Methods of research include:

- Research tax governance in the United States
- Research economic impact of equine industry
- Research relevant tax laws
- Determine impact of tax laws on equine industry

The objective of this research is:

1. To provide an overview of the equine industry.
2. To address tax laws and changes impacting the equine industry.
3. To discuss the implications of the changes in tax law to the equine industry.

The equine industry was impacted by the Tax Reform Act of 1986 and the Tax Cut and Jobs Act of 2017. Prior to the introduction of the Tax Reform Act of 1986, tax laws allowed horse owners to rapidly depreciate their horses and receive a ten percent tax credit for owning a horse regardless of the purpose. The implementation of the Tax Reform Act of 1986 modified the asset depreciation range through the modified accelerated cost recovery system. The change in depreciation provisions in the Tax Reform Act of 1986 caused a negative impact in the equine industry.

As a result of the Tax Reform Act of 1986, many horse owners did not have a need for their horses if they could not benefit from the rapid depreciation to receive a larger deduction. The racing industry was significantly impacted by the changes from the 1986 reform. Many professionals involved in the racing industry sold their horses. The number of races in the United States decreased from approximately 75,000 races in 1989 to 37,000 races in 2017.

Since many horse owners no longer had a need for their horses, horse slaughter became increasingly popular in the United States after the Tax Reform Act of 1986. Following the Reform of 1986, the United States experienced a significant increase in number of horses slaughtered. Eventually, the number of horses slaughtered decreased in years following the reform as unwanted horses were eliminated and regulations were put into place.

While the Tax Reform Act of 1986 created changes to depreciation and class lives of horses, the Tax Cut and Jobs Act of 2017 played an important role in the equine industry in the United States. The Act also increased bonus depreciation for property placed in service after September 27, 2017 from 50% to 100% through December 2022. In 2023, bonus depreciation will be reduced from 100% to 80% then decrease by 20% each year until 2026. The bonus depreciation will impact owners of assets such as yearlings, broodmares, prospect horses.

The changes implemented by the Tax Cut and Jobs Act of 2017 is expected to benefit the equine industry. Horse business owners, such as professionals in the racing industry, will benefit from the changes in deduction and depreciation changes. However, the specific results on the equine industry of the Tax Cut and Jobs Act of 2017 are too recent to determine.

In conclusion, the Tax Reform Act of 1986 and the Tax Cut and Jobs Act of 2017 played an important role in the equine industry in the United States. The tax acts impacted all areas of the equine industry, specifically for the owners of race horses, competition horses, breeding and work horses, and recreation horses. The changes of the tax acts created the most impact on the race horse industry.

The Tax Cut and Jobs Act of 2017 decreased corporate tax rate from 35% to 21% for “C” corporations within the industry, such as racetracks and large breeding operations. The Act of 2017 allows deductions of 20% as a reduction of taxable income up to $315,000 for “S” corporations, sole proprietorships, or partnerships impacting small businesses within the equine industry.

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The Tax Reform Act of 1986 created changes to depreciation and class lives of horses. The Tax Reform Act of 1986 created a negative impact on the equine industry in the United States, by causing an increase in number of unwanted horses. The changes to the tax laws created by the act caused a decrease of number of horse races and increase in number of horses slaughtered in the United States.

The Tax Cut and Jobs Act of 2017 decreased corporate tax rates, increased depreciation rates, and changed allowed deductions for taxpayers within the equine industry. The results of the Tax Cut and Jobs Act of 2017 is predicted to benefit the equine industry as a whole.

Overall, the Tax Reform Act of 1986 and Tax Cut and Jobs Act of 2017 created many changes in tax law regarding horses. These changes in tax law caused many implications on the equine industry.