



MINNESOTA  
HORSE  
COUNCIL

# QUARTERLY

P.O. Box 73481

St. Paul, Minnesota 55175

A SPONSOR-BODY MEMBER OF THE AMERICAN HORSE COUNCIL

Fall 1986

## NEW MEMBERS:

We welcome the following new members: Red Grove Farm Arabians, River Bend Stables, Bob Jensen Stables, Inc., and the Minnesota Horse & Hunt Club (as certified stables); the Medina Horse Association as an organizational member; and also David Gray, Glen Eaton, Peter Frost as individual members.

## ACCIDENT:

Director Mark Ward lost his wife on November 3rd in an automobile accident. Mark sustained a possible concussion. Mark has been a MHC director since 1985, and is presently President for the Expo. He is the owner the Windy Ridge Farm in Woodbury, and has two young children. Our heart-felt condolences to the Ward family.

## RESIGNATION:

John Hay and Vickie Linden have resigned as MHC directors due to personal time constraints. The Board of Directors have replaced one of these directors (until the annual meeting in Dec.) with Lou DeBono of local Tennessee Walker fame.

## ANNUAL MEETING:

The 1986 Annual Meeting of MHC members will be held Saturday, December 6th. Members will receive separate information on this meeting. Please come. Program includes the election of seven directors, the awarding of our second annual \$200 scholarship, presentation of the 1986 Horseman of the Year award, and a light buffet. Additionally, we have arranged for Michael Hatch, MN Commerce Commissioner, to speak to those in attendance about the equine liability insurance problem. Non-members wishing to attend should call 612/457-5948 for further information and reservations. Capacity is limited.

## REMINDER:

. . . to all certified stable members. The MHC will hold its annual clinic for all CS members on Friday, November 7th. Please check the notices previously sent to you.

## CORPORATE REPORT

. . . is a local business-oriented magazine which ran an article (September 1986) on horses in Minnesota. Although obviously geared toward the Thoroughbreds, two sentences in particular caught our interest: "For the most part, however, the animals stabled by the horse set in Minnesota are confined to the polo grounds" and "Minnesota won't really have a horse industry until it has a breeding industry." A letter has been written to that magazine with a challenge to follow up that article with another on the "total picture" of the MN horse industry, covering all breeds. As yet, no reply has been received.

## TRAILS:

- Interested in more horse trails? You might want to order a new 36-page guide for conversion of abandoned railroad corridors to trails ("Converting Rails to Trails") for \$6.50 from Rails-to-Trails Conservancy, 1701 K Street NW, Washington, DC 20006. This publication describes the federal rail abandonment process and provides step-by-step instructions for getting assistance from public agencies, raising funds and work with public officials. (Ohio Horseman's Council, Inc., 10/86)

- The Metropolitan Council will grant \$10.4 million this fall for the acquisition and development of regional parks in the Twin Cities area. This will include \$400,000 to develop a new network of trails for hikers, bikers

and horseback riders in the Bunker Hills Regional Park (Coon Rapids). Metro Monitor 10-11/86)

- President Reagan signed a law on October 6, 1986, designating the Nez Perce Trail (1170 miles long, from Wallowa Lake, Oregon, to Bear Paw Mountain, Montana--a National Historic Trail) a component of the National Trails System. This is the route taken by Chief Joseph and the Nee Me Poo (Nimipu) Indians in their flight from the Army in 1877. The Appaloosa Horse Club annual sponsors a 100-mile ride over a portion of this Trail to showcase the historical significance of the Appaloosa horse (which was selectively bred by the Nez Perce Indians).

#### RACING:

- The MN Racing Commission has a new executive director: Don Price, from Williamsport, MI (with a personal background in harness racing).

- Attendance at the 1986 Thoroughbred meet at Canterbury Downs averaged 12,110. This is a decline of 8% from 1985. Total mutuel handle was \$109,216,239. However, the per capita bet of \$94.93 showed a 23% increase. (Minnesota Thoroughbred, 10/86) All-time record for one-day attendance (25,691) and wagering (\$2,209,081) was in the final week (Sunday, 8/31). (Northern Racer, Nov. 1986.) Only three North American tracks outdrew Canterbury Downs for the Labor Day weekend (62,666): Arlington Park, Del Mar & Belmont. St. Paul Pioneer Press & Dispatch, 9/7/86)

- The Minnesota Thoroughbred Breeders' Fund is a combination of purse supplements for restricted races, owners awards and breeders' awards to serve as incentives to promote and encourage the conception, foaling, raising and racing of TB racehorses in MN. In 1985, \$470,336 was distributed in purse supplements and cash awards to owners and breeders of MN-bred TBs. In 1986, the fund increased to over \$650,000. Twenty percent of the accumulated Breeders' Fund is available for equine research. (Minnesota Thoroughbred, 10/86)

- Harness racing, now in progress, runs through the end of November this year. Attendance has been light.

- Although the first year of Quarter Horse racing at Canterbury was only 10 days this year--mostly in rainy weather--Stan Bowker, CD General Manager, stated that "when all the figures are in we'll come close enough to our projections to go plan on another meet next year." Bowker states that 1987 might include a 20-day QH meeting from late April to mid-May, followed by Thoroughbreds through September and then harness racing. (Mpls. Star & Tribune, 9/8/86) The AQHA (From Across the Tracks, 11/86), reports that the track is considering a 4-5 week QH meet between Easter and Memorial Day for 1987.

- Mt. Pleasant Meadows has approved 50 days (5/9 - 10/11/87) for Thoroughbred, QH, Arabian and Appaloosa racing. Suffolk Meadows and Tioga Park (NY) are seeking legislation to allow other breeds to race with the QH. Pompano Park (Fla) will return QH racing for the summer of 1987. (From Across the Tracks, 11/86),

- Thoroughbred parimutuel wagering alone (up 50% from 1985) generated \$5.5 million in state income in 1986, or more than \$9 million in two years. Per capita betting rose to \$94.93 in 1986. (Mpls. Star & Tribune, 9/2/86)

- The MN Thoroughbred Association is preparing legislation to (1) substantially increase purses, (2) increase the Breeders' Fund to 1% of all wagers (currently 1/2 of 1% on the first \$48 million and 1% thereafter), and (3) to change the sales tax provision as it applies to successive claims at the track and the selling of MN-foaled horses.

- R. H. Bruskin Associates (commissioned by The Jockey Club) did some research on Thoroughbred racing and found the following: That 43% of the population of this country live close enough . . . to a Thoroughbred race-track so that they could attend races, if they really wanted to. Of these people, almost 60% have visited a Thoroughbred track at some time in the past and about 25% within the past year. About one of every five adults say that they are now extremely or very interested in the sport of Thoroughbred

racing. About one in six adults report that they are extremely or very interested in watching Thoroughbred racing on television. Twenty-nine percent indicated a desire for Thoroughbred racing to be presented on television more often. There seems to be little evidence that interest in Thoroughbred racing had declined. In fact, the public appears to be somewhat more interested in the sport than they were a few years ago. [A] higher percentage of women than men are interested in Thoroughbred racing. [T]he media . . . visualize[s] [Thoroughbred racing] as being less than half of what is actually reported by the public. By contrast, the media appears to be severely overstating both the public's interest in, and attendance at other sporting events, such as football and baseball. [T]he media feels that only about ten percent of the people in this country are really interested in the sport of Thoroughbred racing. But our study indicates almost twice that number, 21 percent, express an interest . . . . Because of [this], it is given only very limited coverage." (The Jockey Club News, 9-10/86)

#### EQUINE HOSPITAL:

The Minnesota Equine Foundation Task Force has plans to break ground next year for a non-profit equine hospital at Canterbury Downs. The hospital would provide emergency medical treatment for racing and non-racing breeds, including radiology, serology and bacteriologic analysis. The facility would also include large x-ray machines, ultrasound equipment, a basic diagnostic lab and drop off, and storage and work space for veterinarians. Supporters of this project are needed. Contact Dr. W. J. Mackey for more information. (Minnesota Thoroughbred, 9/86)

#### DROUGHT ASSISTANCE:

The AHC has indicated that breeders affected by the drought this summer in SE USA have been denied help from the Agricultural Stabilization & Conservation Service [Section 1105] because these horses are not considered "eligible livestock." Under present rules, "work horses and mules shall be considered to be eligible livestock only if they are used for pulling equipment or for riding purposes necessary to the applicant's agricultural operations. Eligible livestock does not include horses and mules kept in excess of the number needed to produce food and fiber on the applicant's farm." Senator John Warner (R-VA) has indicated that he will work with the AHC to restore horses as defined in 178 to eligibility for assistance.

#### ARABIANS:

Arbuckle Acres or Dayton, MN, reports their two-year old horse A. A. Sabotaj won first place in the 1986 Egyptian Event World Championship at Kentucky Horse Park. A. A. Sabotaj also won first place in the Egyptian-bred Futurity (for \$10,617) and Junior Champion Colt (and the Junior Champion Colt at the Great Arabian Get-Together in MN). Mike and Robin did all the conditioning and work on this one. Shows you that small breeders can pull the big ones once in a while too! Congratulations to the Arbuckles!

#### AG FORUM:

The MHC is a member of The Forum for Animal Agriculture, a composite group of various agricultural interests in MN. The Forum has gone on record and has expressed strong support for the capital requests of the Dept. of Animal Science of the College of Agriculture and planning funds for the remodeling of the Veterinary Diagnostic Laboratory and College of Veterinary Medicine. In 1985, the capital requests for these two departments were given a number one priority, but an electrical engineering facility was then given higher priority and the Animal Science request was only partially funded. The Forum strongly feels that Animal Sciences should once again receive top priority and that the project be completed.

#### WORKSHOP:

Modern Horse Breeding will present a Breeding Technology Workshop II on November 22-23 at Lake Geneva, Fontana, WI. Subjects include information on equine research, fertility, hormones, diagnostics, foals, breeding, mare care and stallion contracts. Contact: MHB Workshop, 656 Quince Orchard Road, Gaithersburg, MD 20878 or call 301/977-3900.

#### EXPO:

- We gave you the wrong date for Expo 1987 in the last Quarterly. It is April 11 and 12 (not 4/10-11). Sorry about that!

- Expo board meetings are generally held the same place and day as MHC board meetings, but at 5:30 p.m. Anyone interested in giving input or helping with our plans is welcome to come.

#### FASHION:

Newsweek magazine (8/86) reports that the latest victims of fashion is pony hide. "Leather dealers are using the fur in everything from jackets, shoes, bags and belts to earrings and bracelets. . . . [It is] a flat fur that is dyed to look like pony, zebra and other animal skins. . . . Most pony-hide accessories are imported from Italy . . . ."

#### SUPPORT:

We are attaching a copy of an article from the MHC that was reprinted in the September issue of the Minnesota Thoroughbred. To follow up on this article, your MHC Board of Directors would like each equine organization in MN to delegate a representative to the MHC--someone who would attend our meetings and work as a liaison between the Council and that representative organization. We need your input and support. Together we can accomplish a lot more than we have in the past. Please think about it. Then act!

#### COMPUTERS:

A veterinarian in Coleridge, NE (Dr. John Schroeder, 402/283-4219) is planning to take a number of measurements of quality performance horses and put this information into a computer to try and determine the ideal height, weight, length of back, length of neck, leg, etc., of the quality horse of any particular breed. (The Midwest Bridle & Bit, 10/86)

#### LITTERS!:

Veterinarians and researchers in Littleton, CO, and Colorado State University/Ft. Collins have teamed up to deliver the first set of live fraternal triplets ever produced by embryo transfer. The recovery of two embryos from a donor mare can occur occasionally, but the recovery of three individually fertilized ova during a single embryo-transfer flush is thought to be unique. The foals were born 6/24, 7/6 and 7/7/86. (The Midwest Bridle & Bit, 10/86; taken from Modern Horse Breeding, 9/86)

#### NIGHTMARE:

The Upper Midwest Endurance & Competitive Rides Association (10/86) newsletter reports on a competitor who was returning from a 50-mile ride this summer in Pilliger, MN, to her home in Illinois. It was a busy four-lane, rain-swept highway about midnight when a trucker flashed his light and honked his horn to tell the driver that her horse trailer door was open. When she stopped to shut the door, she found that her horse was also missing. Of course, the worst thoughts crossed her mind. Fortunately, she had a CB. After a frantic call, a trucker two miles behind her told her that the horse had been found and was being led to the shoulder of the highway at a truck stop. Upon her arrival, the horse appeared only to have scrapes and abrasions, although a few "near-misses" with traffic were reported by witnesses. The horse reloaded the trailer without any show of concern. Apparently a wire had been used to hold the trailer door to the trailer--which broke--and the frayed nylon halter broke--and there was no butt strap. Think safety!

#### EDUCATION:

Lakeshore Technical Institute, 1290 No. Avenue, Cleveland, WI, is looking for an instructor in equine management. The salary is commensurate with education and occupational experience starting with approx. \$22,000 for a bachelor's and experience. Starting date indicates 1/22/87 but they "are willing to wait until June for the most qualified applicant."

#### CLINIC:

The 1987 Horsemen's Clinic at the University of Minnesota/St. Paul Campus, is scheduled for April 3-4. More on this later.

#### RADIO PROGRAM:

The MHC Saturday morning radio program has been cancelled. There is a possibility of restarting that program in the spring if a certain corporation comes through to underwrite the cost.

#### CELEBRITY:

What's this we hear about our MN-bred John Wayne look-alike (Jerry Thomas)? Two movies?? A possible trip to the entertainment world's festival at Cannes, France?? GO FOR IT DUKE!

#### EIA:

The Board of Animal Health has contacted the MHC regarding proposed EIA regulations. Under consideration were: (1) identification of all EIA positive horses via brand or tattoo; (2) quarantine positive animal in a screened pen; (3) mandatory testing of the rest of the herd or stable; (4) quarantine of the premise until tested negative; (5) mandatory testing for exhibitions, rodeos, and/or trail rides; and (6) mandatory testing for sales barns and/or sales. The MHC reply is attached for your information.

#### POTOMAC FEVER:

This relatively new disease has now been diagnosed in 17 states and one Canadian province. In the early years, the mortality rate was 30%. since the recognition of the causative agent in 1984 (a rickettsial agent), and with more experience in treatment, the death rate has dropped. (Minnesota Thoroughbred, 10/86) The Morris Animal Foundation reports that "monkeys are susceptible to this infection, as are dogs, cats and other animals. Humans are likely to get the disease as well. None show the life-threatening symptoms the disease produces in horses. [All research so far indicates that horses carry the disease only while they are actively ill. There are probably no silent carriers, and no carriers among recovered horses. Therefore some other animal which gets the disease must be the reservoir from which biting insects carry the infection to horses." (Companion Animal News, 8/86)

#### ROARERS

The Morris Animal Foundation also reports that as many as 80% of Thoroughbreds may be affected by roaring, a common respiratory problem in large horses. Horses make a roaring sound when they inhale; they can't get enough air, and performance is severely affected. Researchers at Mich. State Univ., using new techniques, believe a commonly used surgery to relieve the condition may be totally ineffective, while another, newer surgery returns the horse to normal. The cause for roaring is unknown. It usually affects horses over 15 hands tall and may be partially due to inheritance. Ponies are seldom affected. The condition shows up only when the horse exercises. (Companion Animal News, 8/86)

#### RESEARCH:

- The Morris Animal Foundation reports that the American horse industry spends \$9 billion annually for feed, farriers and maintenance. Horseowners hold an estimated \$4 billion in land and buildings. Yet they spend less than one million dollars, or 13 cents per horse, each year for research. Annual cost of veterinary care averages \$72/year. R. Richard Rolapp, Pres. of the AHC, reported that 50% of horse owners had not used a veterinarian for their horse within the past year, and 2% of the owners said they have never used a veterinarian. (Companion Animal News, 8/86, & letter report)

- (Note the Amer. Horse Council is compiling a study which will outline the economic impact of horses in the USA. We will try to obtain a copy of that report when it is ready.

#### HIGH TENSILE:

The Virginia Horse Council News has received reports of very serious injuries when horses get caught in high tensile fences. "It does not break nor does it come loose. [T]his is not a general alarm, only a word of caution."

#### TRIPLETS:

Only one of the three triplet foals born June 9 to a California mare has survived. The smallest of the three (a 28 lb. colt) died a week after birth from complications of a bacterial infection. The middle-sized foal (a 30 lb. filly) was euthanized in July. She suffered a leg fracture that resisted healing, and also did not respond well to treatment for pneumonia and diarrhea. The largest (a filly), at last report, was doing well. All are buckskins sired by a Paint stallion, and were the first live birth equine triplets ever recorded. (The Midwest Bridle & bit, 9/86)

#### ADVENTURE RIDE:

Adventure Guides, Inc., a New York-based tour operator (36 E. 57th St. NYC 10022) advertised for "guest riders" on an October 75-mile, 7-day cattle drive from pastureland in Wyoming's high Laramie Hills to the home ranch (Two Creek Ranch) in the La Prele Creek Valley. The ranch was to provide the heat, dust, rain, cow ponies, cattle, camping equipment (except sleeping bag) and food; guest riders were instructed to provide their own cowboy clothes, sweat, tourist gear (cameras, suntan lotion, etc.). Cost was \$349 for the first or last 5 days; \$698 for the entire 10 days. Maybe they will do it again next year! (Mpls. Star & Tribune, 9/14)

#### CERTIFIED STABLES:

- We now have 45 certified stable members. They are listed as follows: Arbuckle's Acres (Dayton), Ashmore Stables (Isanti), Aux Chevaux (Forest Lake), Marlys Bell Stables (Stillwater), Bluegrass Stables (Mayer), Brightonwood Farm (Maple Plain), Classic Arabians (Corcoran), Fox Run Farm (Stillwater), The Grande Horse Hotel (Hastings), Helvetia Stables (Stillwater), Hennepin County Home School (Minnetonka), Island Farm (Lake Crystal), Bob Jensen Stables (Prior Lake), Pat Jenson School of Horsemanship (Excelsior), Knollwind Farm (Elk River), Liberty Farm (Plymouth), Meadowbrook Stables (Mankato), Melodee Stables (White Bear Lake), Merry Mac Farm (Elk River), Mid-Meadow, Inc. (Long Lake), Minnesota Horse & Hunt Club (Prior Lake), Mizan Arabians (Rogers), North Oaks Stables (Stillwater), Pegasus Properties, Inc. (Corcoran), Red Grove Farm (New Prague), R-Horses, Inc. (Delano), River Bend Stables (Rockford), Rush Creek Farms (Faribault), Shadow Creek Stables, Inc. (Forest Lake), Shenandoah Stables (Prior Lake), Smokey Hollow Appaloosa Farm (Dassel), Solyntjes Stables (Mankato), Spruce Hill Farm (Woodbury), Suburban Hennepin Regional Park District (Rockford), T-Marie Stables (Shakopee), Tri-Oak Stables (Savage), Triple-S Ranch (Inver Grove Heights), University of MN (Crookston), University of MN (Waseca), Valley Arabians (Mankato), Valley Oak Stables (Prior Lake), Volz Stables (Stillwater), Windy Ridge Ranch (Woodbury), Woodbear Stables (Hopkins), and Woodloch Stables (Hugo).

#### MTRA:

The MN Trail Riders Association has announced that their membership has now grown to 1083 members (including family members).

#### CRUELTY:

Effective 10/1/86, Florida has a law which changes cruelty to horses from a misdemeanor to a second degree felony, punishable up to 15 years in prison. This follows an arson fire in that state where 12 Thoroughbreds burned to death. (Affiliated Horse Organizations of Fla, 11/86) (See also following article.)

#### RHULEN:

Pegasus (Notes from Rhulen County, 9/86). "The adverse loss experience associated with the Quarter Horse industry has given rise to a reluctance on the part of many insuring companies to offer coverages to this portion of the equine industry. In spite of that, Rhulen recently announced that it would continue to provide equine insurance coverage to Quarter Horse owners, although coverages will be subject to far stricter underwriting guidelines and an additional supplemental application would be required. . . . [I]t is common knowledge among insuring companies that this particular segment of the equine industry is responsible for an inordinately large percentage of losses over the last several years. . . . [W]e are making a concerted effort to serve all responsible horse owners regardless of their breed of preference. We hope adherence to more stringent underwriting guidelines . . . will help us continue to provide insurance to those within the Quarter Horse community . . . ." [Note: Another article in the same publication states that "more and more of them are solving their cash flow problems by killing his horses and collecting the insurance proceeds."]

#### TAXES:

The American Horse Council has analyzed the new tax code as it affects horsemen, and published its results in the September issue of its "Tax Bulletin." Copies of the same are attached to each member's issue of this Quarterly.

**TEAM:**

The 1986 MHC co-sponsored TEAM clinic was a big success. Approximately 165 individuals took part in this two-day event--16 of whom (with 12 horses) took part in a followup clinic the following week. Plans are in the works to repeat this performance in 1987.

**UPCOMING EVENTS:**

- 11/11 - MHC Board meeting, HCVT Stables, Eden Prairie (7:30 pm) (open)
- 12/6 - MHC Annual meeting, Chaska (members see separate info)
- 1/12 - MHC Board meeting, HCVT Stables, Eden Prairie (7:30 pm) (open)
- 2/19 - MHC Board meeting, HCVT Stables, Eden Prairie (7:30 pm) (open)

**NOTICE**

The use of trade names in this publication is for purposes of clarity and information only. No endorsement is made or implied of any product, nor is it implied that similar products are less effective.

**ADVERTISING:**

This publication offers advertising space to the public for \$20 per quarter page. Distribution is approximately 500 copies, some nationally. Issues are printed Feb/May/Aug/Nov. Material should be submitted prior to the end of the month preceding publication. Camera-ready copy only, please!

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**MINNESOTA HORSE COUNCIL (612/457-5948)**

Member Name: \_\_\_\_\_


Address: \_\_\_\_\_

Check membership desired (Dues renewable Jan. 1 of each year):

- Certified stable (\$35 first year; \$25 annually);
- Organizational/Corporate membership (\$25 annually)
- Sustaining membership (\$25 annually)
- Individual membership (\$15 annually)

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September 16, 1986

Dr. Keith Friendshuh, D.V.M.  
Board of Animal Health  
160 Agriculture Building  
90 West Plato Boulevard  
St. Paul, MN 55107

Re: Equine Infectious Anemia (EIA)

Dear Dr. Friendshuh:

The Directors of the Minnesota Horse Council at its regular meeting on September 9, 1986 discussed the proposed rule for EIA with the Board of Animal Health contained in your letter to me of June 19, 1986.

First of all, let me state that it was the consensus of the Board that the cost to the horse owner of complying with the proposed rules would be substantial and far outweigh the need to adopt a rule of mandatory testing, except as to sale barns, sales and remainder of herd or stable following the detection of an EIA positive horse as distinguished from a false positive result.

We are under the impression that present regulations require testing of all horses crossing state lines or at least entering Minnesota from another state.

We were of the opinion that proposed rules 1 through 4 inclusive went together and were, in general, acceptable. We felt that in the event a positive test occurred that the horse should be retested to eliminate any false positive results. Practically everyone felt that the horse owner would put such a horse down, or if not, the horse should be identified by an EIA brand or tattoo. We question whether quarantine of a positive tested horse in a screened pen was practical as the disease is transmittable by various means such as needles, mosquitoes, horseflies, etc. We felt that it was not practical to eliminate all these causes by retaining a horse in a screened pen. It would be impractical to confine a horse the rest of its life in such a manner. We are not in favor of quarantine positive animals in a screened pen.

Mandatory testing of the rest of the herd or stable and quarantine of the premises until tested negative following the identification of an EIA positive horse was felt to be reasonable.

We are definitely opposed to mandatory testing for exhibitions, rodeos and/or trail rides. The cost and inconvenience would be prohibited in relation to the rate of occurrence of this disease in Minnesota. We have yet to find one horse owner in favor of this proposed rule. We stand definitely opposed to it.

This pretty well represents the present view of the Minnesota Horse Council. If any additional information is desired, please don't hesitate to contact me at your convenience.

Respectfully yours,

  
C. A. (Gus) Johnson II  
President of Minnesota Horse Council

# Let's Work Together for Common Interests

From Vickie Inget,

Secretary-Treasurer of the Minnesota Horse Council

The activities of the Minnesota Horse Council affect all Minnesota horsemen in one fashion or another. That is because the MHC believes that, despite the various differences between horse breeds — in either bloodlines or usage — the various equestrian groups in Minnesota can accomplish much more working together for common interests. Our efforts are limited only by the quantity and quality of the directors that serve on its board and the financial and moral support of its members.

The MHC was formed in 1935 but it has never been as active as it is today. The MHC is an umbrella organization composed of 15 elected directors working for multibreed equestrian interests in Minnesota. The MHC is interested in supporting any effort that promotes our state's horse industry. Obviously that includes not only horse racing — which we helped secure in Minnesota — but showing, trail riding, legislation, education, breeding and a variety of other classifications.

In 1985, MHC members and supporters contributed over \$20,000 in a successful lobbying effort to delete the farm loss modification law as it applied to Minnesota horsemen. In 1986, the MHC produced the fifth annual Minnesota Horse Exposition in Minneapolis.

Other MHC efforts include the certification of over 30 stables to MHC standards; a \$200 education scholarship to some worthy student, of any age, involved in equine studies; publication of a newsletter; sponsorship of a half-hour radio program for horsemen (WMIN - 1030AM, Saturday, 8 a.m.); sponsorship of a committee to investigate the feasibility of constructing an equestrian center for the State of Minnesota; promotion of equestrian trails; drafting of guidelines, in cooperation with the University of Minnesota, for the stabling of horses and operation of carriages within a metropolitan setting.

Working with horsemen experiencing ordinance problems; annual installation of a Minnesota horseman, or woman, of the year in the Horsemen's Hall of Fame, University of Minnesota; Membership in the American Horse Council; MHC representation at American Horse Council meetings held around the country with other state horse councils; participation with other state organizations such as the Minnesota State Agricultural Forum, Minnesota Riders Association, University of Minnesota Science Advisory Committee, University of Minnesota Veterinary Advisory Committee, Canterbury Downs Clinic Building, and the Minnesota State Historical Society. In these efforts, through individual and organizational memberships, we represent over 7,000 horsemen.

Anyone interested in joining the MHC can contact: MHC, Box 75481, St. Paul, MN 55175 (612) 457-5948.

MINNESOTA THOROUGHBRED  
9/86

## CAUSES OF DEATH FOR HORSES HEALTH CONCERNS FOR HORSES

(Numbers of responses)

- Colic (35)
- Old Age (17)
- Accidents (13)
- Laminitis (6)

(Numbers of responses)

- Colic & Worms (180)
- Laminitis (54)
- Combined Immunodeficiencies (19)
- Feeding and Nutrition (14)
- External Parasites (12)
- Navicular Disease (11)

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NOTE: Due to the special significance and timeliness of the material below, the American Horse Council is making this Tax Bulletin available to the press. Copyright for Tax Bulletin 183 is waived but we do request that the American Horse Council Tax Bulletin be credited as the source if this material is excerpted or reprinted in its entirety.

#### A. Horses Emerge from Tax Reform in Good Shape

A sweeping revision of the tax law was approved in late August by a conference committee of U. S. Senators and Representatives. The final bill, a compromise between versions previously passed by the House and Senate, now returns to those chambers for approval and will then move on to President Reagan for signature.

This legislation contains numerous provisions which alter the tax laws pertaining to horses and in particular seems certain to introduce new demands in recordkeeping. However, notwithstanding some increased complexity, it appears that on balance the horse business will be treated much the same as it is today with significantly lower marginal tax rates applied to income.

##### 1. Tax Rates

Current tax rates can go up to a maximum of 50% for individuals and 46% for corporations. Beginning in 1988 following phase-in of a mixed rate for 1987, individuals will be in either a 15% (joint taxable income of up to \$29,750) or 28% category. (However, because personal exemptions and the benefits of the 15% rate bracket are phased out for persons with incomes over \$71,900, resulting marginal tax rates can be higher than 28%.)

In 1987, there will be five rates (for married couples filing joint returns), with no phase-out of the lower rates or the personal exemptions:

0 - \$ 3,000	11%
\$ 3,000 - \$28,000	15%
\$28,000 - \$45,000	28%
\$45,000 - \$90,000	35%
Above \$90,000	38.5%

The top tax rate for corporations in 1987, the top corporate tax rate would be 40%.

##### 2. Hobby Loss Provision

Under current law, a horse-related activity is presumed to be engaged in for profit if it shows profits in two years out of a seven-year period. Other types of activities must show a profit in two years out of five. In the new tax bill, present law was successfully retained for horse-related activities while a more restrictive three-of-five test was adopted for other activities.

##### 3. Depreciation of Horses

Horses held for breeding, racing or showing are generally depreciated over five years under current law; race horses more than two years old and other horses more than twelve years old are depreciated over three years. The schedules (ACRS) are based on a 150% declining balance method resulting in somewhat more rapid depreciation than the straight-line method.

In the new tax bill, the current system of depreciation is retained for horses in the three-year category. Horses now in the five-year category are to be depreciated over a seven-year period using a 200% declining balance method (unless a preproductive expense election is made — see below). For horses in this category, the seven-year at 200% schedule will result in percentages for the first three years which are almost identical to current law.

Cars and light-duty trucks which are now three-year property would be depreciated over five years on a 200% declining balance method. Barns and other non-residential real property will be depreciated over 31 1/2 years on a straight-line basis, rather than over 19 years on a 175% declining balance as under present law.

The conference committee also expanded a provision which allows the expensing of up to \$5,000 of certain business property. The new law permits the annual expensing of up to \$10,000 of such property for individuals whose total business purchases do not exceed \$200,000.

##### 4. Preproductive Period Expenses

Under current law, expenses relating to the breeding and raising of horses are fully deductible when paid. The new bill contains restrictions on "preproductive" expenses associated with horses in the period before they become ready to perform their "intended function" (the restrictions apply only to those crops and livestock having a preproductive period of more than two years). Expenses associated with the preproductive period of affected assets will still be currently deductible, but only if the horseman elects to use straight-line depreciation on horses and other depreciable assets used in the business. Alternatively, those expenses would have to be capitalized (carried

over) and added to the basis of the asset at the termination of the preproductive period. In other words, if the horseman (most likely a breeder) wanted to use accelerated depreciation, then preproductive expenses would have to be capitalized; if he/she wanted to deduct preproductive expenses in the year paid, straight-line depreciation would have to be used.

The effect of this requirement on horse businesses is unclear, although it seems certain that what impact there is will center on activities related to breeding and the production and raising of foals. The statutory language of the new bill offers little guidance on when the preproductive period begins and ends or when an asset is "ready to perform its intended function." The American Horse Council is analyzing the language and the options available to horsemen and will be releasing further information on it.

##### 5. Capital Gains

Under current law, gains from sales of horses and other livestock used in a business may be eligible for capital gains treatment, but any depreciation that has been taken on the animals must be recaptured as ordinary income. The advantage of capital gains treatment is that 60% of net long-term capital gains are excluded from income resulting in a maximum effective tax rate of 20% for those in the 50% tax bracket.

The new bill would tax capital gains as regular income, thus the maximum capital gains tax rate would be 28% instead of 20%. The bill continues the present law limitations on the deduction of capital losses, however, so present law distinctions between capital gains and ordinary income would be retained for the limited purpose of determining deductibility of such losses. For 1987, a special transition rule provides that the maximum rate of tax on capital gains will not exceed 28% even though ordinary income may be taxed at higher rates.

The depreciation taken on horses will still have to be treated as ordinary income (recaptured), but because of the sharp reduction of tax rates it will be recaptured at a much lower rate than present law.

##### 6. Passive Loss Limitations

Under present law, an owner of a horse business, or any other type of business, which is operated as a proprietorship, partnership or S corporation can deduct his share of losses from the business against his income from salaries, investments, or other sources.

The new tax bill provides that if a horse owner (or any other taxpayer) does not "materially participate" in a business activity, losses and credits from that activity would not be allowed against salaries, active business income, or portfolio income (i.e. interest, dividends or royalties). Importantly, losses and credits from such a "passive" or "non-participatory" business activity will be deductible against other "passive" income; losses which are not currently allowed could be carried forward indefinitely and used in subsequent years to offset passive income; and disallowed losses would be allowed in full when gain or loss is realized on disposition of your entire interest in the activity.

The definition of a "passive" or "non-participatory" activity clearly includes a limited partner's interest in a limited partnership. It also could include a horse owner's interest in a proprietorship, general partnership, or S corporation if the owner does not materially participate in the operations of the business. The participation must be regular, continuous and substantial. (Future Tax Bulletins and other information materials from the American Horse Council will further discuss the material participation issue.)

The limitation on passive losses is to be phased in, so that 65% of passive losses (in excess of passive income) and credits would be allowed in 1987, 40% in 1988, 20% in 1989 and 10% in 1990. After 1990, no passive losses in excess of passive income will be allowed.

The passive loss provision applies to all businesses, not just horses.

##### 7. Interest Expense

Under present law, interest is generally fully deductible. Interest paid in connection with a horse business (whether the owner is active or passive) is deductible as a business expense.

Business interest, including that associated with the horse business, would be fully deductible under the new bill (with the exception of real estate), but only in connection with a non-passive activity. Interest associated with a passive activity would be affected by the passive loss restrictions previously discussed.

##### 8. Alternative Minimum Tax

Under present law, individuals are subject to a tax at a 20% rate on alternative taxable income which is taxable income plus certain tax preferences, including the capital gains deduction. The current law exemption in determining alternative minimum taxable is \$40,000 for joint returns and \$30,000 for single taxpayers. The alternative minimum tax is payable only if it exceeds the regular income tax liability.

The new tax bill follows current law except that it raises the rate to 21% and adds a number of new preferences. The most important new preferences are accelerated depreciation taken on horses or other personal property and all losses from "passive" activities. The passive losses which are preferences are essentially the same losses that are disallowed under the regular tax (discussed above), with certain modifications. The primary differences are that, for minimum tax computations, the passive loss limitation will be completely effective in 1987 (with no phase-in) and that, in the case of farming activities, the losses from one passive activity are a preference item even if there is offsetting income from another passive activity.

##### 9. Cash Method of Accounting and Prepaid Expenses

Except for certain corporations, farmers are now allowed to use the cash method of accounting. The new tax bill retains current law, as proposals to limit the availability of cash accounting for farmers were rejected.

Generally, prepaid expenses would be deductible as under current law except that they will be disallowed to the extent that such prepaid expenses exceed 50% of the non-prepaid expenses of the farming operation. This is unlikely to occur in a horse operation, but the presence of this rule suggests that a record of prepaid items on hand at year end may be desirable.

##### 10. Investment Tax Credit

Present law provides that depreciable assets (except for horses and buildings) are eligible for a 10% investment tax credit. The new bill repeals the investment tax credit for property placed in service after 1985 unless there was a binding contract in effect as of December 31, 1985.

Repeal of the investment credit would affect the after-tax cost of equipment, fencing and other farm property previously eligible for the credit.

##### 11. Entertainment Expense Deductions

Current law allows deductions for expenses such as business meals, tickets for sporting events and other business-related entertainment. The Conference Committee bill would allow 80% of the costs for business entertainment to be deducted. In addition, tickets to charitable sporting events would continue to be fully deductible provided the event is organized for the primary purpose of benefiting a Section 501(c)(3) tax exempt organization, all of the net proceeds are contributed to the charity and volunteers perform most of the work. The cost of leasing a skybox for more than one event would be disallowed to the extent it exceeds the cost of the seats therein, but the deduction would be phased out over three years.

##### 12. Income Averaging

The new bill would repeal income averaging for all taxpayers.

The Tax Bulletin is a digest of current tax developments affecting the horse industry. It is published periodically by the American Horse Council and distributed to its members. AHC Tax Bulletins are for informational purposes only and are not intended to take the place of professional tax counsel.

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