

Horsing around

As a young man, Robin Trupp competed in equestrian events. He did well enough to be considered for the U.S. Olympic equestrian team. Robin's horse-riding days ended when he entered law school.

But his interest in horses remained and was renewed when his son Austin began to ride in equestrian shows. In the 1990s Trupp began to represent clients in the equine industry, establishing a solo practice in that field. He joined a law firm in 2004 and continued to practice equine industry law, as well as doing other legal work.

Trupp attended equestrian shows with his son, which usually ran Fridays through Sundays. He was known as the attorney father of Austin Trupp, so people would approach him with their legal problems at the shows. He claimed to have acquired 40 clients in this manner over the years.

In the 2005 tax year, Trupp agreed to pay certain equestrian-related expenses to people who allowed his son to ride their horses at shows. He now proposes to deduct \$71,836 as "business promotion" expenses in that year.

Not a winning argument, the Tax Court has ruled. The equestrian activities were not engaged in for profit, at least not enough to support the deduction. Factors that the Court considered included:

- the manner in which the activity was carried out;
- expertise of the taxpayer in the field;
- time and effort invested in the activity;
- expectation that assets used in the activity might appreciate in value;
- success of the taxpayer in carrying out similar or dissimilar activities in the past;
- history of income or losses in the activity;
- amount of occasional profits;
- financial status of the taxpayer; and
- elements of personal pleasure or recreation.

Although Trupp claimed 40 new clients in the equine field, he only documented income from four such, and the most important of these was unrelated to his attendance at horse shows. He did not advertise his presence at the shows but waited for potential clients to approach him. Given Trupp's background as a distinguished equestrian, he must have taken great pleasure in attending the events in which his son participated. Although Trupp may have gained some business through attendance, it was not sufficient to support the tax deduction.