



IRS Summertime Tax Tip 2015-08: Five Tax Tips about Hobbies that Earn Income

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Five Tax Tips about Hobbies that Earn Income

Millions of people enjoy hobbies. They can also be a source of income. Some of these types of hobbies include stamp or coin collecting, craft making and horse breeding. You must report any income you get from a hobby on your tax return. How you report the income is different than how you report income from a business. There are special rules and limits for deductions you can claim for a hobby. Here are five basic tax tips you should know if you get income from your hobby:

1. **Business versus Hobby.** A key feature of a business is that you do the activity to make a profit. This differs from a hobby that you may do for sport or recreation. There are [nine factors](#) to consider when you determine if you do the activity to make a profit. Make sure you base your decision on all the facts and circumstances of your situation. Refer to [Publication 535](#), Business Expenses to learn more. You can also visit IRS.gov and type "not-for-profit" in the search box.
2. **Allowable Hobby Deductions.** You may be able to deduct ordinary and necessary hobby expenses. An ordinary expense is one that is common and

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accepted for the activity. A necessary expense is one that is helpful or appropriate. See [Publication 535](#) for more on these rules.

3. **Limits on Expenses.** As a general rule, you can only deduct your hobby expenses up to the amount of your hobby income. If your expenses are more than your income, you have a loss from the activity. You can't deduct that loss from your other income.
4. **How to Deduct Expenses.** You must itemize deductions on your tax return in order to deduct hobby expenses. Your costs may fall into three types of expenses. Special rules apply to each type. See [Publication 535](#) for how you should report them on [Schedule A](#), Itemized Deductions.
5. **Use IRS Free File.** Hobby rules can be complex. [IRS Free File](#) can make filing your tax return easier. IRS Free File is available until Oct. 15. If you make \$60,000 or less, you can use brand-name tax software. If you earn more, you can use Free File Fillable Forms, an electronic version of IRS paper forms. You can only access Free File through IRS.gov.

You can get [Publication 535](#) on [IRS.gov/forms](#) at any time.

Additional IRS Resources:

- [Business or Hobby?](#) Answer Has Implications for Deductions
- [Publication 525](#), Taxable and Nontaxable Income
- [Publication 529](#), Miscellaneous Deductions
- [Publication 17](#), Your Federal Income Tax
- [IRC Section 183](#): Activities Not Engaged in For Profit (Audit Technique Guide) – details on the factors to determine 'for profit' or 'not-for-profit'

IRS YouTube Video:

- *Welcome to Free File* – [English](#)

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