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MODERNIZED TREASURY/IRS REGULATIONS LEAD TO NEARLY 90% REDUCTION IN WINNING PARI-MUTUEL WAGERS SUBJECT TO REPORTING AND WITHHOLDING

Winning Wagers Reported to the IRS Decline an Estimated \$307 Million In 12 Months; Amount Withheld Declines \$35 Million

LEXINGTON, Ky. (Wednesday, October 31, 2018)—In the first year of operations under newly modernized U.S. Treasury and Internal Revenue Service (IRS) regulations, there was a **\$307 million reduction in the amount of winning pari-mutuel wagers reported to the IRS using form W-2G**, according to statistics released today by the National Thoroughbred Racing Association (NTRA). This reduction in the amount of winning wagers reported was the result of a dramatic **89% decline in the number of winning tickets flagged for IRS reporting**. The declines also led to a **\$35 million reduction in the amount withheld from bettors' winnings**. The new regulations, which took effect Sept. 28, 2017, recast the Treasury's definition of the "amount of the wager" to include the entire amount wagered into a specific pari-mutuel pool by an individual rather than the prior IRS standard of using only the base amount of the winning wager.

Based on data provided by CHRIMS, which conducts settlements and other services for many of the nation's pari-mutuel operators, individual racetracks, and the two largest U.S. totalizator companies—AmTote and United Tote—the NTRA estimates the following nationwide impacts over the first 12 months of operation under the new regulations (10/1/2017 - 9/30/2018 vs. 10/1/2016 - 9/30/2017):

- **The gross amount of winning wagers reported to the IRS on Form W-2G declined \$307,700,000 (82%), from approximately \$374,500,000 to about \$66,800,000;**
- **Federal taxes withheld from winning wagers and sent to the IRS declined \$35,400,000 (82%), from \$43,200,000 to \$7,800,000; and**
- **The actual number of IRS tickets flagged for W-2G reporting by the IRS declined nearly 89%, from approximately 235,100 tickets to only about 26,350 winning tickets.**

From a percentage standpoint, the impacts were equally positive for horseplayers, pari-mutuel operators and horsemen across the country—regardless of the size of the racetrack market. The new regulations also provided positive impacts to advance deposit wagering (ADW) operators and their customers.

"The drastic reduction in the number of winning tickets requiring reporting and withholding is consequential in several ways," said NTRA President and Chief Executive Officer, Alex Waldrop. "Under the old regulations, it was not uncommon for horseplayers to feel the thrill of 'winning' only to have

their proceeds reported and/or withheld by the IRS. The old regulations were both unfair and a burden to all involved. A significant overreach by the IRS has been corrected thanks to fair-minded officials at the U.S. Treasury."

There are numerous specific examples of events where the industry benefited from the new regulations.

On-track at the host venues of the Triple Crown races—Derby Day, Preakness Day and Belmont Stakes Day—the combined number of winning tickets required by the IRS to be reported on Form W-2G fell 96%, with the gross amount of winning wagers required to be reported falling by 87% and the amount of money withheld from pari-mutuel winnings falling 71%. It is likely that similar results were realized nationwide.

On-track impacts were most pronounced at Pimlico on Preakness Day, where the number of tickets requiring reporting fell 99% and the number of tickets requiring Federal withholding fell 100% because there were no winning tickets at Pimlico on Preakness Day that triggered Federal withholding.

On-track at the 40-day 2018 Saratoga Meeting, the number of winning tickets flagged for processing by the IRS fell 96%, the gross amount of winnings required to be reported fell 94% and the amount of money withheld from winning bettors fell 91%.

"The new regulations have been enormously beneficial to every sector of our business," Waldrop continued. "They would never have transpired without the bipartisan support we received on Capitol Hill and the unwavering support of every segment of the horse racing industry, including thousands of customers who answered our call to action. Best of all, we will continue to realize the positive impacts from these regulations for many years to come."

For more than a decade, the NTRA and others promoted legislation to modernize pari-mutuel withholding and reporting. The industry argued that as pari-mutuel wagering increasingly shifts toward exotic bet types like Exactas, Trifectas and Pick 4s, more winning wagers are being reported and more winnings withheld, creating an unfair burden on bettors, pari-mutuel operators and state and federal governments.

Then in 2014, the NTRA developed a new strategy that relied on regulatory, not statutory relief from outdated regulations. Following the new strategy, the NTRA was able to convince the Treasury Department and the IRS to expand the definition of the phrase "amount of the wager" to include the total amount bet on a single ticket (or through an ADW) by an individual into a specific pari-mutuel pool. This one simple change in the Treasury regulations that took effect on September 28, 2017 has led to the significant benefits reported today.

Through September of this year, U.S. wagering has increased 3.95% (\$336,724,709) overall while average wagering per race day has increased 7.67% (\$180,231), according to statistics provided by Equibase.

About the NTRA

The NTRA, based in Lexington, Ky., is a broad-based coalition of more than 100 horse racing interests and thousands of individual stakeholders consisting of horseplayers, racetrack operators, owners, breeders, trainers and affiliated horse racing associations, charged with increasing the popularity, welfare and integrity of Thoroughbred racing through consensus-based leadership, legislative advocacy, safety and integrity initiatives, fan engagement and corporate partner development. The NTRA owns and manages the NTRA Safety and Integrity Alliance; NTRA.com; the Eclipse Awards; the National Horseplayers

Championship; NTRA Advantage, a corporate partner sales and sponsorship program; and Horse PAC[®], a federal political action committee. NTRA press releases appear on NTRA.com, Twitter (@ntra) and Facebook (facebook.com/1NTRA).

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