YOUR INCOME TAXES AND YOUR BIRDS

The purpose of this article is to urge that every aviculturist give serious thought to setting up his bird-keeping as a business venture so he can benefit from the many tax advantages provided by Schedule C of Form 1040. Hard work is no substitute for being born rich. However, hard work, coupled with using a little creativity in planning your tax burden can make the difference between staying in the middle class or slipping into serfdom, particularly with feed and replacement costs for birds being what they are.

One should be realistic about this. If you maintain a canary in the kitchen and a parakeet in the den, you have a couple of pets, and at most, a hobby. A hobby is the lowliest of species recognized by the Internal Revenue Service, and no tax benefits flow from having one. On the other hand, if you have a business of bird-keeping (as any serious aviculturist should have), then the tax benefits will flow to you with the blessing of your friends down at the IRS.

A hobby is an activity which a person engages in for his own personal pleasure. It is a part-time interest, usually a pastime, not intended to be profit-making. A business is something you do for profit, and it may be full-time or part-time, but its main object is to make money.

The dominant factor in determining whether your avicultural interests are a business or a hobby is your intent. Trying to divine intent is something that has traditionally appealed to lawyers, theologians, and IRS agents. If you intend to make a profit, you are in a business. And although your hopes of making a profit must be genuine and held in good faith (whatever that means), these hopes need never be realized in order to get the tax advantages of being in business. If you are forever losing money, and have been doing so for many years, don’t despair; if you have some reasonable basis or expectation of making money in the future, you are in a business. And if the IRS calls you in on an audit of your “business” the IRS must presume that you are in business if you have had profits in at least two out of five consecutive years.

There are really only two general admonitions to observe if one is to accured the title of businessman, with all the tax advantages that go with it. One, be businesslike; and two, keep damn good records. If you will but adhere to these simple precepts, then success must follow as night the day, or something to that effect.

1. Be Businesslike. You would think that a reasonably prudent businessman would make some investigation into the marketplace and the likelihood of a profit potential before going into his venture. Do ye likewise. Don’t raise English sparrows if the market is dead. Try the ashy-headed phoenix bird, or some other rare species that is likely to turn a profit at sometime in the future. You should have some breeding plans and sales policy to show your businesslike ways.

When the operation shows a loss, analyze why, and do something about it. It is painfully obvious that you should make businesslike efforts to increase income and decrease expenses.

2. Keep damn good records. Get a separate bank account just for the avicultural business. The bank will even print an appropriate symbol, say your ashy-headed phoenix bird on your checks so all your creditors will be impressed. The IRS is also impressed by little things like this.

Then make those rare deposits of income from the business into the aviculturist's bank account.
the convention just happened to be
losses into golden deductions. What the
medieval alchemist could never achieve
of Form
instrument for tax reduction (Schedule
you get to deduct the losses from your
other outside income. With this marvelous
all the sad details of your losses, and then
office a Form
have once again managed to spend a lot
on your bird interests; your receipts,
bills, invoices, cancelled checks, and
account statement all say that very
graphically. You obtain from your local IRS
office a Form 1040 Schedule C and enter
all the sad details of your losses, and then
you get to deduct the losses from your
other outside income. With this marvelous
instrument for tax reduction (Schedule C
of Form 1040) you can transform base
losses into golden deductions. What the
medieval alchemist could never achieve —
you can do with mere paper (Schedule C
of Form 1040) and figures.
Now, by way of example, let us apply
the foregoing to a hypothetical case.
Mr. and Mrs. A.V. Culture have been
spending money on their avian projects
for several years, all of which is becoming
quite a drain on their finances. Mr.
Culture is a police officer making
$18,000 annually and Mrs. Culture works
for the local school district and brings in
about $12,000 a year. With three children,
two cars, a house, two dogs, piano
lessons, orthodontists, a leaky swimming
pool, and miscellaneous expenses eating
into the budget, Officer Culture has lately been thinking that he is going to
have to write books like Joseph Wam-
baugh or start taking juice from a local
bookmaker if he is going to make ends
meet on what he once thought was a
fairly substantial income. With retirement
fund contributions and deductions for
taxes, the Cultures are lucky to see
$18,000 a year go through their bank
account as real spendable income.
Mr. and Mrs. A.V. Culture see their
local accountant and decide to set up
A.V. Culture Interests. They set up the
bank account, and draw up an advertising
budget. They keep meticulous records of
all their deductible expenses for the busi-
ness, which include: Utilities (portion of
home utilities used in business), Tele-
phone (portion of home phone used in
business), Advertising, Postage, Station-
ary and printing, Transportation expenses
to Bird Club activities, AFA Convention
in Long Beach, California, Convention in
Mexico (all travel expenses, room, board —
the convention just happened to be at
a time when they were going to take
a vacation anyway), Repairs such as
electrical, plumbing, maintenance, Real
estate taxes apportioned to that portion
of their premises used in the business,
Depreciation on avaries, bird room, incu-
bators, etc., Shipping expenses, Business
licenses, permits from DFG, Bird Show
entry fees, Dues to avicultural organiza-
tions, Medicines and feed supplements,
Bird seed, Occasional labor expenses
(when they were on vacation), Aviary
materials and supplies, Cost of birds
sold.
The records of A.V. Culture Interests
show a loss of $4,000 for the year. This
$4,000 deduction is used by Mr. and Mrs.
A.V. Culture to reduce their income
taxes on their other income by use of
Schedule C of Form 1040. It is a deduc-
tion they would not have had without a
little planning. Using it they will never
get rich, but as I said in the beginning,
hard work and Schedule C can keep
you out of serfdom. Or off of juice.
Try it.

Valentine's
New 130 page CATALOG

Featuring a New Line of Equipment for the raising of
Birds and Animals (Domestic and Wild) such as
- MINK  •  CHINCHILLAS  •  RABBITS  •  FOX  •  DEER  •  DOGS
- LABORATORY ANIMALS  •  BIRDS  •  PHEASANTS  •  QUAIL
- FANCY FOWL AND POULTRY.

SEND $3.00 (to cover cost of handling and mailing). Price of catalog
will be credited to first purchase of $25.00 or more.

Please send __________ copies of VALENTINE'S CATALOG
Enclosed $________________to cover cost.

Name________________________________________
Address______________________________________
City_________  State_______  Zip Code__________

Valentine EQUIPMENT COMPANY
9706 SO. INDUSTRIAL DRIVE
BRIDGEVIEW, ILL. 60455
PHONE (312) 599-1101