



## IRS Summertime Tax Tip 2016-15: Five Tax Tips about Hobbies that Earn Income

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IRS Tax Tips

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**Issue Number: IRS Summertime Tax Tip 2016  
Inside This Issue**

**Five Tax Tips about Hobbies that Earn Income**

Millions of people enjoy hobbies. Hobbies 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 from hobbies is different from 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.** There are [nine factors](#) to consider to determine if you are conducting business or participating in a hobby. Make sure to 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 accepted for the activity. A necessary expense is one that is helpful or appropriate. See [Publication 535](#) for more on these rules.

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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. 17. If you make \$62,000 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.

[IRS Tax Tips](#) provide valuable information throughout the year. IRS.gov offers tax help and info on various topics including common [tax scams](#), [taxpayer rights](#) and more.

### **Additional IRS Resources:**

- [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 Videos:**

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

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