

Expectation of profit, then, is the test that separates a business from a hobby. As noted above, artists' working lives are unique and many will have trouble meeting an expectation of profit test if such profits are required in a short time span.

Compare the situation of visual artists to that of other manufacturers. The latter can estimate markets for their products and so predict their revenues and profit potential. They know the approximate prices that their products will bring and when they will sell. Visual artists may not know any of those facts in relation to their art. The "art business" differs considerably from other businesses and the application of a profit test poses serious problems. A similar analysis can be made of the business of writers.

Visual artists themselves present two opposing views on the general nature of art as a business, especially in connection with the profitability of their art. The minority view maintains that art is an end in itself to be pursued with little or no thought of profit. This group resists the application of any business concepts to the practice of art.

The more prevalent view holds that most artists want to sell their work. Sales and the money generated mean appreciation and often enhanced reputations which in turn lead to more sales. The groups which propose this view of the visual artists' work also stress that comparisons with other businesses still show the many deficiencies in the general business model presently applied to visual art.

The Sub-Committee prefers the second general approach. It is not willing to propose that the issue of the taxation of artists should be completely divorced from business concepts although it will recommend a reinterpretation of those concepts.

The logical extension of a complete abandonment of all business principles is that artists make no attempt to generate revenue by marketing their work. That, of course, is perfectly acceptable as a personal choice. Such individuals should not then expect to be able to claim business-like losses from other income. Any individuals making that choice must also remember that income, artistic or not, which results in profit will be taxable. The artist cannot opt out of that part of the system.

It is the opinion of the Sub-Committee that however unfamiliar business concepts may be to some artists, certain accommodations must be made. Indeed, most artists who appeared before the Sub-Committee agree with that conclusion and ask only that the accommodation be fair to them.

One solution would be to state that only consistently profitable artists or writers can be said to be in business and that all others (those with losses) are hobbyists. The Sub-Committee rejects this approach as over-inclusive and insulting to the artistic community.

The artistic community contains highly trained, dedicated, practicing artists; many have achieved widespread recognition in their fields and many teach at colleges and universities. In short, they are professionals. Our tax system implicitly constructs "business person" and "hobbyist" as opposites. It is equally possible to state that the opposite of hobbyist is professional.

The Sub-Committee has concluded that the most fruitful method of assessing reasonable expectation of profit and business in the visual arts and writing area is to introduce a professionalism test. In essence, the test would take a long-range view of profit and presume