



IRS Summertime Tax Tip 2014-15: Five Basic Tax Tips about Hobbies

Internal Revenue Service (IRS) sent this bulletin at 08/06/2014 07:30 AM EDT



IRS Tax Tips

August 6, 2014

Useful Links:

[IRS.gov Home](#)

[1040 Central](#)

[Help For Hurricane Victims](#)

News Essentials

[What's Hot](#)

[News Releases](#)

[IRS - The Basics](#)

[IRS Guidance](#)

[Media Contacts](#)

[Facts & Figures](#)

[Problem Alerts](#)

[Around The Nation](#)

[e-News Subscriptions](#)

The Newsroom Topics

[Tax Tips](#)

[Radio PSAs](#)

[Fact Sheets](#)

Issue Number: **IRS Summertime Tax Tip 2014-15** Inside This Issue

Five Basic Tax Tips about Hobbies

Millions of people enjoy hobbies that are also a source of income. Some examples include stamp and coin collecting, craft making, and horsemanship.

You must report on your tax return the income you earn from a hobby. The rules for how you report the income and expenses depend on whether the activity is a hobby or a business. There are special rules and limits for deductions you can claim for a hobby. Here are five tax tips you should know about hobbies:

- 1. Is it a Business or a Hobby?** A key feature of a business is that you do it to make a profit. You often engage in a hobby for sport or recreation, not to make a profit. You should consider [nine factors](#) when you determine whether your activity is a hobby. Make sure to base your determination on all the facts and circumstances of your situation. For more about 'not-for-profit' rules see [Publication 535](#), Business Expenses.
- 2. Allowable Hobby Deductions.** Within certain limits, you can usually 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 appropriate for the activity.

[Armed Forces](#)

[Disaster Relief](#)

[Scams / Consumer Alerts](#)

[Tax Shelters](#)

IRS Resources

[Compliance & Enforcement News](#)

[Contact My Local Office](#)

[Filing Options](#)

[Forms & Pubs](#)

[Frequently Asked Questions](#)

[News](#)

[Taxpayer Advocate](#)

[Where to File](#)

[IRS Social Media](#)

3. Limits on Hobby Expenses. Generally, you can only deduct your hobby expenses up to the amount of hobby income. If your hobby expenses are more than your hobby income, you have a loss from the activity. You can't deduct the loss from your other income.

4. How to Deduct Hobby Expenses. You must itemize deductions on your tax return in order to deduct hobby expenses. Your expenses may fall into three types of deductions, and special rules apply to each type. See of Publication 535 for the rules about how you claim them on [Schedule A](#), Itemized Deductions.

5. Use IRS Free File. Hobby rules can be complex and [IRS Free File](#) can make filing your tax return easier. IRS Free File is available until Oct. 15. If you make \$58,000 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. Free File is available only through the IRS.gov website.

For more on these rules see [Publication 535](#). You can get it on IRS.gov or by calling 800-TAX-FORM (800-829-3676).

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'

[Back to Top](#)

Thank you for subscribing to IRS Tax Tips, an IRS e-mail service. For more information on federal taxes please visit [IRS.gov](#).

This message was distributed automatically from the IRS Tax Tips mailing list. **Please Do Not Reply To This Message.**