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THREE-YEAR RACEHORSE DEPRECIATION EXTENDED THROUGH 2020

Three-year depreciation for all racehorses has been reinstated for all racehorses retroactive to 2018 through 2020. This schedule allows taxpayers to depreciate, on a three-year schedule, racehorses 24 months of age and younger when purchased and placed into service, as opposed to a seven-year schedule.

Three-year Racehorse Depreciation Returns

- Change to a three-year depreciation schedule for all young racehorses
- Yearling purchases are eligible for 3-year depreciation
- Effective January 1, 2018 through 2020

3-Year Schedule

(4 tax years)

Yr.	Depreciation
1	\$33,330 (33.33%)
2	\$44,450 (44.45%)
3	\$14,810 (14.81%)
4	\$7,410 (7.41%)

7-Year Schedule

(8 tax years)

Yr.	Depreciation
1	\$14,290 (14.29%)
2	\$24,490 (24.49%)
3	\$17,490 (17.49%)
4	\$12,490 (12.49%)
5	\$8,930 (8.93%)
6	\$8,920 (8.92%)
7	\$8,930 (8.93%)
8	\$4,460 (4.46%)

*These schedules assume the half-year convention applies, meaning all horses placed in service during the year are deemed to be placed in service on July 1. (If more than 40% of the cost of depreciable property placed in service during the year is placed in service in the last quarter of the year, a different rule applies). The schedule uses 200% declining balance depreciation (150% is available if preferred by taxpayer).

INVESTMENT INCENTIVES FOR BUYERS

100% Bonus Depreciation

- 100% bonus depreciation for qualifying horse, farm equipment and farm depreciable asset (land improvements, fencing, barns) purchases through 2022
- Property must be purchased and placed in service after 9/27/2017 and before 1/1/2023
- Property may be new or used
- Bonus depreciation is phased down by 20% per calendar year in taxable years beginning after 2022

Section 179 Expense Deduction

- Expense allowance for horse, farm equipment and farm depreciable asset (land improvements, fencing, barns) purchases is permanent at \$1.04 million for 2020 (having started at \$1 million and indexed for inflation beginning after December 31, 2018)
- Limited to taxable income
- Property must be purchased and placed in service to qualify
- Applies to new or used property
- Reduced by one dollar for each dollar of eligible property purchased that exceeds \$2.59 million in 2020 (having started at \$2.5 million and indexed for inflation beginning after December 31, 2018)



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