



TIME IS RUNNING OUT TO TAKE ADVANTAGE OF 2011 TAX BENEFITS!

If you're thinking about buying racehorses or farm equipment, 2011 is the year! Two important benefits will help you save on taxes and reduce the cost of investing in racehorses and farm equipment.

1. 100% BONUS DEPRECIATION – Write off the full amount of new property!

- For new property purchases; the original use of the property must commence with the taxpayer
- Examples of qualifying property include yearlings and new tractors/farm equipment
- Qualifying property must be purchased and placed in service before 1/1/2012
- The full 100% bonus depreciation write-off is allowed regardless of when during 2011 the qualifying property is purchased and placed in service
- There is no limit on 1) the number of properties that can be written off; 2) the amount of the write-off on any one property; and 3) the aggregate total of the write-off as long as all property qualifies

2. \$500,000 EXPENSE ALLOWANCE – Write off up to \$500,000 in used property!

- The expense allowance is set at \$500,000 with a \$2 million phase-out limit (for every \$1 purchases of qualifying property that exceed \$2 million, the \$500,000 expense allowance is reduced by \$1)
- To qualify, property may be new or used (note that 100% bonus depreciation is the more attractive tax benefit for new property in 2011 because it has no dollar limit)
- Qualifying property must be purchased and placed in service in 2011
- Can only be used to reduce taxable income derived from the horse business or any other business from which taxpayer has income, including salaries



Invest in 2011 to maximize your tax benefits . . . changes are on the way.

TAX BENEFIT	2011	2012	2013
Bonus Depreciation Rate	100%	50%	n/a
Expensing			
- Allowance	\$500,000	\$125,000	\$25,000
- Phase-out level	\$2,000,000	\$500,000	\$200,000

Additional information

- The expense allowance and bonus depreciation can be used together—they are not mutually exclusive
- How do the benefits apply for bloodstock purchases?
 - Yearlings - bonus depreciation
 - Pregnant broodmares - expense allowance
 - Barren broodmares - possible 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 farm heavy equipment and new farm facilities (barns, sheds, fences and associated construction costs) - bonus depreciation or both benefits when bonus depreciation is less than 100%; use expense allowance for balance
 - Used tractors or other farm heavy equipment - expense allowance

Don't forget about accelerated depreciation!

Through 2013, taxpayers will be able to depreciate all horses on a 3-year schedule. During this time, taxpayers may use the accelerated depreciation schedule on any remaining balance that is not written off when taking the tax benefits described above.

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.

