

MULTI-YEAR RETURN OF INVESTMENT INCENTIVES



Legislation enacted in late 2015 extends retroactively numerous provisions which expired or were reduced at the end of 2014, including these that can benefit those in the Thoroughbred industry.

1. THREE-YEAR RACEHORSE DEPRECIATION – A more equitable schedule returns through 2016!

- Change to a three-year depreciation schedule for all young racehorses
- Yearling purchases are eligible for three-year depreciation

2. 50% BONUS DEPRECIATION – Substantial write-offs on new property return through 2017!

- For new property purchases; the original use of the property must commence with the taxpayer
- Examples of qualifying property can include yearlings and new tractors/farm equipment
- Qualifying property must be purchased and placed in service before 1/1/2018
- The full 50% bonus depreciation write-off is allowed regardless of when during 2015 through 2017 the qualifying property is purchased and placed in service
- Can be used in conjunction with the expense allowance
- Changes to 40% for 2018 and 30% for 2019

3. \$500,000 EXPENSE ALLOWANCE – Permanently write off up to \$500,000 in new or used property!

- To qualify, property may be new or used
- Qualifying property must be purchased and placed in service
- Can only be used to reduce taxable income derived from the horse business or any other business from which taxpayer has income, including salaries
- The expense allowance is reduced dollar for dollar once qualified investments exceed \$2 million
- Can be used in conjunction with bonus depreciation
- Now a permanent change



TAX BENEFIT	2015-2017	2018	2019
Bonus Depreciation Rate	50%	40%	30%
Expensing – Allowance - \$500,000 – Phase-out level - \$2 million	Permanent		

ADDITIONAL INFORMATION

- The new law makes the provisions retroactive to January 1, 2015
- The expense allowance and bonus depreciation can be used together – they are not mutually exclusive
- How do the benefits apply to bloodstock purchases?
 - Yearlings – bonus depreciation and expense allowance
 - Two-year-olds in training – possibly both (consult your tax advisor)
 - Pregnant broodmares – expense allowance
 - Barren broodmares – possibly expense allowance (consult your tax advisor)
 - Weanlings – neither because too young to be “placed in service” in horse business
- How do the benefits apply for farm equipment and other essentials?
 - New tractors or other heavy farm equipment and new farm facilities (barns, sheds, fences and associated construction costs) – combine benefits
 - Used tractors or other heavy farm equipment – expense allowance



This information is provided by the National Thoroughbred Racing Association as a courtesy to the racing industry. For more information, please consult your tax advisor or visit www.IRS.gov.

