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The team relies on these funds to educate members of Congress and their staffs about the horse racing industry and to lobby for federal legislation that is important to your business. See reverse for big news on an issue that will benefit many industry segments.

Our chances for success in Washington are much improved with financial backing from industry stakeholders like you. So, we ask you to contribute to the NTRA 1/4% Check-Off Program at the 2018 winter mixed sales.

Contact Joe Bacigalupo, NTRA senior director of government relations and membership development, at joeb@NTRA.com or 859-422-2677.

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REPORT FROM CAPITOL HILL

Horse Racing Wins As Treasury/IRS Issue Updated Tax Rules

The **U.S. Treasury Department and the Internal Revenue Service** (IRS) announced in September that they will formally adopt modernized regulations regarding the withholding and reporting of pari-mutuel proceeds. The **National Thoroughbred Racing Association** (NTRA) has long pressed for these updated regulations that will allow horseplayers to keep more of their winnings, thereby increasing the amount wagered on U.S. pari-mutuel racing by as much as 10 percent annually, or upwards of \$1 billion, according to independent estimates. The new rules will go into full effect by no later than **Nov. 14**, giving racing associations, totalisator companies, and advance deposit wagering (ADW) operators up to 45 days to implement these important changes; however, some have elected to start sooner.

"These landmark U.S. Treasury regulations will have an enormously positive impact on horseplayers, the racing industry, and the federal government," said NTRA President & CEO **Alex Waldrop**. "I am extremely proud of the NTRA's legislative team for spearheading this effort, which will prove to be among the most meaningful regulatory advances made by our industry in decades. The results of this much-needed measure will be horseplayers keeping more of their winnings, racetracks generating more pari-mutuel handle, and government collecting additional tax revenue. This is a sure bet where everyone wins!"

Added Waldrop: "This day would never have come without the persistence of Thoroughbred racing's friends in Congress, especially **Rep. John Yarmuth** of Kentucky, **Rep. Pat Meehan** of Pennsylvania, **Senate Majority Leader Mitch McConnell** and our many bipartisan supporters on Capitol Hill. We also are indebted to the industry stakeholders and thousands of customers of Thoroughbred racing who signed our petition or submitted public comments in favor of these changes."

Under the new regulations, the IRS will consider the inclusion of a bettor's entire investment in a single pari-mutuel pool when determining the amount reported or withheld for tax purposes, as opposed to only the amount wagered on the correct result.

For example, the amount wagered by a Pick Six player who hits with one of 140 combinations on a \$1-minimum wager now will be \$140, which is the total amount bet into the Pick Six pool. This more accurate calculation will remove the significant reporting and withholding obligations on horseplayers and the unnecessary paperwork for the IRS that was a result of the prior rule that used only the \$1 bet on the single winning combination as the amount wagered.

The amended regulations, advocated by the NTRA and its legislative team, define 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 as is the case today – so long as all wagers made into a specific pool by an individual are made on a single totalisator ticket if the wager is placed onsite. The modernized regulations will have the same positive results for ADW customers and will not impact how those wagers are currently made.

The NTRA has pushed for the modernization of pari-mutuel withholding and reporting rules for several years. As more and more pari-mutuel wagering was directed toward exotic wagering pools it became clear that the tax rules were becoming an increasing and unfair burden on horseplayers as those outdated rules significantly increased the incidence of winning tickets subject to withholding and reporting. These new rules are the product of all the work the NTRA, and other industry stakeholders, undertook with Congressional representatives and Treasury and IRS officials.

"This represents a great triumph by the entire NTRA legislative team, including the bipartisan Horse PAC®, which played an instrumental role in the passage of these regulations that will benefit all segments of the industry," said Horse PAC® chairman **William S. (Bill) Farish**. "We thank the hundreds of individual stakeholders who contribute to Horse PAC; they played a major role in today's victory."

Waldrop noted that the NTRA has been working behind the scenes since January with industry groups – including totalisator companies, ADWs, and racing organizations – to ensure a smooth implementation for customers.

"For the industry to fully realize the benefits of modernized regulations for pari-mutuel withholding and reporting it is essential that we deliver a seamless transition to our customers," he said. "We are optimistic that the industry will be fully prepared to institute these landmark changes by no later than November 14."