

Are You Required To Report Your Ebay Earnings?

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Many people ask me if they are required to report the profits they earn on items they sell on eBay on their income tax return. In short, yes.

If you sell items on eBay for a profit, then you should report your eBay sales on your income tax return, and you may owe income taxes on any profits. It doesn't matter if it's just a hobby or if you are trying to build a business - if you earned a profit it's taxable income.

Generally, any income you receive from all sources is subject to income tax unless it is specifically exempt by law (hint: eBay profits are not exempt).

You must file a tax return if your net earnings from self employment are \$400 or more. You are self employed if you carry on a trade or business for profit. If you are selling on eBay with the intent of making a profit, then you are self employed.

To report your eBay earnings, you should file Form 1040, and attach Schedule C or C-EZ. Schedule C is used to calculate your net profit or loss from your business, which is then reported on your Form 1040. This is assuming you are a sole proprietor. If you are incorporated, you have to file a separate business return. You will file Form 1120 or Form 1120s (for S Corporations). If you are a partnership, you will file Form 1065.

At this point, you may be thinking "I don't run a business; I just sell on eBay as a hobby".

Unfortunately, income from hobbies is taxable as well. Even worse, you can only deduct expenses up to your hobby income, which means losses are not deductible.

Finally, there is a common misconception that if you did not receive a 1099 or W-2, you are not required to report your income. This is not true. All income is reportable, regardless of whether you receive a form or not. EBay is only a facilitator of the auction; therefore you will not receive a 1099 from eBay reporting your sales.