

Ebay

Well, now that the first couple of articles are out it's time to start to discuss things that make you go hmmm.

Who loves Ebay? I know that I do; especially when the kids kill a Wii remote. I love Craig's List when I need to get rid of junk. The IRS loves these sites too, so much that for the last two years, they have scoured to find the large sellers. IRS has pressured Ebay into seeing their records. Why is this important or scary?

The IRS has made a deal with Ebay and Paypal. The IRS is getting information from them on the sales and dollars paid to sellers. Why? Simple answer: unreported income. As a tax pro, unreported income is a fear. The penalty is worse than the tax. Income is income according to the IRS.

Does this mean that you need to panic if you never reported this? That if you sell an item or two you now have doom in your future? The answer is of course, maybe. Is it a one time deal, a hobby or a real business?

Keep your records. Keep your records of what you buy to sell on Ebay. Keep your records of your postage, insurance and Paypal fees. Keep your records for internet service, mileage back and forth to the post office as well as the stores that you use to buy your wares. These are expenses that you use to lower your net income from the sales if this is a full time gig. They also offset income from a hobby, something that you do in your spare time (does anyone really have that?). They also prove incase you get the letter that starts with "Dear Taxpayer".

The rules for Hobby versus Business are as clear as mud in some cases. It boils down to the amount of time involved, business plan, business bank account and if you have a "real" job. Hobby income is offset by expenses on a Schedule A. You only file a Schedule A if you have mortgage interest, charitable deductions or unreimbursed job expenses, usually. Hobby expenses are limited to a restriction. Business expenses are completely deductible.

This is a good time to ask a pro what you might be.

Good luck and happy buying or selling!