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## Racehorses

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### Introduction

This bulletin explains how sales and use taxes apply to racehorses in New York State. *Racehorses* include thoroughbred, standardbred, and quarter horses. It also explains how sales tax applies to services related to their care and maintenance.

The purchase of a racehorse is considered to be a purchase of tangible personal property. This includes the purchase of an interest in a racehorse, trading or leasing a racehorse, and generally, the syndication of a racehorse. Sales tax is due on the purchase of a racehorse, except as described below. Use tax is due on the use of a racehorse purchased by a New York resident out of state and brought into New York for use here, unless an exemption applies.

Any tax due on the purchase of a racehorse is computed at the tax rate in effect where delivery of the racehorse is made in New York State, whether the purchaser is a New York resident or nonresident.

### Exemption for qualifying thoroughbred and standardbred racehorses

The purchase of a thoroughbred or standardbred racehorse is exempt from sales tax if the racehorse:

- is registered with the Jockey Club, the United States Trotting Association, the National Steeplechase and Hunt Association, or is no more than 24 months old and is eligible to be registered with one of these associations; and
- is purchased with the intent of entering the horse in a racing event on which pari-mutuel wagering is authorized by law.

To claim this exemption, the purchaser must complete [Form ST-126](#), *Exemption Certificate for the Purchase of a Racehorse*, and give it to the seller. A separate form is required for each racehorse purchased.

Racehorses purchased outside New York State and brought into this state are not subject to use tax if the purchase otherwise qualified for this exemption.

This exemption **does not apply** to:

- a quarter horse; or
- a horse that is considered to be at least four years old and has never raced in an event on which pari-mutuel wagering is authorized by law.

## Use tax<sup>1</sup>

New York State use tax is due on the purchase of a thoroughbred, standardbred, or quarter horse (other than an exempt thoroughbred or standardbred racehorse described above) outside the state by a New York resident if the racehorse is later brought into New York. However, there is an exemption from the use tax for a racehorse that is brought into New York:

- to enter racing events on which pari-mutuel wagering is allowed, or
- to prepare for such events

as long as the racehorse is entered in such events on no more than five days in any single calendar year.

Accordingly, this exemption does not apply to any racehorse that is entered in New York racing events on more than five days in any single calendar year.

If the use tax applies, only the first \$100,000 of the price of a racehorse is subject to tax. Any amount exceeding \$100,000 is not taxable.

For purposes of the imposition of New York State use tax described in this section, a *New York resident* includes a person who:

- carries on any activity in New York in preparation for racing in New York (such as hiring grooms, trainers, jockeys, or drivers);
- maintains a stable in New York; or
- races horses on tracks within New York State.

If sales tax is paid on the purchase of a racehorse to another state, and the racehorse later becomes subject to New York use tax, the purchaser may be entitled to a credit for the tax paid to the other state. The credit cannot exceed the New York State use tax due.

## Claiming races<sup>2</sup>

Sales tax is due on the purchase of a racehorse (other than an exempt thoroughbred or standardbred racehorse described above) in a claiming race in New York State. The amount subject to sales tax is:

- the full purchase price paid for the racehorse the first time the racehorse is claimed in a calendar year; or
- the amount of the current purchase price that exceeds the highest prior purchase price paid for the same racehorse in a New York claiming race held during the same calendar year.

*Example: On August 5, 2011, a racehorse is purchased by placing a claim of \$35,000 before a claiming race in New York. The horse had not been claimed in a prior race in New York State in 2011. Therefore, sales tax is due on the total purchase price of \$35,000.*

*Example: On July 3, 2010, a racehorse is purchased by placing a claim of \$42,000 before a claiming race in New York. The horse had been claimed in a prior claiming race in New York State on April 10, 2010, for \$37,000. Sales tax is due on the difference of \$5,000, since the sales occurred within the same calendar year.*

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<sup>1</sup> If the purchase of a racehorse qualifies for the exemption for thoroughbred and standardbred horses described above, that exemption will apply, the purchase will be **fully exempt** from tax, and the information on use tax outlined in this section does not apply.

<sup>2</sup> If the purchase of a racehorse qualifies for the exemption for thoroughbred and standardbred horses described above, that exemption will apply, the purchase will be **fully exempt** from tax, and the information on claiming races outlined in this section does not apply.

*Example: On September 3, 2011, a racehorse is purchased by placing a claim of \$47,000 before a claiming race in New York. The horse had been claimed in a prior claiming race in Kentucky on May 15, 2011. Sales tax is due on the total purchase price of \$47,000, since the previous sale did not occur in New York.*

*Example: On July 4, 2011, a racehorse is purchased by placing a claim of \$39,000 in New York. The horse had been claimed in a prior claiming race in New York on June 25, 2010, for \$27,000. Sales tax is due on the total purchase price of \$39,000, since the sales were not within the same calendar year.*

### **Racehorses sold for breeding purposes**

A racehorse purchased to be used predominantly (more than 50%) for breeding purposes is not subject to sales tax. The purchaser must provide the seller with a properly completed Form [ST-125](#), *Farmer's and Commercial Horse Boarding Operator's Exemption Certificate*, to claim this exemption.

### **Care and maintenance of racehorses**

The maintenance of a racehorse includes boarding, feeding, grooming, shoeing, walking, and riding the racehorse. If the services are rendered by a trainer licensed under the racing, pari-mutuel wagering, and breeding laws of this state or another state, the services are not taxable. If the services are not rendered by a licensed trainer, the services are subject to sales tax. Any purchases by a trainer (whether licensed or not) are taxable.

For purposes of the exemption described in this section, *racehorse* means a thoroughbred, standardbred or quarter horse that:

- is registered with the Jockey Club, the United States Trotting Association, the American Quarter Horse Association, or the National Steeplechase and Hunt Association, or
- is no more than 24 months old and is eligible to be registered with one of these associations.

Note: A Tax Bulletin is an informational document designed to provide general guidance in simplified language on a topic of interest to taxpayers. It is accurate as of the date issued. However, taxpayers should be aware that subsequent changes in the Tax Law or its interpretation may affect the accuracy of a Tax Bulletin. The information provided in this document does not cover every situation and is not intended to replace the law or change its meaning.

#### **References and other useful information**

**Tax Law:** Sections 1111(g), 1115(a)(6) and (29), 1115(m), 1118(2), (3), (9), and (10)

**Regulations:** Section 527.14

**Memoranda:**

[TSB-M-95\(6\)S](#), *Sales Tax Exemption for Purchases of Racehorses*