



Tax Solution Professionals
Solving Your Tax Puzzle

“Business VS Hobby”

Do you know if you are considered a business owner or a hobbyist by the IRS?

This is a very important distinction and you need to know which you are.

A Business owner can be:

A Self-employed person,
Sub-contractor,
Home based business owner,
Network marketer, etc.

A business owner can be full time or part time, and must be able to answer “Yes” to the following three questions:

1) Do you have an “Honest” intent to make a profit?

(Do you really want to make money in your business or is this something you are doing for fun or to get products at a discount?)

2) Do you conduct yourself in a business like manner?

(Are you working your business like a business? Are you learning about your company and products? Do you go to training meeting? Do you have business cards, marketing materials etc? Have you written a business plan, do you have a budget? These are just a few ideas.)

3) Do you have or can you keep proper documentation?

(Do you have a schedule of your appointments, training meetings or calls that you have been on? Do you document your vehicle mileage and expenses? Do you keep records of receipts of expenses for your business? What your sales are what income you have made, what you have paid employees, etc.?)

You must answer **yes** to all three of these questions. Even if you work your business part time, you are a business owner and Tax Strategy Planning can benefit you greatly.

If you answered **no** to any of these questions then you are working a hobby and you can not legally take business deductions. (See IRS publication 4035 regarding home based business “**schemes**”.)

For more information on this subject contact:

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