

## Speed Traps And Other Ways The Government Makes Money

Every state in the nation is facing a budget crisis and looking for ways to boost revenues in this flagging economy. State and local government employees are creating work for themselves and revenue for their agencies by cracking down on enforcement of laws that will generate cash flow through the collection of fees and fines. Think speed traps for the horse industry.

### WHAT?

There are lots of ways that the horse industry is regulated in this country, and the reality is that most horse people only know the half of it. Ignorance of the law is no defense. I have seen a significant increase in the number of state and local initiatives to “audit” compliance with laws that either require the payment of fees (for licenses), collection of taxes, or call for the payment of fines for non-compliance. Here are some examples that directly affect the horse industry:

Sales and Use Tax: Every state has some sales or use tax scheme. Most counties also collect taxes on real, personal and business property. So if you have a horse business, ask yourself the following:

- Do I have to collect sales tax when I sell or lease a horse?
- Do I have to collect sales tax on my board fees?
- Do I have to collect sales tax on my training fees?
- Do I have to pay a use tax on the horses I own?
- Do I have to pay a business property tax on all my barn equipment (blankets, buckets, stall mats, etc?)
- Did I have to pay sales tax on all my barn equipment that I ordered from catalogues?

If you don't know the answer to these questions, you will be in for a major wake-up call if your state or local tax department requests a compliance audit.

Licensing: Business licenses are pretty common nationwide. Some localities consider “horse activities” to be agricultural and exempt from licensure requirements, but that is not always the case and some places have specific licensing requirements that may apply depending on the type of activity you have. For example, if you go to your county office building and tell them you have a “horse farm,” you may be told that you don't need a business license. But have you accurately described your operation? The county employee might be thinking “horse breeding,” when in fact what you operate is a lesson program with a summer riding camp. If you had been more specific in your description, you might have learned that you need a special license to operate a “recreational facility,” or a “camp,” or even a “day care facility.”



Zoning and Land Use Laws: If you are running a horse farm, then in addition to animals, you have dirt, vegetation, and maybe a natural water body/source. To some, that simply means you harbor toxins (manure) and sedimentation that are potential water pollutants. You might have problems with erosion or odor control. In short, there are laws out there that regulate your management of your property, and “mismanagement” may mean dollars for the government in the form of fines for noncompliance with zoning or environmental regulations.

## WHAT TO DO?

These are just some examples of the types of things government employees are investigating diligently in an effort to drum up extra cash.

In my experience, my clients always make the same mistakes when they are contacted regarding any type of official investigation:

**Mistake #1: If I cooperate, then this whole thing will go away.**

→ **Reality Check#1: Anything you say can and will be used against you later on.**

→ **Moral #1: Do not dig your own grave. Silence is golden.**

**Mistake #2: I haven't done anything wrong and I can prove it.**

→ **Reality Check #2: You may not know or understand what it is that you might have done wrong.**

→ **Moral #2: Ignorance of the law is no defense. You can never prove a negative.**

**Mistake #3: I can come up with a really good story that will get me out of this.**

→ **Reality Check #3: No you can't.**

→ **Moral #3: Liars get tangled up their own web of lies.**

If you are contacted by a state or local agency in connection with an investigation of your business or activities, you should ask for answers (preferably in writing) to the following:

- Why have I been contacted?
- What is the scope of this investigation/audit?
- What are you trying to determine?
- Do I have the right to refuse your request?
- What is your authority for conducting this investigation/audit?
- What are the potential outcomes of this investigation (range of penalties if the investigation/audit uncovers a problem)?
- What are my rights during the course of this investigation?



And then, you might want to call a lawyer.



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