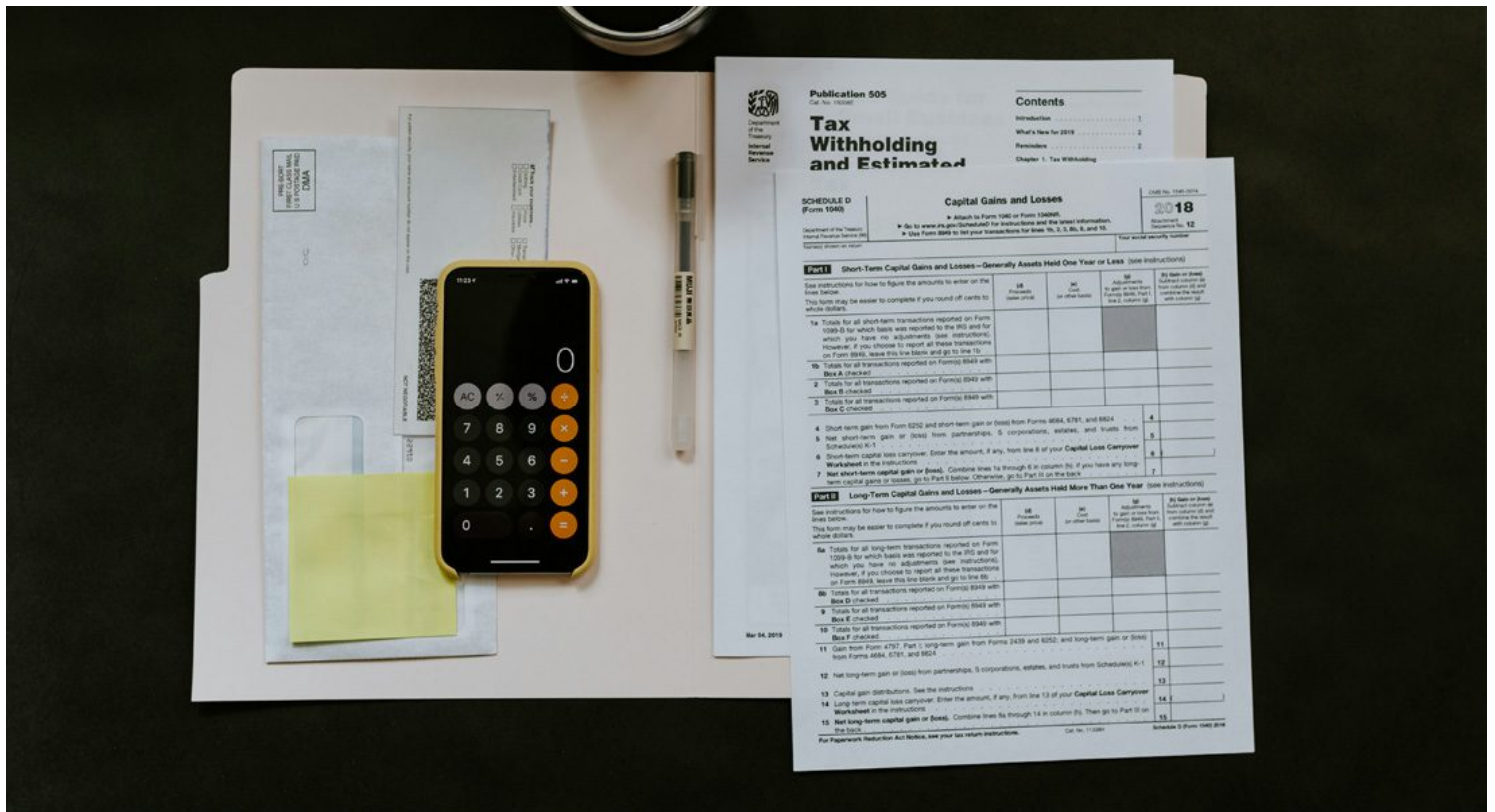


NEWS & INSIGHTS

Hobby or business: Filing taxes for a side hustle

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Hobbies and businesses are treated differently when it comes to filing taxes. The biggest difference between the two is that businesses operate to make a profit while hobbies are for pleasure or recreation.

Whether someone is having fun with a hobby or running a business, if they are paid through payment apps for goods and services during the year, they may receive an IRS Form 1099-K for those transactions. These payments are taxable income and must be reported on federal tax returns.

There are several other factors that individuals should consider when determining whether their project is a hobby

or business. No single thing is the deciding factor. Taxpayers should review all the factors to make a good decision.

These questions can help taxpayers decide whether they have a hobby or business:

- Does the time and effort they put into the activity show they intend to make a profit?
- Does the activity make a profit in some years, and if so, how much profit does it make?
- Can they expect to make a profit from the appreciation of the assets used in the activity?
- Do they depend on income from the activity for their livelihood?
- Are any losses due to circumstances beyond their control. or are the losses typical for the startup phase of their type of business?
- Do they change their methods of operation to improve profitability?
- Do they carry out the activity in a businesslike manner and keep complete and accurate books and records?
- Do the taxpayer and their advisors have the knowledge needed to carry out the activity as a successful business?

Whether taxpayers have a hobby or run a business, good recordkeeping throughout the year will help when they file taxes. If you have any questions about how to determine if your work is considered a hobby or a business, [please contact me](#).

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