

Type of MPT: Persuasive Brief

Issue (Rule Setup): Legal Argument (Applicable Codes)

Issue A: The Nashes have a right to a full tax deduction under the IRC because their Christmas tree farm business is a for-profit enterprise meeting the requirement stated in the CFR.

Sub-Issue 1: The Nashes run the Christmas tree farm in a business-like manner because they have a business plan, insure assets, advertise and pay salaries to employees.

Sub-Issue 2: The Nashes acquired the necessary expertise in commercial Christmas tree farming from reading, courses, and advisors.

Sub-Issue 3: By Mrs. Nash working full-time in the company and Mr. Nash spending most of his personal time working on the farm, the Nashes have invested significant time and effort in the business.

Sub-Issue 4: While the Nashes do not have profit for the periods they were denied deductions, they have made investments in long-term assets which will appreciate as the business grows.

Sub-Issue 5: The Nashes have experience raising trees on the farm recreationally, despite not having run another similar business before.

Sub-Issue 6: The Nashes' initial losses can be explained by their business expansion which later resulted in increased profit.

Sub-Issue 7: The margin between losses and profits has either decreased or can be explained by the nature of the business, despite the Nashes having not yet seen a profit.

Sub-Issue 8: The Nashes receive income from outside the business in order to dedicate more funds towards growing the business and making it profitable, and should not preclude them from receiving a full tax deduction.

Sub-Issue 9: The Nashes intend the business to be a commercial enterprise and not just a recreational hobby given the major capital investments they have made to date.

Issue B: The Nashes should be allowed a home office tax deduction for the use of a room in their residence since it is the principal place of business for the Christmas tree farm, is used solely for that purpose, and was specifically converted from a residential room to a home office to run the business.