By Donald Shaughnessy, CA

Farming for fun can even be more fun for the hobbyist if there is a prospect of profit. And he will have to summon up some pretty arguments persuasive about potential profitability. if the income tax inspectors come calling.

Many potential part-time farmers believe they can run their so-called farm for fun, and simply write off all their costs against income from other sources.

In effect, they think they can pay for their land, barn, horse, lawn tractor and pick

Dollar Sense offers general financial advice by members of The Institute of Chartered Accountants of Ontario.

up truck for a fraction of their real cost.

However, the real world is not made that way and the government has seen fit to restrict people from doing exactly that. To do this, the government has decided that where farming is not the principal source of income the farmer will be permitted only to deduct from his taxable income the first \$2,500 of expenses,

and 50 per cent of the next deducted only from future \$5,000. Thus, if he loses net farm income.

\$12,000 in the first year, This incentive tends to \$5,000 is deductible. The encourage a hobby farmer other \$7,000 can be carried to make a profit in his sixth forward for five years and year of operation, in order

must be shown to be a loss ors that they will make from a business. In many future profits, since it takes part-time farming situat- years to improve bloodions, the tax department lines. The hobby farmer has been successful in who claims he will make a arguing that losses are not bundle someday by growbusiness-related because ing corn on five acres will there is no reasonable meet with only skepticism. expectation of earning net

that hobby farmers who tainly a lot more enjoyable

stand a much better chance Arctic oil well! To be deductible any loss of persuading tax inspect-

A hobby farm is not a great tax shelter, but it's a Experience has shown respectable one -- and cer-

to have income against concentrate on raising live- and healthy than waiting which that \$7,000 can be stock -- horses or cattle -- for drill results from an

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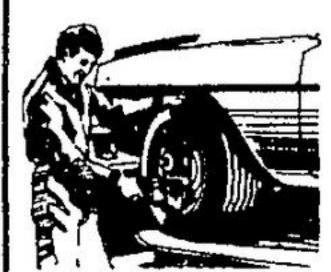
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