

In 2005, **Horse PAC** funds were used primarily to educate Members of Congress and raise support for legislation providing tax relief for horse owners and breeders (*Equine Equity Act*); agricultural disaster relief for horse breeders and livestock protection; safeguards for horse racing's authority to continue to conduct Internet and account wagering under the Interstate Horseracing Act (IHA); and reform of immigration laws affecting horse farms and racetracks.

Equine Equity Act

On July 28, 2005, U.S. Senate Majority Whip Mitch McConnell (R-KY) introduced Senate Bill 1528, the Equine Equity Act (EEA). The bill's co-sponsors were Senators Jim Bunning (R-KY) and Blanche Lincoln (D-AR). On Oct. 26, Congressman Ron Lewis (R-KY) introduced a companion bill in the House of Representatives, H.R. 4151. Representatives Hal Rogers (R-KY), Ed Whitfield (R-KY), Ben Chandler (R-KY) and Geoff Davis (R-KY) co-sponsored the bill.

According to Treasury Department scoring, the EEA's two tax provisions would provide a combined total of \$444 million in tax benefits to horse owners and breeders over the next decade. The EEA would:

1. **Reduce the capital gains holding period for horses from 24 months to 12 months.** Currently, horses must be held for two years to receive capital gains treatment while all other assets are subject to a single-year holding period.
2. **Apply equal depreciation standards for all racehorses.** Current law states that racehorses that begin training when older than 24 months of age are depreciated over three years, while those horses that begin training before reaching 24 months of age are depreciated over seven years. Most horses begin training before they reach 24 months, but their racing careers do not last seven years. The EEA would standardize the depreciation period to three years to more accurately reflect the racing life of horses.
3. **Establish equity in eligibility for disaster assistance between horses and other livestock.** Producers of most types of livestock are eligible for federal disaster assistance during droughts and other farm-related emergencies, but horse breeders are not. This legislation would make horses eligible for disaster-assistance programs offered by the U.S. Department of Agriculture and in the aftermath of hurricanes that devastated the Gulf Coast, this provision was included in the Agriculture Appropriations bill that became law in November.

Agriculture and Livestock

Prior to the Conference that produced the final draft of the Agriculture Appropriations bill, mentioned on page 6, both the House and Senate passed measures with specific prohibitions against the use of federal monies to fund inspection workers at horse slaughter facilities. As originally crafted, the legislation would have effectively eliminated horse slaughter for a period of one year – the duration of any appropriations legislation. In Conference, however, the bill was modified to allow the use of private

inspectors. The Conference change to a bill that passed handily in both houses indicates that horse slaughter remains a politically divisive issue that is likely to be renewed in 2006.

Internet and Account Wagering

In 2005 – for the fourth time in six years – Senator Jon Kyl (R-AZ) introduced an Internet gaming bill aimed at outlawing the use of credit cards for online gaming, amounting to a de facto ban. Similar legislation (“Unlawful Internet Gambling Enforcement Act of 2005”, H.R. 4411) was introduced in the House by Congressman Jim Leach (R-IA). While both bills include a “carve out” for pari-mutuel wagering on the Internet and for intrastate gaming (aimed at satisfying the interests of Nevada casino operators), the Leach bill also includes a specific exclusion for tribal gaming, indicating that the bill will once again become the object of contentious infighting by those seeking greater access to legalized online gaming. Just a few weeks into 2006, “I-gaming” has re-emerged as a key legislative issue and is likely to remain at the forefront of Congressional activity throughout the year. **Horse PAC** supports candidates who recognize horse racing’s authority to continue to conduct online gaming under the Interstate Horseracing Act.

Immigration Reform

Immigration law affects horse breeding farms, training facilities, trainers, and others depending on seasonal and long-term foreign workers to fill labor demands not met by American workers. Early in 2005, after NTRA and thousands of other employers lobbied against a cap of 66,000 on H-2B visas for immigrant workers, Congress passed a measure sponsored by Senator Barbara Mikulski (D-MD) to address problems created by the limited availability of H-2B visas. The new law, part of a larger Iraq/Afghanistan Supplemental Appropriations bill, was signed by the President on May 11.

Under the new provision, any foreign worker who has received a visa under the H-2B program in the last three years will be exempt from this cap for the next two years. This bill also provides a more equitable distribution of new visas throughout the year. In Fiscal Year 2006, which began October 1, 2005, half of the 66,000 regular H-2B visas will be issued for the first part of the year and half will be issued for the second part, starting April 1, 2006.

This change in distribution will not apply to repeat H-2B workers. Employers will have to certify that a worker received such a visa in one of the past three years in order for the applicant to be exempt from the cap.

On December 16, the House of Representatives passed “The Border Protection, Antiterrorism and Illegal Immigration Control Act of 2005” (H.R. 4437), introduced by the Chairman of the House Judiciary Committee, Representative James Sensenbrenner, Jr. (R-WI). Designed to tighten U.S. borders, the legislation includes a series of

restrictions and penalties on U.S. employers for non-compliance. The Senate is expected to take up the bill in 2006.

Other Legislative Issues

On Oct. 18 and again on Nov. 17, the House Energy and Commerce Committee Subcommittee on Oversight and Investigations convened hearings on the status of catastrophic accident insurance for jockey riding at U.S. racetracks. The Subcommittee, chaired by Congressman Ed Whitfield (R-KY), heard from a number of jockeys and former Jockeys' Guild members, as well as industry and racetrack representatives. The hearings focused on the need to ensure adequate on-track catastrophic coverage for riders (now largely in place through cooperative efforts by the nation's racetracks and the NTRA's Jockey Accident Insurance Working Group). As the hearing evidenced, Congress may at any time intervene in matters historically reserved to the states, including pari-mutuel racing and wagering. **Horse PAC** funds will be used to further horse racing's interests should federal intervention in the matter become imminent.