LEGISLATIVE ACTION CAMPAIGN NEWS





www.SupportHorseRacing.org

Summer 2009

Dear NTRA Member:

As legislators enjoy the last of their summer recess and prepare to return to the health care reform battle, it is a good time to reflect on the federal legislation that the NTRA has helped draft and secure for the horse racing industry in the new Congress. The association also unveiled a new voluntary funding program to support its legislative efforts and welcomed back a major sales company into NTRA membership.

On Capitol Hill, this already has been a busy year for our industry. Representative John Yarmuth (D-KY) introduced in April a horseplayer withholding bill in the "Pari-mutuel Conformity and Equality Act of 2009", or PACE Act (H.R. 2140), with bipartisan support by Rep. Charles Boustany, Jr. (R-LA). Soon after, two Internet gaming bills surfaced.

These Internet gaming bills may provide the government with much-needed revenue to fund costly health care reform. Senator Robert Menendez (D-NJ) addressed this need in the "Internet Poker and Games of Skill Regulation, Protection and Enforcement Act" (S. 1597) that he introduced in August. It is similar to the "Internet Gambling Regulation, Consumer Protection and Enforcement Act" (H.R. 2267) that House Financial Services Chairman Barney Frank (D-MA) introduced in May.

A key difference between the bills is that the Menendez bill focuses only on "games of skill", such as poker, whereas the Frank bill would legalize virtually any type of gaming. Some estimates show more than \$3 billion in annual revenue can be raised for businesses and the Treasury from licensing and regulating online poker. The bill also addresses horse racing's ability to legally conduct online pari-mutuel wagering.

This Legislative Action Campaign News e-newsletter includes a comprehensive legislative update, a feature on Sen. Charles "Chuck" Schumer (D-NY), a list of 2009 NTRA Legislative Action Campaign (LAC) contributors and more.

We thank those of you who have continued to support LAC through our voluntary funding programs: the 1/4% Sales Check-off, the Foal Check-off and Horseplayers' Coalition membership. We appreciate your dedication to the industry and ask others to join them by contributing. You may visit www.SupportHorseRacing.org or contact me at joeb@NTRA.com to learn more.

Please note that the Foal Check-off program through The Jockey Club concluded in 2008 and the NTRA introduced a replacement program named The Foal Fund. Details of this new program can be found at www.TheFoalFund.com.

The NTRA welcomes returning member Fasig-Tipton, the third sales company to provide funding for our legislative efforts, along with Keeneland and Ocala Breeders' Sales Company. Fasig-Tipton now matches buyer and seller contributions to the 1/4% Sales Check-off program at their sales.

Feel free to forward this e-newsletter to others who may be interested in legislative matters that affect the Thoroughbred industry. If you visited our Legislative Web site and are reading this on-line, we ask you to please send a note to the NTRA's Barbara Fossum at bfossum@NTRA.com and we will add your information to our distribution list for future legislative updates and e-newsletters.

Sincerely,

Joe Bacigalupo, Director of Membership Development

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NEWS FROM CAPITOL HILL

Horseplayer Withholding

On April 28, Rep. John Yarmuth (D-KY) introduced in the U.S. House of Representatives a bill that would eliminate the automatic 25 percent federal withholding tax on pari-mutuel winnings of \$5,000 or more if the odds are at least 300 times the amount wagered. The "Pari-Mutuel Conformity and Equality Act of 2009" – or PACE Act (H.R. 2140) – would end this unfair taxation of horseplayers.

Rep. Charles Boustany, Jr. (R-LA) is the lead cosponsor, giving the PACE Act bipartisan support. The list of cosponsors further demonstrates the bill's bipartisan appeal: Rep. Dennis Cardoza (D-CA), Rep. Ben Chandler (D-KY), Rep. Geoff Davis (R-KY), Rep. Brett Guthrie (R-KY) and Rep. Dean Heller (R-NV).

The PACE Act would amend the Internal Revenue Code of 1986, whose withholding threshold has remained unchanged for 17 years and was last increased in 1992, from \$1,000 to \$5,000. Eliminating the current withholding requirement would make horse racing more competitive with other forms of gaming not burdened by similar restrictions.

Daily Racing Form editor Steve Crist has given the PACE Act strong public endorsement in his publication and members of the <u>Horseplayers' Coalition</u> have eagerly written their Congressional representatives asking them to cosponsor the bill.

See below for details on a bill, introduced just prior to the Senate's summer recess, which also contains the withholding provision.

Internet Gaming

Legislators have given Internet gaming much attention this year on Capitol Hill. In May, House Financial Services Chairman Barney Frank (D-MA) introduced one bill (H.R. 2267) to legalize I-gaming by establishing a regulatory and tax mechanism for it and another (H.R. 2266) to extend the compliance date of the Unlawful Internet Gambling Enforcement Act (UIGEA) regulations for one year until December 1, 2010. Representative John McDermott (D-WA) introduced a companion tax bill (H.R. 2268) for Frank's Internet gaming bill. Most recently, Senator Robert Menendez (D-NJ) introduced the "Internet Poker and Games of Skill Regulation, Protection and Enforcement Act" (S. 1597) on August 7, 2009.

McDermott's companion bill (H.R. 2268) requires any establishment licensed under Chairman Frank's regulatory and tax bill to pay a 2% fee on all deposits. Funds raised through this fee structure would be set aside to pay for social programs. Studies estimate this legislation could produce billions of dollars for both the federal government and various state governments. Estimates show that over ten years these deposit fees could produce \$43 billion for the federal government.

A review of UIGEA regulations shows that they may threaten the horse racing industry's ability to conduct Internet pari-mutuel wagering. These regulations, passed originally by Congress in 2006, place a burden on banks and other financial institutions that conduct business with our industry. Banks may become over cautious in complying with the current ban on Internet gaming and block all related transactions (even those on horse racing, which are legal).

Chairman Frank's bill to delay final compliance with the UIGEA regulations signals that the I-gaming bills are works-in-progress and if a longer-term bill gets held up, then a short-term delay of the regulations to allow more time to work on the larger piece is needed.

Both the Frank bill (H.R. 2267) and the recent Menendez bill (S. 1597) establish a regulatory, licensing and taxation framework for entities that wish to enter the Internet gaming market. A major difference between the two bills is that S. 1597 focuses on legalizing only Internet "games of skill", whereas H.R. 2267 would legalize virtually any type of Internet gaming.



NEWS FROM CAPITOL HILL

Furthermore, S. 1597 offers protections for the horse racing industry. Among the bill's provisions, is one that expressly exempts online pari-mutuel wagering on horse racing as authorized under the Interstate Horseracing Act (IHA) from the various procedures other entities must follow. The bill also offers a "safe harbor" for financial transaction providers that process wagers under the IHA, amends the tax code to eliminate the automatic 25% federal withholding on pari-mutuel winnings of \$5,000 or more and raises the reportable amount from \$600 at odds of 300-1 to \$1,200 at odds of 300-1.

Health care reform has dominated Congress in recent weeks and likely will continue until resolution. Internet gaming and the potential revenue it could provide the government may become intertwined with health care as a possible way to help pay for the reforms.

Unwanted Horses

The "Prevention of Equine Cruelty Act of 2009" has been introduced in both the House (H.R. 503) and Senate (S. 727). Rep. John Conyers, Jr. (D-MI), chairman of the House Judiciary Committee introduced H.R. 503 in January and Senator Mary Landrieu (D-LA) introduced S. 727 in March. The bills would criminalize specific activities involved in interstate or foreign commerce of a horse or horse meat with the intent that it be used for human consumption. H.R. 503 currently has 150 cosponsors and S. 727 has 19 cosponsors. Each bill has been referred to its respective Judiciary Committee.

Separately, the House and Senate have passed appropriations bills to provide funding for the U.S. Department of Agriculture (USDA) for fiscal year 2010. Language related to horse slaughter is embedded in each. The House bill (H.R. 2297) includes a provision that would continue to defund USDA inspectors at horse slaughter plants, thereby achieving a de facto "ban" on slaughter. The Senate bill (S. 1406), directs the U.S. Government Accountability Office (GAO) to conduct an investigation into the impact that banning horse slaughter has had on the welfare of horses. The study is to be released on March 1, 2010 and will also include empirical data on the impact the ban has had on state and local governments and animal protection organizations. Ultimately the two bills must be reconciled for either or both provisions described above to appear in the final conference report.

FEATURED LEGISLATOR



Sen. Charles "Chuck" Schumer (D-NY)

Status: Up for re-election in 2010

Experience: Sen. Schumer is serving his second consecutive term in the U.S. Senate, having first won election in 1998. He represented the 9th Congressional District of New York (Brooklyn and Queens) for 18 years before becoming a U.S. Senator.

Key Committees and appointments: Senate Majority Leader Harry Reid (D-NV) appointed Sen. Schumer to serve as Vice Chair of the Democratic Conference following the 2006 elections. It is the number three position on the

Democratic Leadership team and a position he continues to hold. He sits on the Judiciary, Banking and Finance Committees, among others, and is Chairman of the Subcommittee on Immigration, Refugees, and Border Security for the Judiciary Committee.

Impact on horse racing industry: As a member of the Banking and Judiciary Committees, Sen. Schumer is active on financial issues such as Internet gaming. Internet gaming is being viewed in Congress as a potential revenue source to offset the cost of health care reform legislation.



THANK YOU TO ALL CONTRIBUTORS WHO STEPPED UP.

The NTRA thanks all who contributed to the Legislative Action Campaign through The Jockey Club's Foal Check-Off program and the Fasig-Tipton, Keeneland and Ocala Breeders' Sales Company sales in 2009.* Your support of NTRA's Federal lobbying effort on Capitol Hill helps protect and advance the horse industry.

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CONTRIBUTIONS to the Legislative Action Campaign may be tax deductible as ordinary business expenses. For more information contact Joe Bacigalupo, Director of Membership Development, (800) 792-6872, ext. 677 or visit www.SupportHorseRacing.org.

THANK YOU TO ALL CONTRIBUTORS WHO STEPPED UP.

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Viking Stud

(Continued on page 6)

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(Continued from page 5)

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WE DON'T HAVE A FIGHTING CHANCE WITHOUT YOUR HELP. The NTRA's federal lobbying for horse racing depends on the generosity of industry members. You and your peers have the opportunity to support the effort through a voluntary check-off program as part of the Legislative Action Campaign. As an industry, we could end up in a losing battle without your contribution. You can help by participating in the NTRA's 1/4% Check-off program as a buyer or seller at Keeneland, Fasig-Tipton and OBS. With your support, we'll fight to: · Lower the capital gains holding period for horses Protect horse racing's right to conduct online wagering · Keep our horseplayers from migrating to other forms of gambling For more information, contact Joe Bacigalupo at (800) 792-6872 x677 or visit www.SupportHorseRacing.org. Contributors to the NTRA are eligible to receive preferred pricing from NTRA Advantage partners like John Deere and others. Call toll free (866) 678-4289 for details or visit www.NTRAadvantage.com.



Tax Benefits Available for Buyers Now

Higher Expense Allowance & Bonus Depreciation For 2009

2009 Stimulus Bill Tax Benefits

This year's Stimulus Bill allows for bonus depreciation and higher expensing through 2009. Both tax benefits expired at the end of 2008 but have been reinstated for purchases made in 2009.

Extension of Small Business Expensing

- Expensing allowance for horses, farm equipment and most other depreciable property remains at \$250,000
- Property must be placed in service in 2009
- Expense allowance reduced by one dollar for each dollar of eligible property purchased during the year that exceeds \$800,000
- Applies to new or used property
- · Can be used to reduce taxable income derived from business of taxpayer
- Expense allowance reverts to \$128,000 (plus inflation adjustment) in 2010

Extension of Bonus Depreciation

- 50% bonus first-year depreciation returns
- Applies to horses and most other depreciable property with depreciation life of less than 20 years
- Property must be placed in service in 2009
- Full 50% bonus depreciation allowed regardless of when in 2009 eligible property is purchased and placed in service
- Property must be new the original use of horse or other property must commence with taxpayer
- · Can be used in conjunction with expensing allowance
- Applies unless taxpayer elects not to use it

Faster Depreciation For All Young Racehorses

The Farm Bill includes an important depreciation provision that benefits the equine industry:

Accelerated Depreciation

- New, uniform three-year depreciation schedule for all young racehorses
- Yearlings are included in new schedule
- After second tax year, 62.5% can now be depreciated compared to only 29.85% under previous, seven-year schedule
- Effective January 1, 2009

Comparing New and Old Schedule - \$100,000 yearling example

New 3-Year Schedule for Racehorses 24 months and under

3-Year (4 tax years)

Yr. Depreciation

1. \$25,000 (25.0%)

\$37,500 (37.5%)

3. \$25,000 (25.0%)

\$12,500 (12.5%) \$100,000 TOTAL Old 7-Year Schedule

for Racehorses 24 months and under

7-Year (8 tax years)

Yr. Depreciation

\$10,720 (10.72%) 6. \$12,250 (12.25%)

2. \$19,130 (19.13%) 7. \$12,250 (12.25%)

\$100,000 TOTAL

\$15,030 (15.03%) 8. \$6,120 (6.12%) 3.

4. \$12,250 (12.25%)

\$12,250 (12.25%)



A NEW WAY TO JOIN US ON THE HILL. THE FOAL FUND.



THE FOAL FUND HAS ARRIVED. It is the NTRA's new voluntary funding program designed to include owners and breeders in the association's federal legislative effort. Whether you raise one foal or 50, your contribution to The Foal Fund helps build our industry's strength in Washington, D.C. to support the plans you have for each of your foals.

You may have participated in The Jockey Club's Foal Check-off program in past years through foal registration. That program concluded in 2008 and the NTRA has introduced The Foal Fund as its replacement.

Contributions to The Foal Fund begin at \$50 per foal.

Contribute online today at <u>www.TheFoalFund.com</u> or call 1-800-792-6872 x616 (Barbara Fossum).



CALENDAR



Auction Sales Schedule*

SEPTEMBER

14-28 - Keeneland September Yearling

OCTOBER

5-6 - Fasig-Tipton Eastern Fall Yearlings

5 - Barretts California Cup Yearling Sale

12-14 - OBS Fall Mixed

26-28 - Fasig-Tipton Kentucky Fall Yearlings

NOVEMBER

8-21 - Keeneland November Breeding Stock

9-10 - Fasig-Tipton Selected Fall Mixed

DECEMBER

6-7 - Fasig-Tipton Midlantic December Mixed

13 - Fasig-Tipton Texas Fall Mixed

*Dates subject to change

U.S. Congressional Schedule

AUGUST-OCTOBER

8/3-9/7 (House August recess) 8/10-9/7 (Senate August recess)

9/8-10/9 (Senate in session) 9/8-10/30 (House in session)

Holidays: Rosh Hashana 9/18-19; Yom Kippur 9/27-28

10/9 - Target Senate adjournment

10/30 - Target House adjournment

Holiday: Columbus Day - 10/12