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HOW TO FIND A HORSE INCOME TAX SPECIALIST

Webster's Dictionary defines a Specialist as "One who devotes himself to a special occupation or branch of learning" and the definition of a Consultant, "An expert who is called on for expert advice."

Although most tax specialists are also tax preparers, not all tax preparers are qualified to offer advise on complex horse tax questions, such as (1) What specific business tax benefits are available in owning a horse, (2) Is this an activity engaged in for profit, (3) What is meant by active or passive, (4) How does the sales tax effect the horse activity, or even (5) How to structure syndication planning of specific horse transactions to maximize tax savings.

While it obviously requires training and experience to prepare a tax return properly, it requires further study and research to become a competent Equine Tax Specialist. The government makes substantial changes every year with new tax law changes, and changes will continue to happen every year that will affect your tax returns. It's virtually a full time job just to keep up with new tax legislation, with voluminous and preposterously confusing IRS rulings and with hundreds of court decisions each year that influence tax-planning strategies. Unless someone averages at least one or two hours per working day, all year long, reading and reviewing changes in the tax law, they are not keeping up. This is one way to draw a line between preparers and specialists.

Another important difference between tax preparers and tax specialists is that a preparer is primarily concerned with what you have done. The specialist is more interested in what you are going to do with your future. The preparer is mostly concerned with evidence, while the specialist is more concerned with goals and desires. A competent tax preparer will do what he can to help you avoid overpaying your taxes. He won't report income that is non-taxable, and he will take or report all of the allowable deductions. But a tax specialist will also focus on such things as changing your activities from passive to active. He will find methods of converting nondeductible expenses into deductible ones. A preparer must deal with completed and factual transactions, while the tax specialist looks ahead to find ways to save taxes on transactions that have not yet occurred, but will in the future.

As a rule, tax preparers tend to be more cautious and more inclined to follow IRS instructions than are tax specialists and tax consultants. Sometimes this is because the preparer may be more fearful of the consequences, which he may not fully understand. For example, a tax preparer may urge his client not to invest in horses, while the equine tax specialist will examine the situation to find out if the investment is feasible.

A tax preparer may be inclined to disparage a new tax strategy before he examines it. An experienced equine tax specialist approaches a new tax saving idea eagerly and with the hope it will withstand careful Internal Revenue Service examination.

In essence, the difference between tax preparers and equine tax specialists is like the difference between bookkeepers and accountants, draftsmen and architects, or interns and doctors. However, the tax field has become a melting pot of various occupations, and there are no specific educational degrees required of the equine tax specialist. Thus it is difficult for the general horse owner to know whether someone is a novice or an expert, a preparer or a specialist. The difference in fees is often a good clue, but fees can be very misleading. You have to ask specific questions to determine whether the individual is knowledgeable in the equine area.

The greatest number of people in the tax field are accountants (CPA's). The next largest are attorneys. A few specialists are both. Many are seasonal tax preparers - citizens with diverse backgrounds who happen to have some interest or experience in filling out tax returns, who work only during the tax season.

People seem to assume that Certified Public Accountants are all tax experts, and the CPA's have not seriously objected. Yet a Certified Public Accountant is primarily an independent auditor who examines company financial statements on behalf of stockholders, creditors and investors. The CPA's chief duty is to determine whether a particular set of financial statements were prepared according to certain broad rules called "generally accepted accounting principles." As an added service, most CPA's will also prepare tax returns. When you need tax answers immediately for your particular horse transaction, your equine tax specialist can immediately serve your needs. He is an Income Tax Specialist and not an advocate for the Internal Revenue Service.

If you look in the yellow pages, you will not find an Equine Tax Specialist. Most tax advisors prefer to gain new clients by referral. The most productive way to locate him is by asking friends or by looking through various horse magazines for specific advertisements. Another source is by asking your Equine Attorney, or your local horse association. No matter where you look or ask, people in the horse industry need equine tax expertise. Specific questions regarding this article should be addressed to Patrick J. Hurley at (800) 996-1040.