

HOME (/)
ABOUT
JOURNAL (/ABOUT)
MASTHEAD (/NEW-PAGE)
PROSPECTIVE MEMBERS (/PROSPECTIVE-MEMBERS)
SUBSCRIBE (/SUBSCRIBE)
STAFF RESOURCES (/STAFF-RESOURCES)
PUBLICATIONS
PUBLICATION ARCHIVE (/PUBLICATION-ARCHIVE)
VOLUME 1 (2009) (/VOLUME-1-2008-2009)
VOLUME 2 (2010) (/VOLUME-2-2009-2010)
VOLUME 3 (2011) (/VOLUME-3-2010-2011)
VOLUME 4 (2012) (/VOLUME-4-2011-2012)
VOLUME 5 (2013) (/VOLUME-5-2012-2013)
VOLUME 6 (2014) (/VOLUME-6-2013-2014)
VOLUME 7 (2015) (/VOLUME-7-2014-2015)
VOLUME 8 (2016) (/VOLUME-8-2015-2016)
VOLUME 9 (2017) (/VOLUME-9-2016-2017)
VOLUME 10 (2018) (/VOLUME-10-2018)
SYMPOSIUM
INFORMATION (/SYMPOSIUM)
BLOG
FULL BLOG (/FULL-BLOG)
BLOG ARCHIVE (/BLOG-ARCHIVE-1)

SUBMISSIONS (/SUBMISSIONS)

January 25, 2010 (/full-blog/2010/01/horse-sales-tax-exemption-good-for.html)

Horse sales tax exemption: Good for the industry, bad for the state? (/full-blog/2010/01/horse-sales-tax-exemption-good-for.html)

"Gambling" (/full-blog?category=%22Gambling%22), "Horse Racing" (/full-blog?category=%22Horse+Racing%22), "Tax" (/full-blog?category=%22Tax%22)



(http://i186.photobucket.com/albums/x263/MAT_Trip_Pics/2005%20West/369.jpg) By: **Adrienne Crow**, Staff Member

According to a recent article in the Lexington Herald-Leader, some Kentucky citizens have begun to question tax exemptions provided to horse sales and the impact of this exemption on the state's economy. Janet Patton, *Horseman say exemption crucial for Ky*, Lexington Herald-Leader, Jan. 17, 2010, *available at* http://www.kentucky.com/horse_racing/story/1099255.html (http://www.kentucky.com/horse_racing/story/1099255.html) (last visited Jan. 20, 2010). Kentucky Revised Statute § 139.531 provides exemptions for sales tax and use tax for the sale or use of horses made for breeding purposes only as well as for the sale of horses less than two years of age bought by out-of-state residents who take the horses out of Kentucky. Ky. Rev. Stat. Ann. § 139.531(2) (2009).

Based on estimates supplied by the state, this practice has cost the Kentucky almost \$220 million in lost revenue from 2004 to 2010. *See* Patton. For example, Sheikh Mohammed bin Rashid al Maktoum of Dubai, Kentucky's top buyer of thoroughbreds, has purchased more than \$60 million in broodmares at Keeneland's fall sales since 2002. *Id.* Had these purchases been taxed at Kentucky's

rate of six percent, they would have generated more than \$3.6 million by themselves. *Id.* During this time of budget short-falls and overall cut-backs in our state, some suggest that it is time to reevaluate Kentucky's tax code.

However, others worry that that taxing more sales would cost Kentucky a competitive edge in the horse industry, which is already hurting. Those in the horse industry are afraid that if Kentucky imposes a sales tax, buyers will simply go to other states that offer exemptions, including Maryland, New York, California, Florida, Pennsylvania and Texas. *Id.* Additionally, those who support keeping the tax exemptions point out that the horse industry is taxed in ways that other agriculture sectors are not. Jay Blanton, spokesman for Keeneland, explained "that sales of many horses, including those of racehorses, are taxed, and that horse farms pay sales taxes that other agricultural enterprises don't. Feed and hay for cattle, for instance, are exempt while the same products for horses are taxed." *Id.*

During these continued tough economic times for people in Kentucky and across the country, these issues regarding tax reform are surely to be debated by our legislators in the near future.

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