

Common eBay Seller FAQs Explained

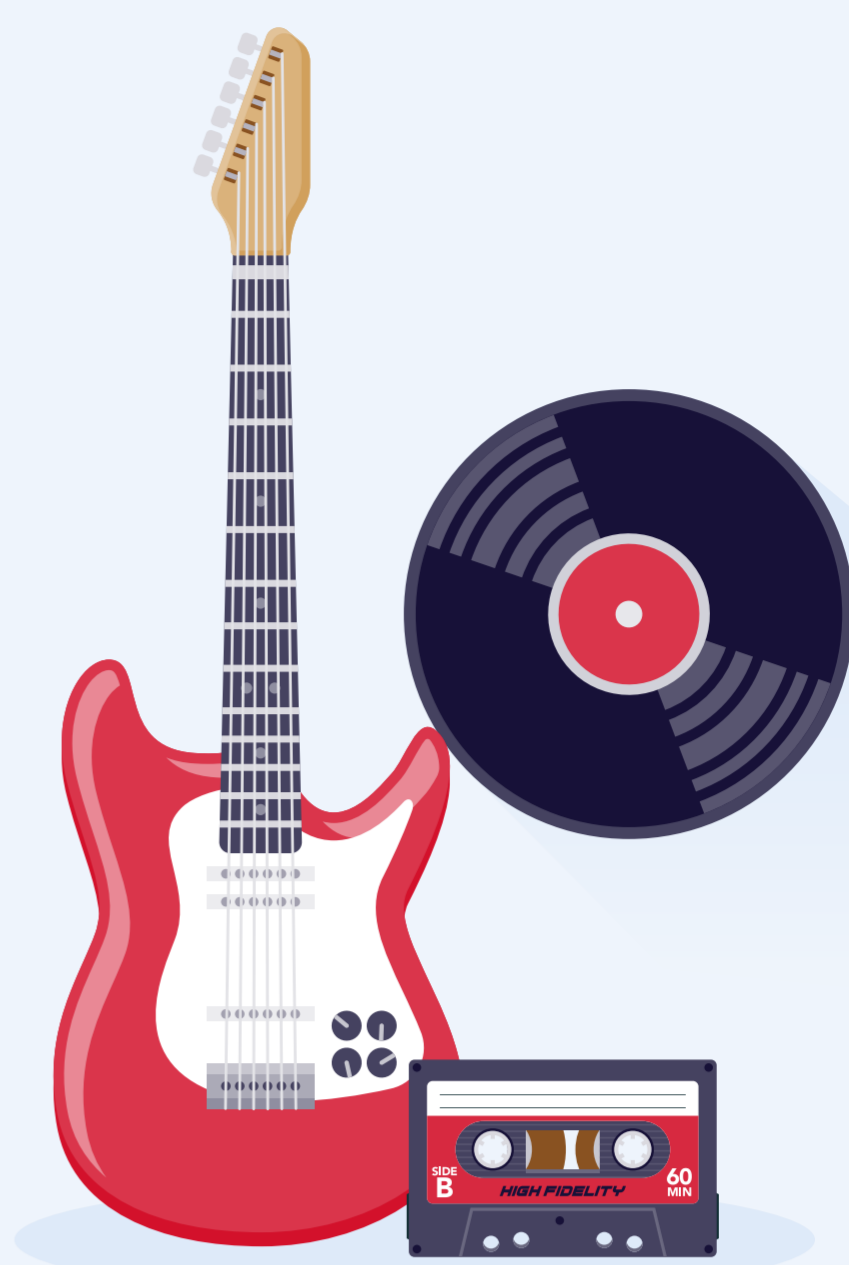
Let's look at some common concerns we see from eBay sellers — specifically how to calculate your taxable income from an online sale. We'll also go over how to handle some unique situations, like selling inherited items.

How do I report income from an online sale?

If you are not a business and you sell a personal item for more than you originally paid, the profit you make is considered a capital gain. Capital gains are taxable income and must be reported on your tax return using Schedule D.

To determine your taxable capital gains, use this formula:

Sale Price (what you sold the item for) – **Cost Basis** (what you paid for the product + any fees associated with the sale of the item) = **Capital Gain** (income reported on Schedule D)



How are my capital gains taxed?

You held the item for 1 year or less



Short-term capital gain

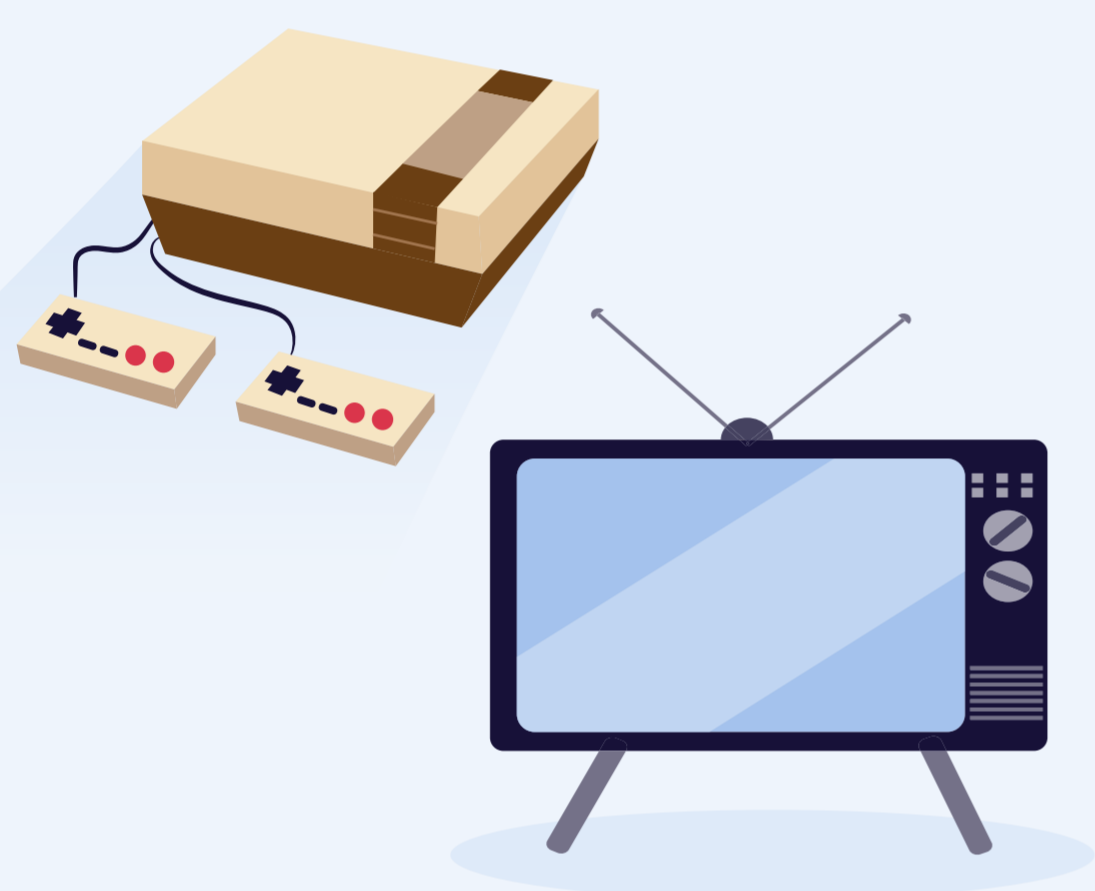
Short-term gains are taxed as ordinary income (anywhere from 10-37% depending on your tax bracket).

You held the item for over 1 year



Long-term capital gain

These are taxed at capital gains tax rates (0-20% in 2022 depending on your taxable income).



How to know when a sale isn't taxable

If you sold an item at a net loss against its original cost basis (what you paid for the item), there is no gain to report. You'll report income as usual using Schedule D, but it will amount to \$0 in taxable gains and you will not be responsible for any income taxes on the sale.

How do I determine my cost basis without a receipt?

If you don't have a receipt, look for invoices, statements, written communications, purchase history in retail apps, or anything else you can find that might help prove how much you paid for an item. Guesstimates might sometimes be necessary, but they should be your last resort—strive to find some substantial proof if you can!

Good to know

If the IRS questions your cost basis claim and you can't provide sufficient proof, the IRS could choose to deny your calculation and require you to pay taxes on a larger gain.



How do I determine the cost basis of items I inherited?

The cost basis of inherited assets is typically determined at the time of inheritance using fair market value (FMV). You can determine an item's FMV by looking at comparable sales of similar items, or by getting an expert appraisal.

Tip

Be sure to keep dated records of how you determined the item's FMV, in case the IRS asks for it. This can be an official appraisal, screenshots of similar items for sale online saved as a PDF, printouts, etc. — whatever method works best for you.



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