

## Hobby or Business? Relevant Factors

In determining whether an activity is a hobby or a business, all facts and circumstances are taken into account. No single factor alone is decisive. The following questions, though not all inclusive, can help in determining if the activity is a business.

- Does the taxpayer carry on the activity in a businesslike manner, including the maintenance of complete and accurate books and records?
- Does the time and effort put into the activity indicate an intention to make a profit?
- Does the taxpayer depend on income from the activity for his or her livelihood?
- Are any losses due to circumstances beyond the taxpayer's control?
- Are losses normal in the start-up phase of this type of business?
- Has the taxpayer adapted methods of operation in an attempt to improve profitability?
- Does the taxpayer (or taxpayer's advisors) have the knowledge or expertise needed to carry on the activity as a successful business?
- Has the taxpayer made a profit at similar activities in the past?
- Does the activity make a profit in some years?
- Does the taxpayer expect to make a profit in the future from the appreciation of assets used in the activity?
- How significant is the element of personal pleasure or recreation in the activity?

My tax preparer has discussed these relevant factors with me and I have concluded my business activity is for profit.

Taxpayer signature: \_\_\_\_\_ Date: \_\_\_\_\_