

THE JOCKEY
1894
CLUB.



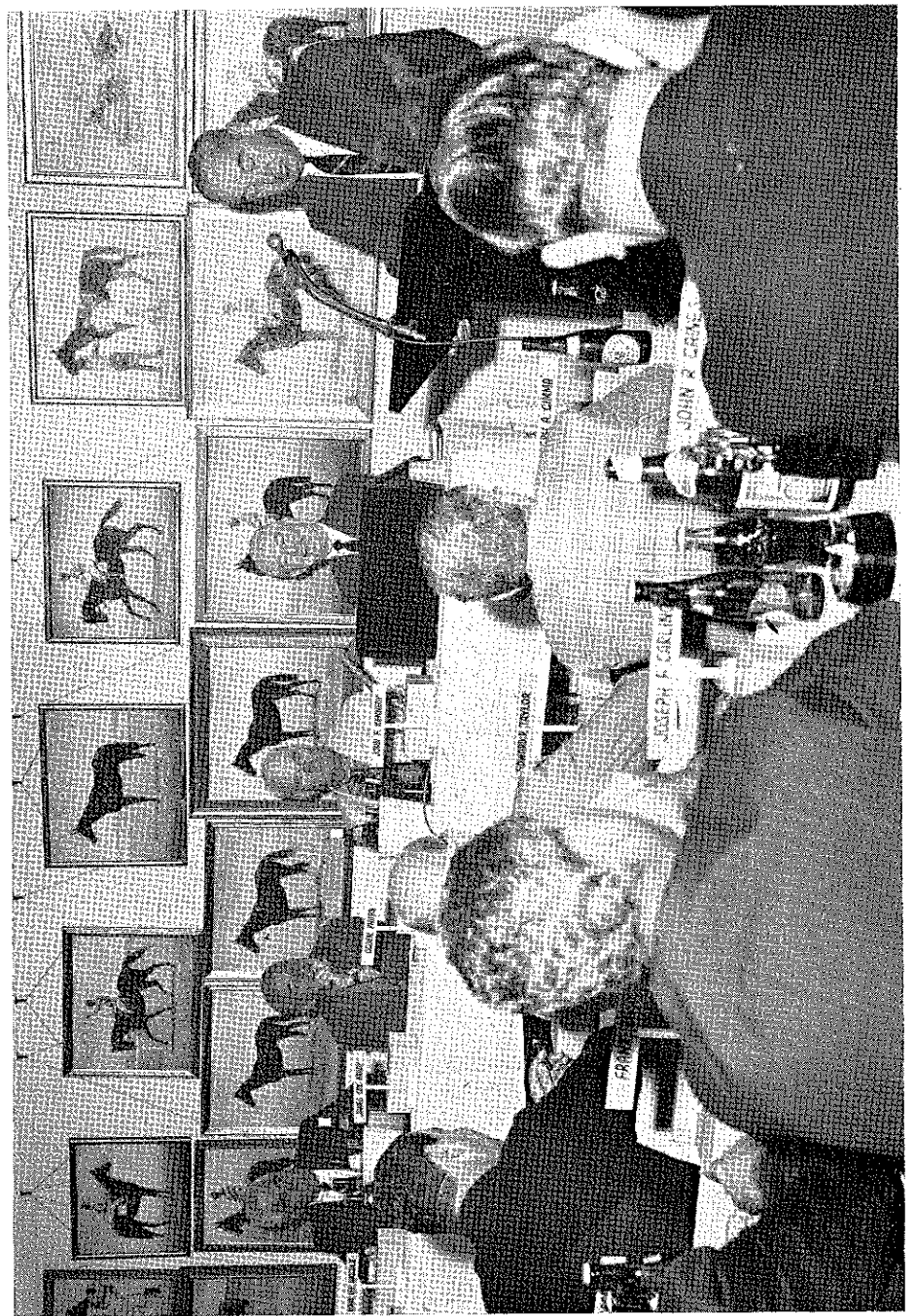
Mr. Ogden Phipps welcoming participants and guests.



*Rex B. Potter, C.P.A.
Guest Speaker*



*The Honorable Joseph H. Murphy
Guest Speaker*



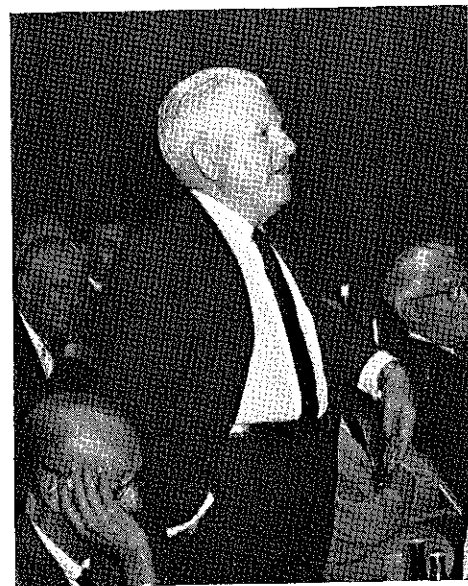
Commissioner Murphy addressing the Conference.



*Frank E. Kilroe
Guest Speaker*



*Louis M. Walger
Guest Speaker*



Francis P. Dunne



Joseph F. Carlino

FIFTEENTH ANNUAL ROUND TABLE DISCUSSION
ON
MATTERS PERTAINING TO RACING
HELD BY
THE JOCKEY CLUB
IN THE
NATIONAL MUSEUM OF RACING
SARATOGA SPRINGS, NEW YORK
SUNDAY, AUGUST 13, 1967

PARTICIPANTS:

- Moderator — John F. Kennedy, Executive Secretary of The Jockey Club
- David Alexander, Turf Writer
Frank M. Basil, Vice President and Treasurer, The New York Racing Association Inc.
John A. Bell III, Cromwell Bloodstock Agency
Alex Bower, Publisher, The Blood-Horse
*James Cox Brady, Vice Chairman of The Jockey Club; Chairman of the Board of Trustees of The New York Racing Association Inc.
John L. Brennan, Executive Vice President, Thoroughbred Racing Protective Bureau
J. Newton Brewer, Jr., Member of Maryland Racing Commission
Baird C. Brittingham, Vice President, Delaware Racing Association
J. Elliott Burch, Trainer
Joseph F. Carlino, Attorney and former Speaker of the New York State Assembly
Marshall Cassidy, Retired Executive Secretary of The Jockey Club
Dr. J. G. Catlett, Steward
Tony Chamblin, Editor, The Horsemen's Journal
J. Fred Colwill, Steward
*Leslie Combs II, Member of Kentucky State Racing Commission; Breeder, Owner
Dr. Horace N. Davis, Veterinarian, Breeder and Officer of Thoroughbred Breeders of Kentucky Inc.
Thomas J. Deegan, Jr., President, Thomas J. Deegan Co., Inc.
Edward T. Dickinson, President, The New York Racing Association Inc.
L. P. Doherty, President, Grayson Foundation
Walter H. Donovan, Vice President, Garden State Park and Hialeah Park
Francis P. Dunne, Steward
Rex C. Ellsworth, Breeder, Owner
J. A. Estes, Director of Research, The Jockey Club Statistical Bureau
William S. Evans, General Manager, Breeders' Sales Company
F. G. Farrell, Racing Secretary
Andrew W. Feeney, Director of Pari-Mutuel Revenue, New York State Tax Commission
Bryan Field, Vice President, Delaware Racing Association
Humphrey S. Finney, President, Fasig-Tipton Company, Inc.
John M. S. Finney, Vice President and General Manager, Fasig-Tipton Company, Inc.
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Haden Kirkpatrick, Chairman of the Board, Record Publishing Company, Inc.
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Louis M. Walger, Director of Mutuels, The New York Racing Association Inc.

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MR. PHIPPS: Gentlemen, I am very pleased to welcome you to our Fifteenth Round Table Conference. We have a very large representative group. In fact, I think it is as large as this room can hold. I hope you will enjoy the program. I think Jack Kennedy has provided a very interesting one. I shall now turn this over to Jack. Thank you.

MR. KENNEDY: Thank you, Mr. Phipps. I would just like to reiterate that this is an excellent gathering and every segment of Thoroughbred racing seems to be well represented.

To start off the program I am going to ask Mr. Frank E. (Jimmy) Kilroe, Vice President and Racing Secretary at Santa Anita Park, to give us a summary of recent developments in the west.

MR. KILROE: I think all of us in racing must be aware in varying degrees of the financial squeeze we get in as our costs keep going up and our patronage tends to peak out. To the track operator, it doesn't take him very long to realize that. He can get that at the end of the business day. To the breeder, it takes a little longer, and it shows itself in the average price of the average yearling. As the earning potential stabilizes or goes down, naturally the price of the product goes down with it. Whatever branch of the service we are in I think we find the answers to our problems are more and more at the state capital which is where most of the money goes. In California we are fortunate to have a well-informed and understanding Governor and Legislature who saw our problems and acted wisely and promptly to help solve them. That may not be much help to the rest of you who are not so fortunate as to live in California; but I think there may be a message in how our legislators happened to be so well-informed.

In California we are accused of doing almost everything either wrongly or differently, and where most other areas had too much racing, we had much too little over a period of time. Under the old racing law, every county, no matter how sparsely populated or remote it might be, was entitled to 14 days' racing if it had a fair grounds to run at, but our biggest county, which is Los Angeles—and we are closing in on Rhode Island very quickly for size—was limited to two fifty-day meetings a year at two of the nation's biggest race tracks. That meant that the two big money meetings where the horsemen had a chance to even up things were either two months apart, or five months apart, depending on which way you looked at the calendar. The rest of the year there was Thoroughbred racing at the smaller tracks in San Francisco, at Del Mar and at the Fairs, and none of them could generate enough income to provide a competitive purse program.

So after thirty years of that, with racing days really proliferating around the country, and California standing still, the whole Thoroughbred industry in California was in a tailspin. Yearling prices, bloodstock investments, the operation of racing stables and the racing plants themselves were going no place fast. At one point there it looked as if we might all do as some of the breeders did and cash in our chips and go in the real estate business. There is, however, a limit to how much land we could subdivide. Our problems as we saw them needed a legislative solution and fortunately in California there was a great unanimity of feeling among the different branches of racing—the owners, the trainers, the breeders and the track operators.

We had a remarkably able Racing Board chairman in Neil Curry who proposed that we contract for an impartial, independent study of the whole racing and breeding picture in California, which we had made by the Stanford Research Institute. It cost the best part of \$200,000 but it had to be worth ten times that in terms of

its effectiveness as a reference book for our legislators. Our people made the same presentations that racing people have made in other state capitals but all our presentations have to be suspect in the minds of legislators who spend their days listening to pleadings of special interests. This unbiased, impartial appraisal of our problems, done by an outside and authoritative organization, had to be the convincer with them, and because of that we now have legislation which lengthens our racing calendar to a point that it can be self-supporting. It makes special provision for redistribution of breakage at the tracks that handle less than \$1,000,000 a day, which will take a great deal of the dip out of the valley of the graph of our purse distribution. It will produce a whole \$4,500,000 in purse distribution according to our estimates, and bring in \$13,000,000 for the state itself, and none of that at any cost to our customers in terms of increased mutuel percentage.

As I say, we are very fortunate to have such a perceptive state government to work with, but we feel that legislators are sort of like computers. They have to be properly informed to give you the right answers. In California they were. Thank you.

MR. KENNEDY: I would like to ask Jim Stewart of Hollywood Park if he has anything to add to that.

MR. STEWART: I want to thank Jim Kilroe for a very fine analysis of how things work out in California. I might add this: the legislation itself was what we consider a piece of omnibus legislation in that many elements of racing had to be considered—the harness people, the quarter horse people, the breeders, and all the other groups that make up racing, even the cities in which race tracks are located who got some legislation in the bill.

As Jim said, the SRI survey was the basis for our moving. We did have many conferences with legislators, and with legislative committees prior to the drafting of the legislation. Fred Ryan, who is here today, was very active in those, and as a result we were able, as Jim points out, to persuade the state to give up some \$3,000,000 of breakage revenue and not put another tap on us for a bigger percentage of the pari-mutuel commission which they get. I think those are the important things. In working with the omnibus legislation there was one phase we got into in which each one of us realized we were going to have to swallow some bitter pills along with the sweet ones, because of the differing interests that were all working together on this legislation. I think the SRI report was particularly valuable in stressing to the state that no more tax take-wise should be taken out of the racing operation. We could not afford it. We were not healthy as an industry and the state could not expect a greater percentage of tax from us. Thank you.

MR. KENNEDY: Thank you, Jim. Does anyone wish to direct a question to either gentleman or make any further comment? How about you, Mr. Carlino?

MR. CARLINO: John, I would like to be informed more specifically as to what was contained in that omnibus bill. I am not thoroughly familiar with it. I just learned from my colleague here, Mr. Basil, that the take-out in California is 15%, with breakage to the dime in which the track does not participate at all. Their advantage of course is that the track gets a higher attendance than they do here in New York, substantially higher, and we are hopeful that we can approach at least in some degree the same level of attendance. We are still convinced at least in this state that breakage to the dime is a deterrent in terms of the amount of handle and the patronage by customers at the race track. Our studies indicate that when that law went into effect in New York it reduced the attendance and

reduced the handle. Although there is some indication that the handle is increasing here in Saratoga, generally the handle has not returned in spite of every effort to broaden the patronage at the track. So that is one area we are studying. If I could get a copy of that California bill from somebody within the next few days I would greatly appreciate it.

MR. KENNEDY: Thank you very much. Mr. Taylor would you like to comment on the Canadian situation?

MR. TAYLOR: Our situation is very grave, indeed. We have all the racing days we can possibly expect, so there is no cure in having more days. We have 196 days. On the face of it, it would appear that 9% and breakage to the track is a very generous deal, with the province taking 6%, but actually, our handle only averages about \$500,000 a day, and we simply are at the end of the line. Our expenses have come up and the revenue has just been flat. There are a great many reasons for that. One, I think, is the greater number of days of harness racing in the area. We also conduct 270 days. We had a brief prepared by outside fact-finders, presented it to the government last fall, they listened sympathetically, but they said, "We are in an election year, please wait awhile." So I hope things will be happier when we go back next year. To maintain Thoroughbred racing on high standards we are asking them to still collect their 6% and give us back part of it. That is being done in four provinces in western Canada. I don't think we should ever put the total take at over 15% and breakage. So that is one way of doing it and it is done in the four western provinces of Canada where they are giving back part of it in the interests of keeping racing going. So that's our plea. Thank you.

MR. KENNEDY: Thank you, sir.

Our next scheduled speaker is a gentleman from Lexington, Kentucky. He's a member of the accounting firm of Owens, Potter & Hisle which, among other things, has highly specialized in the tax problems of Thoroughbred breeders and race tracks. I would like to introduce to you Mr. Rex Potter.

MR. POTTER: Thank you, Jack.

I am afraid my subject "Horsemen Versus Taxes" is rather drab, and completely devoid of humor, however it is a sad fact that taxation is all-embracing, and affects all types of business enterprises.

A person entering any phase of the Thoroughbred business should be aware of the tax implications involved and should take steps to avoid certain pitfalls which exist for the unwary.

It should be borne in mind that there is no neat set of rules and conditions dealing specifically with the horse business, to which easy reference can be made. The tax treatment of a horseman's receipts and expenditures is the same as that accorded those of any recognized trade or business. Whether receipts are taxable at all, are ordinary income or subject to favorable capital gain treatment, or whether expenditures are deductible currently or require to be capitalized and depreciated, or are deductible at all, depends upon their meeting the same tests as are applicable to the income and expenditures of any other business.

HOBBY LOSSES

The first danger, that has to be avoided at all costs, is that one's participation in the business may be regarded by the I.R.S. as a mere indulgence in a hobby or diversion rather than a true business venture, with the result that any losses arising therefrom are disallowed in their entirety. This need cause no worry to those who derive their entire living from the horse business or to those successful

horsemen who normally operate at a profit—rather, it is the man of independent means or one who is profitably engaged in other enterprises who is likely to be challenged where he has had an unbroken string of loss years in his breeding or racing operations.

It is essential therefore, that a person must have, not only an intent to make a profit, but a reasonable expectation of eventually making one, that he conducts his operations in a businesslike manner throughout, and that he refrains from anything that may cause his actions to be regarded as a pursuit of a hobby rather than carrying on of a business.

SECTION 270

Frequently confused with the "hobby loss" situation is the limitation of deductions provided by Section 270 of the Internal Revenue Code. The main distinction is that Section 270 applies to enterprises which are acknowledgedly businesses in that the profit motive is not in question. Where it has been determined that an enterprise is not a business entered into for profit, then *none* of its losses are deductible. Where, however, it is recognized as a trade or business its losses are deductible in full up to a certain point. This point is reached when, for each of five consecutive years, the deductions, including losses, with respect to an individual (not a corporate) business exceed the gross income therefrom by \$50,000.00. If this situation arises, the taxpayer's net income is recomputed for each of the years in question, and, on the recomputation, deductions attributable to such trade or business are allowable only to the extent of \$50,000.00 plus gross income.

For example, if A's racing stable has been run at a loss of, say, \$100,000 for each of five consecutive years, then under Section 270, his income would be recomputed by the disallowance of \$50,000 for each of the five years, and he would have to pay tax at his ordinary rate each year on the \$50,000 denied as a deduction.

It should be noted that he is not required to show a profit in the fifth year. He could lose \$100,000 yearly for four years and lose \$49,000 in the fifth year and avoid the application of this section altogether.

Forward planning is essential when it appears that a taxpayer may be headed into a drastic fifth year. Otherwise it may be necessary to sell some or all of his horses against his will, he may have to curtail or cease his racing activities, refrain from projected purchases or even incorporate his business. If he waits until the fifth year is upon him, mere curtailment of all expenditures may not be sufficient—he may have depreciation-deductions in excess of \$50,000 on January 1, his depreciation allowances may be increased on subsequent examination, an expensive uninsured horse may die during the fifth year, or, worst of all, he may die himself.

CAPITAL GAIN

As most horsemen, and all Revenue Agents, know, favorable tax treatment is accorded transactions which result in capital gain. The initial benefit is that only one-half of the profit is included in one's tax return, secondly, that half is limited to a maximum tax rate of 50%, as opposed to the maximum rate of 70% which may be applied to ordinary income. The effect is to limit the tax on the entire gain to a maximum rate of 25%—it can be smaller but never greater.

Horsemen have long sought to have as many transactions as possible fall within this special category, and just as eagerly, it seems, the IRS has been seeking to deny them.

Perhaps a short discussion of the situation might throw some light on both sides.

Capital assets are defined, indirectly, by exclusion, and do not include either property held for sale to customers in the ordinary course of the taxpayer's trade or business, or depreciable business property. Horses, therefore, are rarely capital assets as such, but instead may be "Section 1231" assets, a special group that is permitted the benefit of capital gain treatment if sold at a profit, but which is permitted the deduction of the entire loss against ordinary income if a loss is sustained. This latter advantage is not applicable to capital losses which are restricted to \$1,000 of ordinary income.

A horse may come under the purview of Section 1231 as "property used in the trade or business, subject to depreciation, and held for more than six months" if it is a race horse, or, alternatively, as "livestock held for draft, breeding or dairy purposes, and held for twelve months or more" if it is a broodmare or stallion. The difference in the length of time the animal must be held should be noted.

Section 1231 also excludes property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business, and it is this particular exclusion which gives rise to the most difficulty on the taxpayer's part of succeeding in convincing the IRS that a certain transaction is indeed a capital gain. It is not every transaction, of course, that is contested. Disposal of broodmares and stallions that have been held by the taxpayer for some time and used regularly for breeding, is not normally called into question, and, if it is, can easily be defended. A protest is much more likely in the case of a horse that has not in fact been used for either racing or breeding, or in the case of race horses that have actually been raced, where there is a number of sales, or the holding period is minimal, or the taxpayer repeats the process year after year.

The taxpayer's actual method of business operation is important. Is he primarily a market breeder disposing of his annual crop regularly and not maintaining a racing stable? Is he primarily a racing man who retains most of the horses he raises, disposing only of the unsuitable one? Does he maintain no broodmares but purchases all his stock, then race, then dispose of them?

In the first category, unless special circumstances existed, it would be difficult for a market breeder to justify capital gain treatment on the sale of a young race horse. The latter two categories offer more opportunity for claiming and supporting such treatment.

The common argument advanced by a Revenue Agent in his denial of capital gain treatment is that the particular animal was held by the taxpayer primarily for sale—he doesn't really argue, in fact, he just so states.

From his point of view the very fact of selling is a manifestation of the taxpayer's intended purpose—the reason he acquired the animal in the first place, whether by raising or purchase. His conclusion may be bolstered by attendant facts such as the sale of similar animals that year, or continually over a period of years. The advertising beforehand, the early entry and cataloguing in a regular horse sale, the submission of the animal's pedigree for acceptance in a selected sale, all lend credence to the presumption that the animal was held primarily for resale.

Unfortunately for the taxpayer an agent may jump at an unsupported conclusion based merely on the fact of sale, nevertheless the taxpayer still must bear the burden of disproving what may be a very arbitrary assumption.

Perhaps a sidelight should be thrown on what some regard as renewed persistence on the part of the IRS in objecting to capital gain treatment for horsemen.

As we mentioned above, gain from certain sales of depreciable property has been treated as capital gain. This has given taxpayers what Prentice-Hall has aptly called a good tax parlay. The annual depreciation deduction has reduced ordinary income taxed at normal rates, while its recapture, as part of the sale price, has been taxed at the lower capital gain rates. In 1962, a provision was enacted, whereby, on the sale of depreciable property, gain which represented the recapture of prior depreciation was to be treated as ordinary income, thereby reducing the amount of gain available for capital gain treatment. The one exception to the application of this provision is livestock, which perhaps explains the resistance of local Revenue Agents to capital gain for horsemen. The fact that purchasers of livestock do not have the tax advantage of the investment credit that is available to purchasers of other depreciable property does not seem to weigh heavily.

NEW DEVELOPMENTS

The most disturbing new development affecting horsemen, which was introduced last year by the Internal Revenue Service, was the denial of deduction of training expenses of yearlings. Customarily, all such expenses have been treated as deductions against ordinary income, but the new approach has been to require that they be capitalized as part of the cost of each horse and be recovered via depreciation over its useful life. I have had two clients subjected to this theory so far. The first was required to capitalize \$1,250.00 for each yearling in training, representing \$250.00 per month for five months—figures generated by the examining agent without valid explanation. The approach to the second, a refinement,—if that is the word—of the new theory, required that all costs of raising a foal from the time of his weaning to his attaining two-year-old status, be capitalized. This alarming concept was triggered by a decision in an Indiana District court case which was undefended as to this issue, a completely minor one in relation to the case as a whole. The principle involved is currently being argued, informally, at a high national level, and in each of my two cases, an extension of time, has been requested by the district office because, as they say, “there is some question as to the propriety of the proposed adjustment and we intend to present the problem to our National office for consideration before adopting a position in the matter.”

Allied to the above, there have been attempts by agents to require the capitalization of breeding fees which have hitherto always been deducted as ordinary expense in the year paid. This issue, too, is being discussed at the National level, and it is hoped that it will soon be resolved favorably for horsemen.

The status of unborn foals again received some attention in a recent court decision. You may recall that the issue was previously in court when the question was raised whether some part of the price paid for a mare in foal represented the value of the unborn foal and should therefore be treated as ordinary income. In that case the jury unhesitatingly found that it did not, and that the entire profit from the sale was correctly treated by the taxpayer as capital gain. In the recent case, the horseman was taking the opposite viewpoint; that the unborn foal was a separate entity for insurance purposes, that his holding period had begun when the mare conceived and that although the foal had died shortly after foaling, it nevertheless had been held by him for longer than six months and the insurance proceeds should therefore qualify for capital gain treatment.

In this case it was held that the time the *live* foal was held (five days), was controlling. The court said “We do not believe that Congress intended that the

conception of an animal started the running of the six-month period for capital gains treatment under Section 1231 of the 1954 Internal Revenue Code.”

DEPRECIATION AND SALVAGE VALUE

Most horsemen are familiar with the deduction known as depreciation. It represents that loss of value in a physical asset that cannot be made good by repairs, and is occasioned by normal wear and tear, obsolescence, etc. This gradual exhaustion of an asset's useful life is permitted to be deducted rateably over the annual accounting periods covered by the useful life span of the asset. Depreciation occurs, whether the taxpayer claims a deduction for it or not, thus a subsequent sale could result in an increase in profit by the amount of available depreciation that could have been claimed in prior years but which wasn't.

The IRS does not stipulate what rates should be used apart from the guideline that gives breeding horses a life of ten years. The guidelines state that the depreciable lives of race horses shall be determined according to the particular facts and circumstances.

Agents in different parts of the country attempt to apply varying useful lives, but in general, if a horseman uses a racing life of five to six years, and a breeding life that ends at age 14 to 17, depending upon age when acquired, he will be on safe grounds.

Various methods of depreciation are available and a horseman is not obliged to apply the same method to every horse he owns.

Depreciation claimed in the year of sale at a profit, has often been disallowed, but recent cases give grounds for the belief that this deduction will stand up.

The question of salvage value on horses has often been raised. In connection with racing horses intended for stud duties it is still moot, but there should be no question that it is not a factor in the case of breeding stock. A breeding animal has no salvage value worth mentioning at the end of its useful life. If an older horse is sold for a sizeable sum in its declining years it doesn't prove that there was always a salvage value, it might merely indicate that its depreciable useful life was underestimated.

CONCLUSION

As I said at the beginning, there is no convenient set of rules a horseman can refer to and be guided by. Not only do different Districts of the IRS take different positions from others, the same District will sometimes adopt different positions from those it has previously held. Horsemen themselves, treat items in different ways and there are no strong lines of communication between them to assist others with their experience. Frequently individuals settle tax examinations by compromise, for reasons of convenience or anonymity, and the basis of each such settlement is not, therefore, available to others.

It is suggested that a horseman adhere to customary and accepted usages of the industry, and consult with a competent tax adviser, not only at the end of a year, but before he embarks upon any significant transaction. Unless advice is requested beforehand, the tax man merely becomes an historian who can only report and attempt to defend transactions which have already occurred.

Thank you very much.

MR. KENNEDY: Whenever I see Mr. Potter I am reminded of a wonderful story which he brought from his native New Zealand. It seems that there was a frustrated aborigine down there, and the reason for his frustration was that

someone had given him a new boomerang for Christmas and he couldn't find a way to get rid of his old one.

(Laughter)

For the last few years here we have had discussions of the problem of the help situation on the back side. We have a gentleman here today who has attempted to implement these discussions—Mr. Ellsworth, I think there is a microphone there. Would you like to tell us what your experience has been?

MR. ELLSWORTH: Over the past twenty years we haven't hired any help around the race track, and I might say right quick that it isn't because we don't like the help at the race track. It's because we have found from the beginning it is more convenient to go this way, but it kept getting bigger and bigger. So a number of years back we started this jockeys school. We'd take boys from the age of 16 up. If they are younger they aren't covered by the state compensation and we would have no protection. So we have to wait until they are 16. We take a boy in and talk to him—tell him what is expected of him, what he can expect and how long it will take him. Most of these boys are from split families, or boys that are maybe not exactly up to par with their playmates. A lot of them, because they are small, feel inferior and they are going backwards instead of forwards. So we tell each one of them they can get there, it is not impossible. It just means they have got to do a lot of hard work, which any one of them can do. We took a boy that weighed 72 pounds and had been sick almost every day of his life. He went to work with us and he's been there three and a half years now. We expect a boy to be able to get a license to ride after three years. But it is impossible for this boy, being so small, to become strong enough in that length of time to hold a horse. Anyway we gave him responsibilities, because of his being there so long, of keeping track of the horses, and so on for the rest of the men. He went to Chicago after three years. Although he's been sick all his life, he has never been off a day with us except when he broke his toe and was off for about six weeks. This shows what can be done with these boys and how far they can go.

These boys are told that there is absolutely no drinking. Usually we promise them that we will get them a license to ride. We put them on ten or twelve mounts, get them started, and then they are on their own and our obligation is through. All these boys have visions of becoming Shoemakers, that's what they are looking forward to and it keeps them going.

We have one big problem and that is for about one year and a half, possibly a year, they are of little use to us. After they have been there about a year and a half they can just barely stay on a horse and gallop a horse. We then have the problem of other people giving them lots of promises, saying we aren't doing anything for them and they'll do so much. This is just because they need help so badly that they'll do anything to get these boys. We used to be backed up by the Stewards. We hold a contract on these boys and the Stewards would say they couldn't come on the race track as long as they had this contract with us. But we aren't backed up by the Stewards anymore, even though in each case we have a five year contract and it is signed by the Judge of the Supreme Court in Los Angeles. These boys are taken in and given a talking-to by the Judge, and we have tried every way to keep these boys in tow.

Our policy has been in the past to give the boys \$85 a month to start. Of course that is more money than any of them have ever seen in their lives. They've usually had a couple of dollars a week, and that's all the money they've had to spend. So we have a little problem of their having too much money to spend

to start with. Then as time goes on, every six months we increase the wages and by the time they have been there three years, they are drawing \$300 a month and that's spread over a raise every six months equally. After they are able to gallop a horse they can get a job for \$400, \$500 or \$600 a month.

Some of the boys become too large and then they can turn into regular exercise boys. Some of them can stay clear to the end and become riders. As a general rule 5% of them get that rider mark, they'll even get a license to ride, ride a little while and then drop back to become an exercise boy because people need them so bad that they will offer them almost anything. Up until now we've been able to place these boys very successfully with good people that will pay them well.

The government has a program of recruiting where they pay a boy \$30 a month or \$50 a month which they keep back and give them at the end of the course. Then they pay all their medical and dental expenses, all their clothing and all their other keep and teach them a trade. We think if we have the endorsement of the racing commissioners, The Jockey Club, the association of the tracks, and everybody concerned, we could make this thing go over, appealing on the grounds that these boys are underprivileged and that you'd put them into activity where otherwise they would be on county welfare, in prisons, and so on. We get quite a few of the boys from probation officers and they are under probation for a while. So you can see what an appeal it would have to a government organization for a recruiting deal. If we got this thing going we could turn out maybe 200, 250 boys a year. We would maybe speed the course up a little bit and give expert weight-lifting to get these boys to be stronger quicker. That is the main thing that takes long. We would teach these boys in the first place all the rules of racing, give them a real high-class foundation in racing. If they should drop by the way-side because of not being able to ride, they could go right down the line to take any job in racing because they would know all the rules and would be taught to be gentlemen. If any of that didn't suit them they could go into grooming horses, exercising, and even working as ushers around the race track so that they wouldn't have wasted their time in case they got too large or incurred an accident which would stop them from doing one thing or another.

We would probably make this course two years. At the end of this time they would, like they do now, get a diploma which they could take with them stating that they would be qualified to be an exercise boy or whatever else the diploma would state. At the present time we are giving these boys a diploma and they should be able to go anywhere and get a job because I can guarantee to you that they are well qualified for good exercise boys and can do the job. Charlie Whittingham at the present time has four of our boys that went through this school about a year and a half ago and every day he asks me when am I going to have some more. So I think you'll find that we teach these boys how to handle a horse on the grounds, how to protect themselves, and to take care of themselves in all events. I think we are the only people in the business that are qualified because you have so many people that are raising horses for others and the owners won't stand for this. This is completely controlled by myself and I don't have to answer to anybody on that score. We are set up to do it, we've got a number of horses, not only Thoroughbreds, but quarter horses, and we break about 200 horses every year. The quarter horses are very good to start these boys out with. Just like an owner, whether he sells his horse or not, still has an interest in him and wants to see the horse do good for the people that get it, so we are very interested in these boys to see that they get with good people and that they do a good job. We found that there isn't any other way you can make better improvement in any boy

from the time he starts this school until he finishes. I know there are lots of questions you'd like to ask and I will try to answer any question you have on the subject.

MR. KENNEDY: Thank you very much, Rex, for an interesting presentation. Alex Bower had a question.

MR. BOWER: I'd like to ask Mr. Ellsworth if during that \$85 a month period he furnishes the room and board for the boy or whether he does it all during the program.

MR. ELLSWORTH: We started at \$85 a month and we charged them \$40 for board, which costs us about \$60. Then they have \$45 to spend on themselves, and that's for the first six months. After that their wages start to increase.

MR. KENNEDY: I see that we have a very representative group of Stewards here today. I'd like to ask any of them to comment on the necessity for having certain minimum wage standards in certain jurisdictions. Mr. Rainey, would you say something about that?

MR. RAINEY: Certainly in New York we would run into a problem with that wage set-up. We would have to keep it pretty close to the wage level here. In our apprentice contracts we have a minimum of \$100 a month for the first year, plus the boy's room and board. Our practice has been, if they waive room and board clause which is part of the contract, and let the boy pay for his own keep, they would have to add another \$100 to it. I suppose in California it is quite different from here. Perhaps some of the other Stewards would have some comments on that.

MR. KENNEDY: We have Mr. Colwill, the State Steward in Maryland, here. Would you like to comment on that, Fred?

MR. COLWILL: We very seldom pass on any of these contracts anymore where they say room and board because it is very difficult to supervise the adequacy of the living quarters and the quality of the food. So, like Cal Rainey, we usually stick to \$200 because we figure a boy has to go get a room outside the track, or he may bunk at the track, the kitchen is pretty expensive, and he spends at least \$100 a month there. We kind of set on \$100 and add \$100 to it, and we strike out the clause in there about the clothing. We do keep the medical part of it in. We won't let them strike that out. That's more or less routine with us.

MR. KENNEDY: I see Pat Farrell here from Ohio. Pat, what do they do out there?

MR. FARRELL: Ohio is kind of the back neck of the woods in a lot of ways, but I don't think too many boys grow up in that area. Most of the boys you get there come out of Lexington, from off your farms. Practically all your exercise boys down there are what I call free-lance. They get so much a mount and that's it.

MR. KENNEDY: In respect to the free-lance boys, how do you control them? Do you make them get on someone's list so that someone is responsible for them, and then work for as many people as they want, or do you just let them in the stable area?

MR. FARRELL: They are licensed as exercise boys, and they are free-lance. That's the way they are licensed. Nobody is responsible for them. They are responsible for themselves. They charge I think \$2.00 a mount or \$2.00 an hour, that's the way they operate. A boy can get on 15, 20, 25 horses a morning. They practically meet the horses at the gap as they go in. You've just got a dearth of exercise boys—there just aren't enough.

MR. KENNEDY: Thank you, Pat. Walter Salmon had a question.

MR. SALMON: Rex, do you keep an hourly book on these boys that work for you? I know at our farm we have to keep a minimum wage and we set our schedules for the work. We have to pay them \$1.00 an hour minimum. Now if you work more than a 40-hour week during a 4-week period you certainly have to pay them \$160.

MR. ELLSWORTH: You are talking about something entirely different from what we have. This is a school for these boys to learn to ride. They don't work for us for the first year, they're not working for anybody. They are just going to school. You can't learn to ride unless you get on a horse, and believe me, we have enough outriders there to take care of these boys. You practically have to hold them on. So it isn't a case of working for you. You're paying them to go to school and they're not worth anything to you. If you were going to pay somebody to work for you, you'd ask, "Well, are you qualified, can you gallop a horse, or can you do this or that?" They'd say, "Yes" and if you tried them out and they can't do it, you would tell them, "I can't use you." But this is a school where they are going to learn and they will get a wage like you are talking about when they get up to where they can take care of a horse. This is just like one big family, the way we handle it. These boys learn to go out there and get on these horses. In the summer, when it's hot, we let them take a vote. If they want to get up and go before daylight and start, well then they go off four or five hours in the middle of the day when it is hot, and work in the evening. It is just whatever they want to do. There are no special hours. There's nothing that rigid, because it isn't like they have a job. We try to have things pleasant for them. We try to show them a good time. We got one boy a job in Chicago when he got through with us. He was getting \$625 a month, working for this lady, and he had a car furnished him and everything else. He worked there about a year and then he came back and wanted to work for us, and we told him we couldn't pay him over \$300 a month, trying to discourage him, but he wanted to work for us anyway, so we paid him \$450. But he was going to work at \$300 because I guess he was a little homesick, or wanted to get back with the rest of them, and so he quit the \$625 job. This isn't a job that they really have when they are going to this school. They are just learning. It's like recruiting in the government. They pay these boys to go to school to learn a trade, and that's what we are trying to do, teach them a trade that they can make a living at.

MR. KENNEDY: Thank you. I think that is a good point, Rex.

We have explored this field fairly well. There are a lot of ramifications to it. The important thing is that an overt act has been made to try to develop some people.

We have with us today the dean of American mutuel directors. I'd like to ask him to make a few comments on some of the things that have been reported recently that our \$2.00 unit of betting has become obsolete and also, without reference to any area or any prejudice, his opinion about some of the complicated types of wagering. Mr. Lou Walger.

MR. WALGER: Thank you Jack. First of all I would like to say a few words about what we have done here in New York pari-mutually. I am sure everybody here is aware of the fact that in 1966 we made a drastic change in our pari-mutuel operation by the fact that we purchased our own tote system which was a great change from having leased tote operations for all the previous years. We studied

this subject for many years, then went to several electronic computer people and had them give us some ideas of what they could do for us. We finally, and I think everyone here knows, arranged for a system with automatic totalisator Honeywell computers and data processing operation and now we operate this system which is movable from track to track, every part, every unit. It has worked very, very successfully. There are several things that we can do now with this system that we could not do with the system we had been using. We also have many procedures to explore further. But the one thing that is in our favor here in New York is the fact that NYRA has 234 days of racing and the equipment, as I mentioned before, is completely portable. The operation is considerably faster than the system we used prior to this, and also, and most important, it will eventually greatly reduce our cost of operation which was rather excessive. Already we have accomplished reduction in these expenses.

If anybody here would like to look at what we have at the track and spend a few minutes with me, I would at any time, if they would care to come, be glad to show them what we have and try to explain how we do it.

Relative to the different types of betting, I personally do not think the \$2.00 ticket is outmoded. I think it is here to stay. I think it is the lifeblood of pari-mutuel betting and the records will prove that conclusively.

Relative to the various complicated types of betting, such as twin doubles, quinellas, perfectas and exactas, my personal opinion is that I don't think they are good for tracks such as we have here in New York, or large, major tracks. They may have a value at some tracks, this I won't debate at all, but I don't think they have a place here in New York for what we hope to call top-grade racing. That's about all I have to say on the subject, but if there are any questions you'd like to ask I'd be very happy to try to answer them.

MR. KENNEDY: Thank you very much, Lou. I think it has been established in some areas that they are able to let a short-field allowance race go with the quinella and no show betting, but as you point out, there is a difference in localities. Tommy Trotter, do you think quinella betting would be of any assistance to you with allowance races in New York?

MR. TROTTER: I think in New York, Jack, we can go with the small fields. I don't think we've been hurt by the handle with the small fields. Our per capita betting is pretty high.

MR. KENNEDY: Thank you, Tom.

MR. WALGER: Jack, along that line our Board of Trustees have always put on show betting with a five-horse field, and I think we are completely satisfied that it has been a good arrangement for us. I can't speak for any other area, but we have always had show betting. The show pools have been rather good and I think handle all the money a quinella and exacta would.

MR. KENNEDY: Thank you. Are there any other questions?

We have a couple of items submitted. I would like to ask Mr. Francis Dunne, the Steward representing the New York State Racing Commission, his opinion about the current thought of uncoupling entries in the betting with different ownership but trained by the same individual.

MR. DUNNE: I'd be glad to tell you my opinion about it. I am bitterly opposed to it. Sooner or later it is going to create what they now refer to as an incident and I hope I'm not there when it happens. It is no good. I know I'm practically alone in this opinion but I don't mind that. I am very strongly against it.

MR. KENNEDY: Any other comment?

MR. TAYLOR: I can't help but disagree with the distinguished gentleman, an old friend of mine. We have just asked our government for a change for some of our owners who raced elsewhere, owners who want to bet. We have asked for it in stake and top-class allowance races. We have had races where one man would have three horses. Lou Cavalaris, for instance, trains horses for several people, he has a lot of stake horses. The owner comes to the races and he wants to bet on his own horse. He doesn't want to bet on the other fellow's horse. And the public do not bet nearly as much on those races, so there is a financial consideration. We feel that there can't be much monkey business in a high-class race.

MR. KENNEDY: Well, that's the other side. Would anyone else like to comment on this? Elliott Burch?

MR. BURCH: I think uncoupling was tried unsuccessfully in Florida last winter at Tropical Park. It was immediately dropped at Hialeah because there was an incident, I think it was a Winick-trained stake entry, where the wrong half of the entry won and there was great hoop-la and uproar in the papers after the incident happened.

MR. KENNEDY: Of course that's one of the dangers inherent in the thing and I think that was one of the reasons for Mr. Dunne's opinion when he referred to an "incident."

MR. BURCH: I agree with him.

MR. KENNEDY: Does anyone else have an opinion here?

MR. RAINEY: I would like to say to Mr. Dunne that he isn't all alone in his opinion because I agree with him wholeheartedly. I believe that this is a problem too that depends on the area of racing. In some places perhaps the people will tolerate this. But our public in New York has built up its confidence in racing over the years according to the system we have used. I am sure that if there is a stand-out horse in an entry in a race, even though they are owned by different owners, and the horses are trained by the same trainer, if the one horse is a short price and the other is 40 to 1, and you split this entry and the 40-to-1 shot wins, you could have trouble. We discovered a story in England just last year—and of course everybody knows in England they do uncouple entries—reporting where they had a riot in a similar set of circumstances.

MR. KENNEDY: Mr. Taylor, it looks as if the Stewards are fairly united in their opinion. Mr. Hancock wants to ask something.

MR. HANCOCK: I'd like to ask the Stewards if it is necessary when an entry is coupled and a foul occurs which does not affect the outcome of the race—I am thinking now about the Arlington Futurity several years ago where Alhambra took the lead at the start and was five lengths in front and his stablemate was way in the back and fouled another horse and they took down the number. It didn't seem fair to me. Was that essential, or how do the rules cover that?

MR. KENNEDY: I think I can answer that. In most jurisdictions now it is discretionary with the Stewards as to whether or not the stablemate has to be disqualified. Is that correct, gentlemen?

MR. RAINEY: Yes, that's correct, but at that time it was not.

MR. KENNEDY: At that time it was not, of course, but I think, although we never like to single out any incidents, that race was probably responsible for the change which gave the Stewards full discretion. Mr. Basil, did you want to say something?

MR. BASIL: All I wanted to say was that I just appointed myself representative of the betting public, and I think that the entries should not be uncoupled for many reasons.

MR. TAYLOR: You could always try it for a year and come back and report the next year. I don't know as our public is so different from yours, Mr. Dunne.

(Laughter)

MR. KENNEDY: I heard some very favorable comment the other day arising from an incident in one of the races here at Saratoga where there was a fall right at the start and it was difficult for people to see exactly what had happened. Again, I'd like to call on Francis Dunne to explain what happened. As I recall, it was simply a matter of giving the full details to the press immediately.

MR. DUNNE: We do that all the time. If anything happens, the good old film is there so naturally we tell them. Down at Aqueduct we have a TV in the press box and we can show it to them, but it is a little rural around here.

(Laughter)

MR. KENNEDY: I am not sure that this is done in all jurisdictions, that's why I pointed it out. I think it helps to establish excellent relations with the turf writers. If there is a fall in a race, or anything unusual, they are given the facts at once and can report them correctly.

MR. DUNNE: I would just like to add one thing if I may. When they first put that television receiver in the New York tracks I was very much against it. I felt the same way about it as I did about splitting entries, and felt it was just going to cause a lot of trouble. It was Mr. Cassidy's idea, and I was younger then and I argued with him. But I was entirely wrong. It has been a wonderful thing. I highly recommend it to anybody, including Mr. Taylor.

(Laughter)

MR. KENNEDY: Any comment from the press on that?

Our next scheduled speaker of the day is the Honorable Joseph H. Murphy, Commissioner of Taxation and Finance, and President of the State Tax Commission of the State of New York.

Commissioner Murphy holds degrees in arts and laws from Syracuse University and was appointed to his post by Governor Nelson Rockefeller on January 1, 1959. Previously he had served on the staffs of the chief counsel of the Internal Revenue Service, the tax legislative counsel of the U. S. Treasury Department and the general counsel of the U. S. Treasury Department. Commissioner Joseph H. Murphy.

COMMISSIONER MURPHY: Jack, thank you very much. Mr. Phipps, Mr. Brady, Commissioner Gimma: When Jack Kennedy invited me to participate in The Jockey Club's Fifteenth Annual Round Table Discussion, I was delighted to accept.

It's always a pleasure to meet with my friends in the Jockey Club, but this occasion is particularly welcome because it affords me an opportunity to recognize the important contribution Thoroughbred Racing has made to New York State.

First off, I'd like to assure you all that the State is deeply aware of the contribution which Thoroughbred Racing has made to its economy. Too often, we in State Government are accused of having no interest in Thoroughbred Racing and in being concerned only with getting the last penny of revenue from it. There are many who feel that the State is rather more intent upon killing the goose that lays the golden egg than upon nurturing the bird with tender, loving care.

That this ridiculous misconception has received any currency at all is perhaps a sad comment upon the failure of communication on both our parts. That it should be given credence by an informed person is unthinkable.

The New York Racing Association is an industry that is nearing the three-quarter billion dollar mark. It generates employment for over 2,600 people at Aqueduct and nearly 1,800 at Saratoga. During the 1966 Racing Season it paid nearly \$80 million in state and local revenue and served more than 6,710,000 patrons.

Its physical plants here at Saratoga and at Aqueduct are showplaces of beauty and efficiency of which every New Yorker is proud. With the opening of the new Belmont in 1968, the New York Racing Association will have captured the triple crown for top-level racing accommodations.

As you all know, it has been the consistent objective of this administration to promote and develop a climate in which existing business has an opportunity to expand and to which new business will be attracted. We feel that this economic atmosphere encourages the creation of job opportunities enabling all our citizens to enjoy a maximum self-fulfillment.

That you in Thoroughbred Racing have made giant strides in this direction is graphically illustrated by gross receipts, which have risen from \$528 million in 1960 to over \$660 million in 1966, and by attendance, which has increased from over 5,500,000 to 6,700,000 in the same period. And I'm happy to say that both show signs of even more improvement this year.

Truly, then, this is an example of progressive business leadership in action and it is quite fitting that it should happen here, because New York State traditionally has been known for its progressive government. Nowhere is this better demonstrated than by its fiscal policy. And since the New York Racing Association's significant participation in the financing of our programs has increased from just over \$56 million in 1960 to nearly \$75 million in 1966, it may be worthwhile briefly to illustrate the approach which we have taken.

New York State fiscal policy is far more than a series of appropriations and revenue measures. It is a highly dramatic and significant expression of human needs, of our faith in the future and of our hopes for the well-being of our children and their children.

Take education, for instance:

In 1960 it was forecast that, unless effective action were taken, by 1970 there could be 243,000 jobs in New York State looking for college graduates, with no college graduates to fill them. There could also be 60,000 jobs looking for high school graduates, with no high school graduates to fill them. But, at the same time, there could be 786,000 drop-outs from our educational system who would be looking for unskilled jobs that no longer existed.

These projections mean at least two things in terms of governmental responsibility; as I'm sure you are aware:

First: We must be sure that no qualified person goes without an adequate education. Each must have a chance to be trained to take advantage of the job opportunities which should be his.

Second: New York must provide the framework in which its economy will expand and prosper. This will assure adequate jobs for all of its citizens, if they are qualified for them.

However, the obligation to provide adequate educational and employment opportunities does not extend only to the young people entitled to those opportunities. It extends to the whole community because education benefits all. We must provide qualified persons to fill the jobs which our economy needs because, if we don't, the jobs and the sources of the jobs will go elsewhere.

I mentioned the unpleasant 1970 prediction that there could be nearly 800,000 unemployable young people. This would mean want and an increase in welfare costs—because a person who is unemployable becomes the community's burden.

Finally, and perhaps most significantly, adequate and fair educational and employment opportunities combine with the elimination of substandard living conditions—occasioned in part at least by the lack of these opportunities—to free us from the moral leprosy of discrimination and segregation.

To meet its obligations to the people of New York State, this problem had to be attacked immediately all along the line.

State aid to local school districts for our primary and secondary schools has almost tripled in the last eight years, rising from \$555 million in 1958-59 to \$1.501 billion in 1967-68. The State provides about 46 percent of local school costs in order to insure high-quality educational opportunities for the three and a quarter million pupils attending public elementary and secondary schools.

In 1960, there were 38,000 full-time students enrolled in the State University. This Fall, full-time enrollment is expected to rise to 140,000. By 1970, there will be about 184,000 students attending classes on the University's many campuses.

In addition, substantial sums are provided for Regents scholarships, scholar incentive awards, textbooks, and contracts for medical education, in which private educational institutions participate.

The State's total contribution to the cost of education—primary, secondary and college—will be nearly \$2.1 billion for the current fiscal year. This is about equal to the revenue we will receive from our taxes on personal and corporate income. It is 44 percent of total State expenditures.

What these cold figures mean in terms of human warmth is that good education leads to good jobs and fewer unemployed. They mean that our young people can take their places as a meaningful part of a dynamic society, and that no one need become a statistic on the welfare rolls, or perhaps in desperation, a figure in the annals of crime.

Transportation is another important example of the effect of fiscal policy upon economic development.

The 1967 Session of the Legislature approved and the Governor signed two transportation bills of enormous importance for the future of the Empire State.

The first of the two was a \$2.5 billion Transportation Capital Facilities Bond Act which stands among the most significant measures ever enacted by the New York State Legislature. It authorizes a capital facilities bond issue to help meet our urgent capital needs for transportation in the years immediately ahead.

The second, an omnibus bill, creates a State Department of Transportation to unify the various state agencies engaged in transportation activities into a single agency to promote better coordination and balance in our transportation system.

The Transportation Capital Facilities Bond Issue must now go to the people at the General Election in November. If approved, it will provide:

- \$1,250,000,000 for highways;
- \$1,000,000,000 for mass transportation; and
- \$250,000,000 for aviation.

The \$1,250,000,000 will facilitate the construction of the modern four-lane, six-lane or eight-lane highways which the State has been building on an accelerated basis. These highways, such as the Thruway and the Northway, have only one-third as many accidents and deaths as the old two-lane and three-lane highways. Furthermore, a modern highway network is essential to the State's economic health if we are to attract new industry and tourists.

One billion dollars of the transportation bond issue will be used for mass transportation purposes.

During the past several years, the State has made great progress in meeting some of the mass transportation needs of New York's metropolitan areas, particularly for the commuter railroad. But much more must be done to integrate and improve the mass transportation systems. If we are to help insure the continued growth and vitality of our large cities, and of the great suburban counties ringing them, we must move quickly and firmly in meeting their subway, rail, bus and commuter transportation needs.

Two hundred fifty million dollars of the transportation bond issue will be used to improve aviation facilities throughout the State.

Increasingly, the economic viability of a region depends on the adequacy of its airport facilities. This is true in all metropolitan areas of the State.

Although most of the State is served at present with adequate airports, we cannot stand still. The demands of the air age are already taxing the capacity and abilities of many of our airports. The advent of larger and faster commercial planes and more business and personal planes means larger airports, more complex air traffic control systems, bigger terminals and better airport access facilities. These needs must be met throughout the State.

A \$2.5 billion investment by the people of New York will be a massive and decisive commitment to transportation. By approving the proposed bond issue, the people will be meeting their transportation needs now, before crises become unmanageable, before costs soar beyond reach, and before available land is swallowed up.

Governor Rockefeller has pointed out:

"We are trying to make it possible: for example, for a commuter to come from the far reaches of Long Island to get to his job in downtown Manhattan in one swift, comfortable ride from the railway station to his destination . . . We want to integrate bus, rail and airline facilities so that a trip to an airport is quick and convenient rather than a long, disjointed Odyssey . . . We want businessmen who use small aircraft to be able to get into our New York communities to transact their business quickly and conveniently so that they will come back for more business . . . We want to help a community rescue a faltering but necessary bus service . . . And we want the great cities of our State and our magnificent tourist attractions linked by good highways."

Education and transportation are only examples of the needs that are being met by the State's fiscal policies. You can find parallels to these illustrations in every other area where tax-supported services are provided.

At this point you may very well feel that you are in the position of the attractive young lady who visited the psychiatrist and was ushered into his consultation

room: The doctor entered, looked her over, took her in his arms, kissed her and said: "This takes care of my problem. Now, just what about yours?"

For this 1967-68 fiscal year, Governor Rockefeller recommended a state budget calling for \$4.686 billions. Current revenues will provide nearly \$4.3 billions and bond funds about \$360 million.

About \$146 million of the State's anticipated tax revenue will come from horse racing. In addition, localities will receive more than \$5 million from racing admissions taxes. Roughly one-half of these amounts will be generated at tracks by the New York Racing Association.

After voter approval of pari-mutuel betting in 1939, horse racing quickly became an important source of State and local revenue. As a result, racing accounted for 3.2 percent of the State's total taxes in 1950 and for 4.7 percent in 1960. Since 1960 the need for government services has increased faster than racing revenue, but racing still accounts for 3.4 percent of total State taxes.

An important factor explaining the rise in racing revenue during the 1950's was New York's enactment of legislation which made possible the New York Racing Association. This, together with subsequent legislation allowing the New York Racing Association to retain an additional one percent of handle, provided a way to pay for greatly improved facilities at Aqueduct. These facilities generated renewed interest in thoroughbred racing and led to unprecedented increases in both State revenue and purses, as well as to an increase of about \$16 million in the New York Racing Association's net worth.

The 1964 legislation extending until 1979 the New York Racing Association's retention of an additional one percent of handle resulted in major capital improvements at Saratoga and the rebuilding of Belmont. The improvements at Saratoga probably accounted for the substantial increases in attendance and handle last year. When the new Belmont is opened in 1968, a further resurgence in thoroughbred racing is anticipated.

In addition, the agreement by Governor Rockefeller and the Legislative Leaders to sponsor 1968 legislation providing an additional one-half of one percent of handle to be used for increasing purses has proved helpful. The average net purse per race at New York Racing Association tracks has always been much higher than at most tracks and among the highest in the Nation. The additional one-half percent would provide a 22% increase in total purses.

A comparison of the most recent twenty-four day meet ended July 29th at Aqueduct with the comparable 24 day period a year ago shows a 39% increase in purse awards paid by the Association for races other than stakes races, which remained unchanged. For this same period, attendances were up by 5.63% and wagering was up 6.44%.

It is obvious that the interests of New York and of thoroughbred racing are closely intertwined. Without the tax revenue generated by racing, New York will be forced either to cut back necessary services or increase other taxes.

At the same time, policy decisions relating to racing are vitally affected by the success of the State's other revenue programs. The newly-implemented State Lottery is a case in point. While the proceeds from this new revenue source have not so far come up to initial expectations, it still benefits Thoroughbred Racing in two ways:

First: 36 2/3 cents from each ticket sold goes back to localities, where it helps keep property taxes from rising.

Second: 18 1/3 cents from each ticket sold is applied toward the State budget for education, relieving restrictive budget pressures which would be felt in other areas.

And the Lottery may have a third rather indirect benefit. Some lawmakers, already writing the State Lottery off as a failure, have served notice that they will renew their pressure for off-track betting at the next Legislative Session. In fact, should the Lottery fail, and we are doing all we can to insure that it does not, off-track betting might receive a real shot in the arm.

During the past nine years we in State government have encouraged cooperation between the State and all facets of its business community. We have a great deal in common and we talk the same language. We recognize the existence of a responsible relationship with one another and with the People of New York State. Our lines of communication are always open.

The accomplishments of the past give great promise that Thoroughbred Racing will continue to improve in New York State. There seems little doubt that we can look to the future with optimism. If we may mix a little French with a little Latin, the rewards will be pari-mutuel and pari passu.

Thank you very much.

MR KENNEDY: Thank you, Commissioner.

Do we have anything from the floor?

This is the end of our scheduled program. I ask you to remember to take your memento of the occasion. There will be cocktails immediately available on the terrace and The New York Racing Association has invited the participants to lunch at the Saratoga Race Course. I shall now ask the Chairman to terminate the meeting.

MR. PHIPPS: Thank you very much. I shall see you all downstairs.