |
| Denny Heck | D | WA | 2018 | \$1,000 | Financial Services |
| Ron Kind | D | WI | 2018 | \$2,000 | Ways & Means |
| NRCC | R | n/a | n/a | \$5,000 | National Republican Congressional Committee |
| CHC BOLD PAC | D | n/a | | \$2,500 | Congressional Hispanic Caucus |
| TOTAL House of Reps | | | | \$128,500 | |

United States Senate

| Senate | Party | State | Re-election Year | 2017 Disbursed | Committees |
|---------------------|-------|-------|------------------|------------------|--|
| Todd Young | R | IN | 2022 | \$5,000 | Commerce |
| Jon Tester | D | MT | 2018 | \$2,500 | Appropriations |
| Dean Heller | R | NV | 2018 | \$5,000 | Finance |
| Kirsten Gillibrand | D | NY | 2018 | \$2,500 | Agriculture |
| NRSC | R | n/a | n/a | \$15,000 | National Republican Senatorial Committee |
| TOTAL Senate | | | | \$ 30,000 | |

Federal Leadership PACs

| Associated Candidate | Party | State | House/Senate | 2017 Disbursed | PAC Name |
|----------------------|-------|-------|--------------|----------------|---|
| Andy Barr | R | KY | H | \$5,000 | BARR PAC/Financial Services/CHC |
| John Boozman | R | AR | S | \$5,000 | Arkansas for Leadership PAC/Agriculture, Appropriations |
| Kevin Brady | R | TX | H | \$5,000 | Making America Prosperous PAC/Ways & Means |
| Chris Coons | D | DE | S | \$1,000 | Blue Hen PAC/Appropriations, Judiciary |
| John Cornyn | R | TX | S | \$5,000 | Alamo PAC/Finance |

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2017 HORSE PAC® DISBURSEMENTS

Federal Leadership PACs *(continued)*

| Associated Candidate | Party | State | House/Senate | 2017 Disbursed | PAC Name |
|-------------------------|-------|-------|--------------|------------------|--|
| Tom Cotton | R | AR | S | \$5,000 | Republican Majority Fund/Senate Banking |
| Joe Crowley | D | NY | H | \$5,000 | JOE PAC/Ways & Means |
| Brett Guthrie | R | KY | H | \$5,000 | BRETT PAC/Energy & Commerce/CHC |
| Kevin Mccarthy | R | CA | H | \$2,500 | Majority Committee/House Majority Leader |
| Mitch McConnell | R | KY | S | \$5,000 | Bluegrass Committee/Appropriations, Agriculture/Senate Majority Leader |
| Patrick Meehan* | R | PA | H | \$5,000 | Patriots Leading a Majority/Ways & Means |
| Devin Nunes | R | CA | H | \$5,000 | NEW PAC/Ways & Means |
| Hal Rogers | R | KY | H | \$5,000 | HALPAC/Appropriations/CHC |
| Tom Rooney* | R | FL | H | \$2,500 | First Team PAC/Appropriations |
| Linda Sanchez | D | CA | H | \$5,000 | Democrats Reshaping America (DREAM PAC)/Ways & Means |
| Ron Wyden | D | OR | S | \$5,000 | Holding Onto Oregon's Priorities/ Finance, Energy & Natural Resources |
| John Yarmuth | D | KY | H | \$5,000 | Article 1 PAC/Budget/Energy & Commerce/CHC |
| TOTAL LEADERSHIP | | | | \$76,000 | |
| GRAND TOTAL | | | | \$234,500 | |

Leadership PACs enable politicians to donate to other candidates, thereby building relationships with their peers. These relationships are critical to Members of Congress who may be seeking a leadership position in Congress, a higher office, or greater leverage within their own party as they demonstrate their fund-raising ability. Candidates who form Leadership PACs are signaling their intent to build their political influence. Leadership PACs also provide a way for candidates to fund their travel, office expenses, consultants, polling and other non-campaign expenses.

*Candidate has retired. Horse PAC® seeks refunds from retiring candidates; however, those refunds are made at the candidate's discretion. Candidates may choose to refund none, part or all of a contribution.

2017 HORSE PAC® DISBURSEMENTS BY COMMITTEE

Most Horse PAC® supported candidates serve on one or more committees that oversee the industry. Following is a list of key committees for racing and the candidates on those committees that Horse PAC® supported in 2017. Additionally, the PAC supports candidates who understand racing's issues, have racetracks and other racing-related industries in their districts, serve in leadership roles, are members of Congressional caucuses important to our industry or are emerging leaders meriting early support. Candidates are evaluated on their individual merits.

Key Congressional Committees for the Thoroughbred Industry

| Committee | House/Senate | Issue(s) |
|------------------------------------|------------------|--|
| Agriculture | House and Senate | Livestock, equine identification, Farm Bill |
| Appropriations | House and Senate | Bills serve as vehicles for other provisions |
| Banking | Senate | Internet gaming |
| Commerce, Science & Transportation | Senate | Interstate Horseracing Act; general oversight for professional sports, including medication issues |
| Energy & Commerce | House | Interstate Horseracing Act; general oversight for professional sports, including medication issues |
| Finance | Senate | Taxes and trade |
| Financial Services | House | Internet gaming |
| Homeland Security | House and Senate | Security for major racing events; anti-terrorism measures affecting consumers; immigration |
| Judiciary | House and Senate | Internet gaming, immigration |
| Ways & Means | House | Taxes and trade |

2017 HORSE PAC® DISBURSEMENTS BY COMMITTEE

AGRICULTURE (HOUSE OF REPRESENTATIVES AND SENATE)

Agriculture Committee (House of Representatives)

- 46 Members/26 Republicans, 20 Democrats

Through their re-elect campaigns and/or Leadership PACs, in 2017 Horse PAC® supported three members of the House Agriculture Committee: James Comer (R-KY), Jim Costa (D-CA) and Jeff Denham (R-CA).

Agriculture, Nutrition and Forestry Committee (Senate)

- 21 Members/11 Republicans, 10 Democrats

Through their re-elect campaigns and/or Leadership PACs, in 2017 Horse PAC® supported three members of the Senate Agriculture Committee: John Boozman (R-AR), Kirsten Gillibrand (D-NY) and Mitch McConnell (R-KY).

APPROPRIATIONS (HOUSE OF REPRESENTATIVES AND SENATE)

Appropriations (House of Representatives)

- 52 Members/30 Republicans, 22 Democrats

Through their re-elect campaigns and/or Leadership PACs, in 2017 Horse PAC® supported two members of the House Appropriations Committee: Harold Rogers (R-KY) and Tom Rooney* (R-FL).

Appropriations (Senate)

- 31 Members/16 Republicans, 15 Democrats

Through their re-elect campaigns and/or Leadership PACs, in 2017 Horse PAC® supported four members of the Senate Appropriations Committee: John Boozman (R-AR), Chris Coons (D-DE), Mitch McConnell (R-KY) and Jon Tester (D-MT).

BANKING

Banking, Housing, and Urban Affairs (Senate)

- 23 Members/12 Republicans, 11 Democrats

Through their re-elect campaigns and/or Leadership PACs, in 2017 Horse PAC® supported three members of the Senate Banking Committee: Tom Cotton (R-AR), Dean Heller (R-NV) and Jon Tester (D-MT).

**Candidate has retired. Horse PAC® seeks refunds from retiring candidates; however, those refunds are made at the candidate's discretion. Candidates may choose to refund none, part or all of a contribution.*

2017 HORSE PAC® DISBURSEMENTS BY COMMITTEE

COMMERCE (HOUSE OF REPRESENTATIVES AND SENATE)

Energy and Commerce Committee (House of Representatives)

- 55 Members/31 Republicans, 24 Democrats

Through their re-elect campaigns and/or Leadership PACs, in 2017 Horse PAC® supported six members of the House Energy & Commerce Committee: Michael Burgess (R-TX), Brett Guthrie (R-KY), committee Ranking Member Frank Pallone (D-NJ), Scott Peters (D-CA), Kurt Schrader (D-OR) and Paul Tonko (D-NY).

Commerce, Science and Transportation (Senate)

- 27 Members/14 Republicans, 13 Democrats

Through their re-elect campaigns and/or Leadership PACs, in 2017 Horse PAC® supported two members of the Senate Commerce Committee: Dean Heller (R-NV) and Todd Young (R-IN).

FINANCE

Finance Committee (Senate)

- 26 Members/14 Republicans, 12 Democrats

Through their re-elect campaigns and/or Leadership PACs, in 2017 Horse PAC® supported three members of the Senate Finance Committee: John Cornyn (R-TX), Dean Heller (R-NV) and committee Ranking Member Ron Wyden (D-OR).

FINANCIAL SERVICES

Financial Services (House of Representatives)

- 60 Members/34 Republicans, 26 Democrats

Through their re-elect campaigns and/or Leadership PACs, in 2017 Horse PAC® supported two members of the House Financial Services Committee: Andy Barr (R-KY) and Denny Heck (D-WA).

HOMELAND SECURITY (HOUSE OF REPRESENTATIVES AND SENATE)

Homeland Security (House of Representatives)

- 30 Members/18 Republicans, 12 Democrats

In 2017 Horse PAC® supported no members of the House Homeland Security Committee.

2017 HORSE PAC® DISBURSEMENTS BY COMMITTEE

Homeland Security and Government Affairs (Senate)

- 15 Members/8 Republicans, 7 Democrats

Through his re-elect campaign and/or Leadership PAC, in 2017 Horse PAC® supported one member of the Senate Homeland Security Committee: Jon Tester (D-MT).

JUDICIARY (HOUSE OF REPRESENTATIVES AND SENATE)

Judiciary Committee (House of Representatives)

- 40 Members/23 Republicans, 17 Democrats

In 2017 Horse PAC® supported no members of the House Judiciary Committee.

Judiciary Committee (Senate)

- 20 Members/11 Republicans, 9 Democrats

Through their re-elect campaigns and/or Leadership PACs, in 2017 Horse PAC® supported two members of the Senate Judiciary Committee: Chris Coons (D-DE) and John Cornyn (R-TX).

WAYS AND MEANS

Ways and Means (House of Representatives)

- 40 Members/24 Republicans, 16 Democrats

Through their re-elect campaigns and/or Leadership PACs, in 2017 Horse PAC® supported 18 members of the Ways and Means Committee: committee Chairman Kevin Brady (R-TX), Vern Buchanan (R-FL), Joseph Crowley (D-NY), Carlos Curbelo (R-FL), Suzan DelBene (D-WA), Brian Higgins (D-NY), Ron Kind (D-WI), Kenny Marchant (R-TX), Patrick Meehan* (R-PA), Ranking Member Richard Neal (D-MA), Devin Nunes (R-CA), Bill Pascrell (D-NJ), Tom Reed (R-NY), Pete Roskam (R-IL), Linda Sanchez (D-CA), Adrian Smith (R-NE), Pat Tiberi* (R-OH) and Jackie Walorski (R-IN).

**Candidate has retired. Horse PAC® seeks refunds from retiring candidates; however, those refunds are made at the candidate's discretion. Candidates may choose to refund none, part or all of a contribution.*

2017 HORSE PAC® DISBURSEMENTS BY COMMITTEE

HOUSE AND SENATE LEADERSHIP

Horse PAC® supports candidates who serve in leadership capacities within their respective parties. Through their re-elect campaigns and/or Leadership PACs, in 2017 Horse PAC® supported the following House and Senate leaders:

House

- Joe Crowley (D-NY), Democratic Caucus Chairman
- Kevin McCarthy (R-CA), Majority Leader

Senate

- John Cornyn (R-TX), Majority Whip
- Mitch McConnell (R-KY), Majority Leader

2017 HORSE PAC® DISBURSEMENTS BY COMMITTEE

2018 OUTLOOK

With mid-term elections approaching, 23 Democratic, eight Republican and two Independent seats in the Senate are in play. Senate Republicans currently hold a narrow majority and several Republican incumbents have recently announced they will not seek re-election in 2018, opening the way for highly contested, open-seat races.

Horse PAC® generally eschews open-seat races, focusing on established candidates with proven records and demonstrated understanding of racing's issues. The PAC will hold to its proven strategy of timely, bipartisan support for Senate incumbents who are up for re-election and for House members who serve on the committees that oversee key business areas for horse racing and breeding.

In 2018, we expect sports betting, the Farm Bill, and immigration to dominate our legislative agenda. To that end, the PAC will increase its support for Members who serve on the committees that oversee these matters, including Agriculture, Judiciary, Commerce and Homeland Security. The PAC will also increase its support for members of the Congressional Hispanic Caucus, recognizing its leadership on immigration. For updates on NTRA's legislative policy and programs in 2018, visit SupportHorseRacing.org.

2017 LEGISLATIVE SUMMARY

As the trade association for the Thoroughbred industry, NTRA focuses its lobbying on legislation having direct and material effect on its members and their business activities as they relate to race horse racing, breeding and pari-mutuel wagering. With the American Horse Council, the NTRA also supports Congressional education programs on issues such as agricultural matters and immigration, which affect the horse industry as a whole. Below is a summary of the major legislative issues for horse racing in the first half of the 2017/2018 Congress.

Tax Reform—Sweeping Changes Impact All Industry Sectors

In the closing days of the 2017 Congressional session, Congress passed and the president signed into law a comprehensive tax reform bill. With few exceptions, the bill's provisions take effect in the 2018 tax year. However, since the bill was passed in 2017, we have included a discussion of its main features, below. For information on racehorse depreciation and Section 179 for the 2017 tax year, see the section on "Racehorse Depreciation and Section 179—Status for 2017." You may also visit the NTRA's Web site, SupportHorseRacing.org, for legislative updates on these and other issues.

While the tax provisions outlined below are generally favorable to our industry, every participant in racing will be impacted differently. We recommend that all taxpayers consult with their tax advisors to assess how the bill will specifically impact their operations. Notable provisions in the tax reform package included:

- Permanent reduction in the U.S. federal corporate income tax rate from 35 percent to 21 percent.
- Temporary (through 2025) reduction in the top individual income tax rate from 39.6 percent to 37 percent, and revision of the other individual income tax rates and brackets.
- Doubling of the standard deduction; elimination of personal exemptions; imposition of new limits on the deduction for state and local taxes, mortgage interest, and personal casualty losses. Other personal itemized deductions, including unreimbursed business expenses, are eliminated.
- Retention of the current 40 percent estate tax with a doubling of the estate and gift tax exemptions from \$5,600,000 to \$11,200,000 per person.
- Repeal of the corporate alternative minimum tax (AMT) and modification of the individual AMT with higher exemption amounts and phase-out thresholds.

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- Inclusion of a new, temporary, 20 percent deduction for certain pass-through business income. This deduction will sunset at the end of 2025.
- Increase in immediate expensing to 100 percent and expansion of the definition of “new property.” Purchasers would be able to write off 100 percent of all horses purchased, including yearlings and breeding stock, as long as the asset purchased has not been previously owned by the purchaser. The 100 percent rate applies to new and used property acquired and put into service after Sept. 27, 2017 and before Jan. 1, 2023. Prior rules provided for 50 percent depreciation on new property only (see discussion of racehorse depreciation and Section 179, below). Beginning with 2023, the 100 percent depreciation rate will be phased out by 20 percent each year until fully phased out after 2027.
- Increase in the Section 179 limit to \$1 million from \$500,000, and an increase in the cost of property subject to the phase-out to \$2.5 million from \$2 million, which would be beneficial to industry participants that generate net taxable income. Both the maximum deduction and phase-out amount are permanently extended and will be indexed for inflation.
- Machinery and equipment used in farming operations will be granted accelerated depreciation with a useful life of only five years and depreciation using the 200 percent declining balance method. The prior rules provided for a useful life of seven years and depreciation using the 150 percent declining balance method.
- Expanded cash method of accounting available for those with gross receipts less than \$25 million, an increase from the current \$5 million level.
- Limitation on the applicability of the gain deferral rules to only like-kind exchanges of real property not tangible personal property.
- Limitation on the deduction for business interest expenses to 30 percent of adjusted taxable income.
- Elimination of the deduction for entertainment, amusement or recreation expenses.

For horseplayers, the NTRA successfully worked to defeat a proposed amendment to the tax bill that would have eliminated the itemized miscellaneous deduction for gambling losses. Consequently, horseplayers will continue to be allowed to deduct their losses from wagering transactions (i.e., losing tickets) up to the amount of

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winnings. However, beginning January 1, 2018, through December 31, 2025, the limitation on losses from wagering transactions (up to the amount of winnings) will apply not only to the actual costs of wagers incurred by an individual, but also to other deductible expenses such as travel and lodging incurred by the individual in connection with the conduct of that individual's gambling activity.

Racehorse Depreciation and Section 179—Status for 2017

In the 2008 Farm Bill, NTRA secured a provision that allowed for the uniform and accelerated depreciation of Thoroughbreds. The provision subsequently carried forward in the 2015 Protecting Americans from Tax Hikes (PATH) Act, which extended three-year tax depreciation for all racehorses through 2016. That provision, along with dozens of others, expired at the beginning of 2017.

While it appears that the expensing provisions contained in the December tax reform package, outlined above, will adequately address that issue for our owners, the new provisions do not go into effect until the 2018 tax year. To address this gap, the Senate introduced legislation that would renew three-year depreciation for racehorses (and many other lapsed provisions) retroactive to the beginning of 2017. On February 9, 2018, President Trump signed into law the Bipartisan Budget Act, a bill that among other measures extends retroactively for fiscal year 2017 uniform three-year racehorse depreciation.

Bonus depreciation, authorized in the PATH Act, remains at 50 percent for property placed into service prior to Sept. 27, 2017. See the above discussion of the tax reform package for more information on the tax treatment of property placed into service after that date.

A permanent Section 179 expense allowance, also established under the PATH Act and indexed for inflation, set 2017 levels at \$500,000, with a \$2 million threshold for qualified new or used property purchased and placed in service. Total purchases of qualified property that exceed \$2 million reduce the taxpayer's expense allowance dollar for dollar. Broodmares may be eligible for expensing and are an example of used property because of their prior use as a racehorse or broodmare. For information on changes to Section 179 in the tax reform bill passed in December 2017, see above.

“Amount of a Wager” Redefined—and With It, the Racing Industry

On September 28, 2017, horseplayers were finally freed of outdated IRS regulations written when the only exotic wager consisted of a single Daily Double.

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On that historic day, IRS regulations that redefined “the amount of a wager” took effect and brought a new era to the racing industry and its customers, whose annual wagering tops \$10 billion.

The change capped a 10-year odyssey to modernize the tax code and clarify that “the amount of the wager” includes the entire amount wagered into a specific pari-mutuel pool by an individual—not just the winning base unit. This simple change produced an immediate 95 percent reduction in the number of so-called “signer” tickets, those subject to IRS reporting or withholding.

The process of adopting the new regulations, published in draft form on December 30, 2016, carried well into 2017. The Treasury Department opened a 90-day comment period that ended March 30, during which the NTRA submitted a comment letter requesting that Treasury enact the new regulations in its then current form as quickly as possible. The NTRA also requested a 45-day grace period for uniform implementation. On a parallel path, the NTRA in January began meeting with Tote companies and racing operators to discuss the need to be prepared for immediate implementation of the regulations by April.

The NTRA established a second online portal for individuals to submit e-mail comments directly to the Treasury Department in support of the proposed regulations. Almost 5,000 horseplayers and others responded to calls for support, further cementing the industry’s unanimous front for the changes and paving the way for Treasury and the IRS to act quickly. In the end, the wait was comparatively short by Washington standards and the industry was fully prepared to take advantage of the new regulation as soon as it was implemented.

IRS Reporting and Withholding Thresholds—What Do They Mean?

Before September 28, 2017, horseplayers wagering on pari-mutuel races were subject to reporting on proceeds of \$600 or more and automatic federal tax withholding on pari-mutuel proceeds of more than \$5,000 if the winning amount was also at least 300 times larger than the “amount of the wager.” Previously, the “amount of a wager” was defined as the winning base unit, which virtually guaranteed that a high percentage of multi-horse and multi-leg wagers triggered reporting and/or withholding for horseplayers.

The new regulations clarify “the amount of the wager” to include the entire amount wagered into a specific pari-mutuel pool by an individual—not just the winning base unit—so long as all wagers made into a specific pool by an individual are made on a single totalizator ticket if the wager is placed onsite. The new regulations have the

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same positive results for ADW customers and do not impact how those wagers are currently made.

For example, under the old regulations, the IRS considered the amount wagered to be \$1 in the case of a \$1 Pick Six consisting of 140 different combinations costing the bettor \$140. Because the 300/1 ratio is reached at just \$300 when the amount of the wager is only \$1, any payoff on this \$140 Pick Six wager in excess of \$600 triggered reporting and any payoff above \$5,000 triggered automatic withholding.

Under the new regulations, a \$1 pick 6 ticket costing \$140 will not be subject to withholding or reporting unless that winning payoff is at least \$42,000 ($300 \times \$140 = \$42,000$).

Epilogue on the New Treasury Regulations

The new Treasury regulations more accurately reflect today's pari-mutuel wagering environment and will positively impact a significant percentage of winning wagers, particularly those involving multi-horse or multi-race exotic wagers. Fewer "signer" tickets will improve players' liquidity and increase pari-mutuel churn, benefiting owners, breeders, racing operators, trainers, jockeys and government.

Reflecting on a 2.32 percent increase in fourth-quarter wagering in 2017 over the prior year, NTRA President and CEO Alex Waldrop observed, "strong wagering gains for the 4th Quarter ... correlate with reports of a 95-98 percent reduction in the number of W-2G filings for the latter part of the 4th quarter. With a robust economy, significant changes to the tax code for most, and a full year operating under the new withholding and reporting regulations enacted in late September, we are optimistic these positive wagering trends will continue in 2018."

Sports Betting—the Next Frontier

A Las Vegas institution, sports betting is ubiquitous despite the fact that it is generally prohibited in all but a few states by the Professional and Amateur Sports Protection Act (PASPA). A new entity, the American Sports Betting Coalition (ASBA), seeks to change that. The Coalition is focused on repealing PASPA, which prohibits gambling on sporting events—except horseracing. With support from the American Gaming Association (AGA) and members such as the Fraternal Order of Police, National District Attorneys Association, Major County Sheriffs Association, U.S. Conference of Mayors and National Conference of State Legislatures, the ASBA is developing a strategy to legalize sports betting, already estimated to top \$150 billion annually.

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Fueling the movement, the U.S. Supreme Court agreed to hear oral arguments in a New Jersey/Monmouth Park sports betting case that challenged the legality of PASPA. The State of New Jersey is attempting to legalize sports betting in New Jersey through a process of deregulation; however, lower courts have ruled against this approach and prevented Monmouth Park from offering such wagering.

Many legal observers believe that PASPA may well be limited or repealed entirely by a ruling of the SCOTUS in late spring or early summer. Several of the leagues, including the NFL, oppose a PASPA repeal; however, the NBA is a vocal advocate for legalized and regulated sports betting.

Regardless of the outcome, the decision may trigger a rush to Congress seeking the enactment of legislation to address the ruling by SCOTUS.

The NTRA continues to assess the potential threats and opportunities that such legislation will present and is engaged in conversations with its Congressional allies and other stakeholders, notably the AGA, which supports a full repeal of PASPA. Until the SCOTUS ruling is released, we expect very little activity on Capitol Hill regarding this matter. In the aftermath, the NTRA will be at the table as it has been on all previous Internet and sports betting issues for the past 15 years.

Credit Cards—ADW's Lifeline Endangered

After the industry secured an amendment to the Interstate Horseracing Act (IHA) in 2001 to enable online wagering, advance deposit wagering (ADW) has grown to roughly \$4 billion, accounting for 40 percent of U.S. pari-mutuel handle. ADWs, however, have an increasing problem with certain banks that issue Visa and MasterCard credit cards declining to allow these cards to be used to fund legal ADW accounts.

Throughout 2017, our Congressional allies met with representatives from four major banks and card issuers who have disallowed ADW transactions on their cards, stressing the importance of the ADW sector and the economic significance of the equine industry.

On February 6, 2018, the NTRA announced that JPMorgan Chase & Co., the largest bank in the United States and the largest credit card issuer in the U.S. with more than 80 million active credit cardholder accounts, has begun approving credit card deposit transactions with U.S. licensed and regulated advance deposit wagering companies.

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The decision by Chase to accept its cardholders' account funding transactions with ADWs approved to use the industry's 7802 merchant category code is expected to have a significant and positive impact on overall U.S. pari-mutuel handle, particularly advance deposit wagering, which already is the fastest growing segment of the U.S. pari-mutuel wagering market. It also could lead to acceptance of these types of transactions by other leading credit card issuing banks that have not allowed their Visa or MasterCard customers to use their cards to fund licensed and regulated ADW accounts.

Longer term, NTRA will also seek a legislative solution in the form of language to clarify that the Wire Act of 1961 (aimed at racketeering) does not apply to transactions made permissible by the IHA. Such an opportunity may present itself in any bills related to sports betting (see above).

Horseracing Integrity Act—Reintroduced in the House

A number of bills on racehorse medication have been introduced in the last several Congresses, though none has passed. On May 25, 2017, Rep. Andy Barr (R-KY) and co-sponsor Rep. Paul Tonko (D-NY) redoubled their efforts to secure a medication bill, reintroducing the Horseracing Integrity Act (H.R. 2651), legislation they co-sponsored in the last Congress.

The bill seeks to “improve the integrity and safety of horseracing by requiring a uniform anti-doping and medication control program to be developed and enforced by an independent Horseracing Anti-Doping and Medication Control Authority.” The bill was referred to the House Energy and Commerce Committee’s Subcommittee on Digital Commerce and Consumer Protection.

With bipartisan support from more than 105 co-sponsors, largely drawn from New York, California and Florida, the bill has seen little action in the first half of the Congressional session. Currently, there is no companion bill in the Senate.

Immigration—A New Administration Changes Everything

When domestic workers are unavailable, trainers and other industry participants use the H-2B temporary foreign worker visa program to hire grooms and other stable help. However, the H-2B visa program has an annual cap of only 66,000 visas nationally, which is woefully inadequate for the many industries like horse racing that need foreign workers to fill jobs that are not taken by U.S. citizens. There was a temporary increase of 15,000 H-2B visas for qualified workers but it lapsed in 2017. A similar returning worker exemption program ended in 2016.

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Immigration programs as a whole were thrown into question in 2017 by the Trump Administration's controversial immigration policies, including construction of a wall between the U.S. and Mexico, increased deportations, limits to legal immigration and proposed elimination of the Deferred Action for Childhood Arrivals (DACA) program created during the Obama Administration to aid young immigrants.

Entangled with larger issues of government funding, the future of DACA and immigration programs as a whole remains uncertain as of this writing.

Through its involvement in the H-2B Workforce Coalition, a national consortium of businesses and industries that rely on immigrant labor, the NTRA continues to advocate for racing's interests in maintaining access to qualified foreign labor when domestic workers are unavailable. In addition, Horse PAC® in 2017 provided support for the Congressional Hispanic Caucus—an influential voice on immigration matters—contributing to the Caucus itself and several of its individual members.

Farm Bill—Agriculture Policy in the Making

With other matters deemed more pressing, Congress did little work on the Farm Bill in 2017 but could consider its Farm Bill reauthorization in 2018. While there will be activity on this front because many valued farm programs will expire in 2018, completion of a Farm Bill is unlikely in an election year when partisan wrangling—and ongoing budget disputes—make passage of any bill difficult. We expect the House and Senate Agriculture Committees to begin work on their versions of a bill in early 2018 and will work with them to identify issues of interest to our members.

**Special thanks to our Founding Supporters
who have given to Horse PAC®
every year since its inception:**

Gary E. Biszantz
John C. Harris
Beverly Lewis

And to Samantha Siegel, who continues the legacy
of her late father, Founding Supporter Mace Siegel.

Horse PAC®, the Federal Political Action Committee (PAC) of the National Thoroughbred Racing Association, was activated to support Federal elected officials who are interested in issues that affect pari-mutuel horse racing. Contributions to Horse PAC® are accepted from NTRA members only. Contributions from outside this restricted class will be returned to the contributor. As an NTRA member, you can choose to participate in the PAC or decline. The NTRA will not favor or disfavor members according to donations. Suggested contribution amounts are merely a suggestion. Members should feel free to contribute more – up to the legal maximum of \$5,000 per year – or less than the suggested contribution, or not at all. Federal law requires us to use our best efforts to collect and report the name, mailing address, and occupation and the name of the employer of individuals whose contributions exceed \$200 in a calendar year. Contributions to Horse PAC® will be used to support or oppose candidates for public office. Contributions to Horse PAC® are not tax-deductible.

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