

The logo features the text "American Horse Council" and "Washington Update" in a bold, black, serif font. The text is centered and overlaid on a background of horizontal stripes. There are four light pink stripes, with a vertical light blue stripe on the left side. The stripes are separated by thin white lines.

American Horse Council Washington Update

Congress Extends Certain Tax Benefits

Congress has passed and sent to the President a tax bill that includes extensions of several tax incentives which are beneficial to horse owners and breeders. The President is expected to sign the bill. The provisions affecting horse owners are explained below.

Extension of the Current Expensing for Small Business

The 2003 tax act increased the amount that a small business, including a business in the horse industry, may “expense” when it places an asset, such as a horse, fencing, equipment, etc. in service, from \$25,000 to \$100,000. The original provision was effective through the end of 2005. In 2004, Congress extended a slightly expanded version of the small business expensing provision (with higher phase-out levels for small business) through 2007. The bill just passed by Congress extends the current law for two more years through the end of 2009.

This means that horse owners may continue to write-off up to \$100,000 of the cost of such assets through 2009. This benefit is reduced dollar-for-dollar for as the total cost of purchases exceeds \$400,000 per year.

Extension of the Current Rates on Capital Gains and Dividends

Under current law, capital gains and dividend income are taxed at a 15-percent rate. Without action, these rates would have increase after 2008. The bill just passed extends these reduced rates through 2010.

Increase of Individual AMT Exemption Amount

The 2003 tax act increased the Alternative Minimum Tax exemption amount to \$40,250 (\$58,000 for married couples filing jointly for 2003 and 2004 to prevent new taxpayers from becoming subject to the AMT). The Working Families Tax Relief Act of 2004 extended those exemption amounts through the end of 2005. The bill just passed would again extend the exemption levels through the end of 2006 but at a higher level - \$62,550 (married) and \$42,500 (other).