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Here's the Tax Beat broadcast for May 6

Subject Line: Run for the Write-Offs

The first Saturday in May arrives every year groaning under more pageantry than any other day in sports. The twin spires of Churchill Downs catch the first light at dawn. 150,000 spectators pour into Louisville. Bartenders pour 120,000 mint juleps, draining 10,000 bottles of bourbon and muddling 2,250 pounds of fresh mint. The men squeeze into seersucker and pretend it's flattering. The women emerge under hats so architectural they should require building permits. The crowd belts out "My Old Kentucky Home" through tears. And then, for two minutes, twenty horses run a mile and a quarter for a blanket of 554 roses, a \$5 million purse, and immortality. The Run for the Roses has pulled this off every spring since 1875. Wars haven't stopped it. Pandemics haven't stopped it. Prohibition didn't put a dent in the juleps.

Saturday's edition delivered a finish for the ages. Golden Tempo, a 23-to-1 longshot most handicappers filed under "decorative," broke from post 19, settled into dead last out of the gate, and stayed there for most of a mile. He looked finished. Then, somewhere down the backstretch, jockey Jose Ortiz pointed him toward daylight, and Golden Tempo started picking off the field one by one — past the favorite Renegade, past Ocelli, past the whole pack — to hit the wire by a nose. It's the eighth straight year the morning-line favorite hasn't won. At this point, the most predictable thing about the Derby is the favorite getting beat.

Here's something most fans don't think about while they're sipping juleps and ripping up losing tickets: the Derby would barely exist without the Internal Revenue Code. Owning a racehorse is a financial bonfire. A blue-blooded yearling runs a million dollars at Keeneland. Training is \$50,000 to \$100,000 a year. Add vet bills, insurance, transportation, and jockey shares, and most racehorses never earn back their investment. So why does anybody saddle up? Because the tax code makes the math *almost* work.

For starters, the code has traditionally let owners depreciate the entire purchase price of a racehorse over three years, regardless of the horse's age when they buy it. Congress made that schedule permanent last year, ending 15 years of Congress renewing it annually like a magazine subscription. OBBBA also restored 100% bonus depreciation for property placed in service after January 19, 2025, meaning now, an owner can write off the entire cost of a horse while it's still a yearling.

So, that million-dollar thoroughbred who pulls up lame after one start? The IRS shares the loss. Sell a horse later, and Section 1231 lets the profits run as long-term capital gains, taxed at 20% instead of ordinary rates. The Code turns every owner's longshot into something a little closer to a winner.

The betting side has its own wrinkles. Federal law doesn't trigger a W-2G (and 24% withholding) until your winnings hit at least 300 times your wager and at least \$5,000. So, if you bet \$10 across the board on Golden Tempo at 23-to-1, you walk to the cashier and out the door — no paperwork, no withholding. Box him in a \$24 trifecta? Same deal. But — and this is the part the friendly track ushers forget to mention — your winnings are still taxable income, W-2G or no. The IRS plays both sides of every tote board.

Even so, the next time you raise a julep to the winner, raise one to the Internal Revenue Code too. Without it, half the field wouldn't be on the track. The only sure thing at Churchill Downs is that nothing's a sure thing — eight years of beaten favorites will tell you that. But there's one bet that always pays out: call *us* to be the horse you can actually put your money on.

Kevin

