

**New York State Department of Taxation and Finance**  
**Taxpayer Services Division**  
**Technical Services Bureau**

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Sales Tax  
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Sales Tax Exemption for Purchases of Racehorses

Effective June 1, 1994, receipts from the sale of most racehorses are exempt from sales and use taxes. For the purpose of the exemption, a "racehorse" includes only thoroughbred and standardbred horses.

A racehorse may be purchased exempt from state and local sales taxes if it meets both of the following tests.

- It is registered with the Jockey Club, the United States Trotting Association, or the National Steeplechase and Hunt Association. (A horse purchased during the first twenty-four months of its life may qualify if it is eligible to be registered.)
- It is purchased with the intent that it will be entered in an event on which pari-mutuel wagering is authorized by law.

The exemption does not apply to the purchase of any 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. Also, it does not apply to quarterhorses.

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

The exemption from tax on the purchase of a racehorse within New York State is provided for in section 1115(a) (29) of the Tax Law. To claim the exemption, the purchaser of the racehorse must give the seller a properly completed Form ST-126, *Exemption Certificate for Purchases of Racehorses*.

If you paid sales or use taxes on the purchase of a racehorse on or after June 1, 1994, and you believe the purchase qualifies for this exemption, you may apply for a refund of the tax by completing Form AU-ii, *Application for Credit or Refund*.

Prior to the addition of section 1115(a) (29) of the Tax Law, limited exemptions from the sales and use tax applied for specific purchases and uses of racehorses in this state. These exemptions, which have not been amended or repealed and thus still apply, include:

- an exemption from the use tax for racehorses that, for no more than five days annually, are entered into racing events in New York State on which pari-mutuel wagering is authorized by law,

- an exemption from the use tax for any portion of the purchase price (or current market value not to exceed cost) of a racehorse that exceeds \$100,000, and
- an exclusion in computing the sales tax for that portion of the purchase price of a horse purchased through a New York State claiming race that exceeds the highest price previously paid for the purchase of the same horse in other New York claiming races in the same calendar year. (A *claiming race* is a race in which every horse entered is offered for sale at a set price and may be claimed by any owner registered in good faith for racing at that meeting.)

Additional information on these other exemptions appear in section 527.14 of the New York State Sales and Use Tax Regulations.

If the purchase of a racehorse meets the requirements for exemption under section 1115(a) (29), the transaction is entirely exempt from the tax and the exemptions mentioned above are superseded.

Thus, for instance:

- a qualifying racehorse may be raced in New York for more than five days annually and would incur no use tax liability, and
- a qualifying racehorse purchased through a claiming race would be completely tax exempt.

The exemption for the services of training and maintaining a racehorse under section 1115(m) of the Tax Law is not affected by the exemptions for the sale of racehorses.

The purchase of a racehorse exclusively for breeding offspring for sale is also exempt from sales and use taxes. Use Form ST-125, *Farmer's Exemption Certificate*, to claim this exemption.

You can get New York State tax forms by calling toll-free from New York State only 1 800 462-8100. From areas outside New York State, call (518) 438-1073. For additional sales and use tax information on the purchase of racehorses, call toll-free from New York State only 1 800 CALL TAX. From areas outside New York State, call (518) 438-8581.