

Setting the Record Straight on the New 1099-K Threshold



01

MISCONCEPTION 1

This is a new tax for sellers.

This is not a new tax for sellers but a new reporting threshold for eBay and other online marketplaces. Any income from a sale has always been reportable income for any seller who sells on an online marketplace, including eBay. In the past, you may not have received a 1099-K from eBay, unless you hit 200 transactions and \$20,000 in gross sales in a year. In 2022, the IRS now requires eBay to send you a Form 1099-K once your gross sales reach \$600 or more.

02

MISCONCEPTION 2

All the transactions on my Form 1099-K are taxable.

Receiving a 1099-K doesn't automatically mean that you'll have taxable income. You are taxed on your net income, but a 1099-K only shows your gross receipts—without taking into account your cost basis and any adjustments for fees, refunds, credits, etc. Use your Form 1099-K as an informational document for your tax return, and always check it against your own records.

03

MISCONCEPTION 3

I'm only a casual seller, not a business, so this shouldn't affect me.

Any profits you make are taxable income, whether you are a hobby seller or run a business.

Example: Let's say your hobby is thrifting old pieces of furniture, and sometimes you flip them for a profit. Last year, you bought a used piece of furniture for \$100, restored it, and sold it on eBay for \$700. This gives you a \$600 profit. Unlike a business, a hobby seller would not be able to deduct expenses incurred before the sale (such as the cost of restoring the furniture).

04

MISCONCEPTION 4

I will be paying tax on all items I sell, even if it's at a loss.

Only goods sold for a profit generate tax income, so you won't owe any taxes on something you sell for less than what you paid for it. Sellers should be sure to keep good records of all transactions.

Example: You bought a new bike for \$1,000 last year and then sold it on eBay for \$700. Since you sold it at a loss, you would not owe income tax on that \$700.

For more resources, check out blog.taxact.com/eBay

eBay and its affiliates do not provide legal, tax, or accounting advice. This material is being provided for informational purposes only and is not intended as, and should not be relied upon for, legal, tax, accounting, or other professional advice. Please consult your own legal, tax, and accounting advisors for advice specific to your situation.

IRS CIRCULAR 230 DISCLOSURE: Any U.S. tax advice contained in this communication is not intended to be used for the purpose of either (i) avoiding penalties that may be imposed, and (ii) supporting the promotion of any matters addressed.