

THE CONSOLIDATED APPROPRIATIONS ACT AND ITS IMPACT ON HORSE RACING: UNIFORM MEDICATION CONTROLS, TAX BENEFITS, AND ANOTHER ROUND OF PPP

Hodgson Russ Equine Alert
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Included in the Consolidated Appropriations Act, 2021 (the “CAA”), signed into law on December 27, 2020, is legislation with important impacts on the horse racing industry, including provisions applicable to owners, racetracks, and stables.

Significantly, the CAA includes the Horseracing Integrity and Safety Act (the “HISA”), which is intended to improve the integrity and safety of horse racing by requiring a uniform anti-doping and medication control program and establish national standards to promote fairness and increase safety in horse racing.

In addition to adopting the HISA, the CAA also includes an extension of tax benefits provided to racehorse owners through the accelerated cost recovery system. Under Section 168(e)(3)(A) of the Internal Revenue Code, a racehorse is treated as “3-year property” for tax depreciation purposes. The three year accelerated cost recovery timeframe provides a tax benefit to racehorse owners by more accurately reflecting the length of a typical racehorse career and allowing cost recovery tax deductions for the owner over this abbreviated period of time.

As a result of the CAA, the 3-year depreciation provision under Section 168(e)(3)(A)(i) is extended through January 1, 2022, and is applicable to any racehorse placed in service that is less than 2 years old. In addition, under Section 168(e)(3)(A)(ii), the application of the 3-year recovery period is also extended for racehorses more than 2 years old when placed in service prior to December 31, 2021. Without the extension provided in the CAA, the depreciation period for a racehorse would have reverted to the 7-year schedule.

Finally, the CAA also includes the opportunity for eligible racetracks and farms to participate in the second round of the Paycheck Protection Program (the “PPP”). The expanded PPP loan terms include new eligibility for horse and farm owners without employees operating as sole proprietors or as single-member limited liability companies.

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Please contact Melissa Subjeck (716.848.1719) or James Bandoblu, Jr. (716.848.1351) with any questions you may have regarding the CAA.

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