

# LEGISLATIVE ACTION CAMPAIGN NEWS



[www.SupportHorseRacing.org](http://www.SupportHorseRacing.org)

Winter/Spring 2010

## Dear Friend:

With the second half of the 111th Congress now under way, we would like to summarize our legislative activities last year.

Our key issues remain pari-mutuel withholding taxes and Internet gaming. The NTRA secured a re-introduction of the "Pari-mutuel Conformity and Equality Act of 2009" (H.R. 2140) or PACE Act, introduced by Rep. John Yarmuth (D-KY) with bipartisan support from co-sponsor Rep. Charles Boustany, Jr. (R-LA). The bill was referred to the House Ways and Means Committee.

A flurry of Internet gaming-related legislation and related measures surfaced in 2009. Rep. Barney Frank (D-MA) introduced multiple bills related to I-gaming. The "Internet Gambling Regulation, Consumer Protection, and Enforcement Act" (H.R. 2267) would establish a structure to regulate and tax all forms of Internet gambling. And Rep. Frank's "Reasonable Prudence in Regulation Act" (H.R. 2266) would delay the compliance of Unlawful Internet Gambling Enforcement Act (UIGEA) regulations until December 1, 2010.

In late summer, Sen. Robert Menendez (D-NJ) introduced the comprehensive "Internet Poker and Games of Skill Regulation, Protection and Enforcement Act" (S. 1597). Although similar to H.R. 2267, S. 1597 focuses only on "games of skill," whereas the Frank bill would legalize virtually any type of gaming. Furthermore, the Menendez bill contains broad protections for online pari-mutuel wagering under the Interstate Horseracing Act and provisions from the PACE Act mentioned above.

Our issues certainly are impacted by others that affect the nation and occupy the minds of lawmakers.

On a national scale, two issues dominated the first year of the current Congress: repairing the broken economy and managing health care reform. Both remain works-in-progress; the economy continues to stumble, with high unemployment rates, an overall weak housing market and a lack of consumer confidence. Health care reform remains mired and its future is uncertain.

A weak record of legislative accomplishments, voter frustration, retirements by numerous incumbents, and a longstanding trend for the out-of-power party to pick up seats during the midterm elections signals more changes in Congress later this year. Stay abreast of key Congressional races and how they may impact our industry by regularly visiting [www.SupportHorseRacing.org](http://www.SupportHorseRacing.org), the NTRA's legislative Web site that will undergo a facelift during the first quarter of 2010.

This Legislative Action Campaign News e-newsletter includes a comprehensive legislative update that also previews the issues of the capital gains holding period for racehorses and immigration, a feature on Sen. Blanche Lincoln (D-AR), a link to the entire list of 2009 Legislative Action Campaign (LAC) contributors and more.

We thank those of you who have continued to support LAC through our voluntary funding programs: the ¼% Sales Check-off, The Foal Fund and Horseplayers' Coalition membership. In the face of many challenges you have shown true leadership. We ask others to join this dedicated group.

The NTRA would like to recognize [Barretts Equine Limited](#) as the latest sales company at which consignors and buyers may contribute to LAC. Barretts joins [Keeneland](#), [Fasig-Tipton](#) and [Ocala Breeders' Sales Company](#) in our roster of partners for the ¼% Sales Check-off program. We offer our gratitude to each for their support.

Should you have questions, I encourage you to contact me directly at [joeb@NTRA.com](mailto:joeb@NTRA.com).

Sincerely,

Joe Bacigalupo, Director of Membership Development

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# ***NEWS FROM CAPITOL HILL***

## ***Unlawful Internet Gambling Enforcement Act (UIGEA) Regulations***

Nearly a decade ago, the NTRA secured a change to the Interstate Horseracing Act (IHA) to allow pari-mutuel wagering over the Internet. Today, yearly handle for online wagering on horse racing is approximately \$1.3 billion after TVG, TwinSpires.com, XpressBet, NYRA Rewards Internet Wagering and others invested heavily in technologies for Advance Deposit Wagering (ADW).

But there is a looming concern for horse racing in the form of regulations for the Unlawful Internet Gambling Enforcement Act (UIGEA).

Passed in 2006, UIGEA prohibits funding of unlawful Internet wagering. The statute recognizes horse racing's authority to conduct online pari-mutuel wagering on horse racing as authorized under the IHA; however the regulations allow credit card companies to "over block" all gambling transactions online - even those on pari-mutuel horse racing. This gives financial service providers a legal safe harbor to deny any transaction in order to avoid penalties for mistakenly accepting an illegal transaction.

The UIGEA regulations originally were scheduled to go into effect on December 1, 2009. Just days before that deadline, the Treasury Department and Federal Reserve granted a six-month extension of the deadline to June 1, 2010. The NTRA has no time to lose in crafting a legislative solution.

## ***Internet Gaming***

A brief review of 2009 shows that Congress paid significant legislative attention to Internet gaming: House Financial Services Chairman Barney Frank (D-MA) introduced the "Internet Gambling Regulation, Consumer Protection, and Enforcement Act" (H.R. 2267); Rep. John McDermott (D-WA) introduced a companion tax bill for Rep. Frank's Internet gaming bill; and Senator Robert Menendez (R-NJ) introduced the "Internet Poker and Games of Skill Regulation, Protection and Enforcement Act" (S. 1597).

H.R. 2267 and S. 1597 are similar in that both bills establish a regulatory, licensing and taxation framework for entities that wish to enter the Internet gaming market. A key difference between the two is that S. 1597 focuses on legalizing online "games of skill" such as poker, backgammon and mahjong, whereas H.R. 2267 would legalize virtually any type of Internet gaming. Additionally, S. 1597 exempts online pari-mutuel wagering from the various procedures other entities wishing to enter the market must follow, and from the taxes that new entrants to the online market are subject to. H.R. 2267 contains no such protections for online pari-mutuel wagering.

The NTRA is focused on Internet gaming legislation, a vital area of expansion for the industry and one that we can ill afford to lose. Legislators also are clearly interested in this as a potential revenue source during these difficult economic times.

## ***Horseplayer Withholding and Reportable Levels***

Two current bills address horseplayer withholding: the aforementioned Menendez bill (S. 1597) and the "Pari-mutuel Conformity and Equality Act of 2009" or PACE Act (H.R. 2140) introduced by Rep. John Yarmuth (D-KY) with Rep. Charles Boustany, Jr. (R-LA) serving as the lead cosponsor.

Each bill calls for the elimination of the automatic 25 percent federal withholding tax that is paid by horseplayers with winning pari-mutuel wagers of \$5,000 or more if the odds are at least 300 times the amount wagered. This is a burden to horseplayers and is unfair when compared to other forms of gaming, whose players are not subject to this tax.

The automatic withholding also puts our industry at a competitive disadvantage as more of our horseplayers' winnings are taken out of circulation. This leads to lower levels of "churn", or the amount of winnings that is re-bet. The ripple effect of lower churn



# NEWS FROM CAPITOL HILL

is reduced revenues and purses, which ultimately devalues bloodstock markets.

S. 1597 has an additional horseplayer provision that would double the threshold for reportable winnings, currently at \$600 at odds of 300 times the amount wagered.

Passage of the PACE Act provisions and similar measures in the Menendez bill remain a top priority for the NTRA's legislative team.

## ***Capital Gains Holding Period***

As the bloodstock markets continue to struggle through a severe downturn, the need for new investors is evident. One way the NTRA can help is securing new tax benefits that will make racehorses a more attractive investment.

Specifically, the NTRA has turned its attention to the capital gains holding period for racehorses. Most investments have a one-year capital gains holding period. But racehorse buyers have a two-year holding period before their investment qualifies for this more favorable tax treatment. Our goal is to reduce the capital gains holding period for racehorses from two years to one.

The NTRA has had recent success in the area of tax benefits for the industry. Five years of lobbying led to an accelerated depreciation schedule provision in the 2008 Farm Bill that became effective on January 1, 2009 and continues through 2013. This allows investors to depreciate the cost of a young racehorse about twice as fast as in the past.

With the Bush tax cuts set to expire in 2010, the NTRA may be able to attach a capital gains tax provision to a larger tax bill in the current Congress.

## ***Immigration Reform***

The NTRA keeps a close watch on any legislation related to immigration due to the horse racing industry's heavy reliance on immigrant workers at the farm and on the racetrack. For most of 2009, there was little attention given to the issue of immigration as health care dominated Congressional debate.

*Continued on page 4*

## ***FEATURED LEGISLATOR***



[Sen. Blanche Lincoln \(D-AR\)](#)

**Status:** Up for re-election in 2010

**Re-election Outlook:** With voters frustrated by the continuing recession and joblessness, incumbents will face difficult re-election campaigns this fall. That is particularly true for Democrats, who will bear the brunt of voter discontent stemming from the stalled health care reform debate.

**Experience:** Sen. Lincoln is serving her second consecutive term in the U.S. Senate, having first won election in 1998 when she became the youngest woman ever elected to the Senate at the age of 38. She was first elected to public office

in 1992 as U.S. Representative for Arkansas' First Congressional District.

**Key Committees and appointments:** Sen. Lincoln again made history last September when she was named Senate Agriculture Committee Chairwoman, becoming the first Arkansan and the first female to chair the committee in its 184-year history. She also is a top-ranking Democrat on the Finance Committee and chairs the Subcommittee on Social Security, Pensions, and Family Policy.

**Impact on horse racing industry:** As a member of the Senate Agriculture Committee and now Chairwoman, Sen. Lincoln played a key role in the passage of the 2008 Farm Bill. Among other measures, the Farm Bill provided a uniform depreciation schedule for young racehorses that is more closely aligned with the length of time these horses earn money racing. Arkansas has a storied history as a home to Thoroughbred racing. The state's Oaklawn Park boasts the Grade I Arkansas Derby, an important Triple Crown prep race, and the Grade I Apple Blossom Handicap for older fillies and mares. Located in Hot Springs, Oaklawn remains one of the top tourist attractions in Arkansas.

Continued from page 3

But that began to change in December when members of the Congressional Hispanic Caucus (CHC) joined with more than 90 House Democrats to introduce the "Comprehensive Immigration Reform for America's Security and Prosperity (CIR ASAP) Act of 2009" (H.R. 4321). Rep. Solomon P. Ortiz (D-TX) introduced the bill and Senator Chuck Schumer (D-NY) also is working on an immigration bill.

H.R. 4321 provides existing immigrant workers who are in the United States illegally a pathway to citizenship. To gain legal status, workers would have to supply proof that they have been employed. They also would be required to pay a fine, learn English and undergo a background check.

As drafted, this bill is considered by many as too liberal to ensure passage, particularly in a stagnant economy in which many Americans remain unemployed. The NTRA will keep tabs of immigration legislation to ensure that our industry's needs are addressed.

# THANK YOU!



- To the more than 1,000 contributors to the NTRA's Legislative Action Campaign in 2009;
- To the hundreds of anonymous donors who made their contributions through a consignor; and
- To the many consignors who facilitated contributions from their clients to the Legislative Action Campaign.

We appreciate your leadership and the opportunity to represent your interests in Washington, D.C.



Visit [www.ntra.com/2009LAC](http://www.ntra.com/2009LAC)  
for a complete list of individual contributors.



## CALENDAR



### Auction Sales Schedule \*

#### FEBRUARY

- 8 - Fasig-Tipton Kentucky Winter Mixed
- 16 - OBS Selected Two-Year-Olds in Training

#### MARCH

- 2 - Fasig-Tipton Calder Selected Two-Year-Olds in Training
- 16-17 - OBS Selected Two-Year-Olds in Training
- 22 - Barretts March Sale of Selected Two-Year-Olds in Training
- 30 - Fasig-Tipton Texas Two-Year-Olds in Training

#### APRIL

- 5 - Keeneland April Two-Year-Olds in Training
- 19-22 - OBS Spring Sale of Two-Year-Olds in Training

#### MAY

- 10 - Barretts May Sale of Two-Year-Olds in Training
- 17-18 - Fasig-Tipton Midlantic Two-Year-Olds in Training

#### JUNE

- 15-16 - OBS June Two-Year-Olds & Horses of Racing Age

\*Dates subject to change

### U.S. Congressional Schedule

#### FEBRUARY - JUNE

- 2/12-2/22 (House President's Day recess)
- 2/15-2/21 (Senate President's Day recess)
- 2/22-3/26 (Senate in session)
- 2/23-3/26 (House in session)
- 3/27-4/12 (House Easter recess)
- 3/27-4/11 (Senate Easter recess)
- 4/12-5/28 (Senate in session)
- 4/13-5/28 (House in session)
- 5/29-6/6 (Senate Memorial Day recess)
- 5/29-6/8 (House Memorial Day recess)
- 6/7-7/2 (Senate in session)
- 6/8-7/2 (House in session)