

Etsy, eBay or StubHub Sellers: Expect a 1099-K From the IRS This Tax Season

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- **The IRS is cracking down on unreported income from online sales, with a lowered threshold of \$5,000 for receiving a 1099-K tax form in 2024.**
- **Taxpayers who fail to report online income may face penalties.**
- **Solo entrepreneurs and those selling personal items online should be aware of the tax implications and reporting requirements, including deducting expenses and accounting for losses.**

The Internal Revenue Service may know a lot more about your side hustle this tax season. And the agency is cracking down on those who fail to report the added income.

Anyone who earned more than \$5,000 in 2024 selling tickets, musical instruments or other goods and services online should expect to get a 1099-K tax form this month. Online platforms such as StubHub, Etsy and eBay previously only had to send these forms to users who earned more than \$20,000 in most cases.

The lowered threshold means forms will be sent to millions more taxpayers to make sure they account for the income on their tax returns.

“The IRS wants to get the message out that they’re enforcing it,” said Bryan Skarlatos, a criminal tax lawyer with the Kostelanetz law firm in New York.

The threshold was supposed to be dropped to \$600 in 2021 after Congress passed changes to ensure taxes get paid on income from gig work and selling concert tickets or other things online. When online platforms complained about the extra record-keeping this required and the confusion it caused, the rules were delayed.

Instead, the IRS chose to phase in the change, setting the \$5,000 threshold for the 2024 tax year, \$2,500 for 2025 and \$600 for 2026.

Even without the forms, taxpayers were already required to report their income on returns, but many never did. In general, people tend to underreport income when no forms are sent to them and the IRS to keep them honest. Almost no one lies about their salary income, on the other hand, since the details are reported on Form W-2.

The IRS has questions

Those who never report their online income may face steep penalties.

The IRS has launched an investigation into taxpayers who earned money as experts on the online platform JustAnswer, and allegedly failed to accurately report income from 2017 through 2020. At that time JustAnswer experts such as veterinarians and mechanics were generally paid between \$15 and \$25 for each question they responded to.

A judge in December authorized the IRS to issue a summons requiring JustAnswer to provide the names of anyone who earned \$5,000 or more on the platform in any one year in that time period, when the company apparently wasn't sending out 1099 forms. The company didn't respond to requests for comment.

One taxpayer audited in 2020 had more than \$400,000 of unreported income for four years of answering questions, according to an IRS agent's declaration.

As part of the investigation, the agent identified four JustAnswer users who appear to have failed to report their JustAnswer compensation on their tax returns. One is suspected of having unreported income of more than \$1.3 million earned from answering over 86,000 questions.

Once JustAnswer hands over the names to the IRS, these taxpayers will likely get IRS "soft letters" nudging them to pay up, and for those who don't respond, the risk of audit is high, said Skarlatos.

When it is a business

Whether you get a 1099-K or not, if you're in business, you need to report the income on your tax return.

LuSundra Everett, an enrolled agent in Chester, Va., has been selling novelty tax gifts such as a \$19.95 mug that says "I can't! IT'S TAX SEASON!" on eBay for nearly a decade. Virginia is one of a handful of states that already imposes the \$600 threshold, so Everett's sales of nearly \$1,000 in 2024 means she'll get a 1099-K.

She reports the sales on Schedule C that is used to report income from a solo business. When you're selling stuff for a profit, you can also deduct the relevant expenses, such as selling fees on eBay, reducing the tax bite.

Solo entrepreneurs also are subject to self-employment taxes. Depending on how much they're making and other tax withholding, they might need to pay in quarterly tax estimates to avoid underpayment penalties, she said.

Selling stuff from your basement

The tax rules for selling personal stuff online are different. If you get a 1099-K for something you sold for less than you originally paid, you wouldn't owe tax, but you would need to disclose it to the IRS.

eBay doesn't know if the stuff you're selling is your personal property, if you're selling at a loss or reselling items at a profit. The IRS gives examples of how to account for these sales in the instructions to Schedule 1. There is a new line item on the top of Schedule 1 where you can list any amount received in error or for personal items sold at a loss.

Richard Shorin, a certified public accountant in Ambler, Pa., has been selling off dozens of items a year from a basement of stuff his family accumulated over decades.

"It never ends to amaze me what people will buy," he said. He sold 165 items last year, including a 30-year-old functioning calculator for \$15 that he shipped off to Saudi Arabia.

Some are items from his deceased parents and parents-in-law. Those values reset to the date-of-death value when he and his wife inherited the belongings, so there is no gain to report, he said.

If you sell personal items at a gain, you report that as capital gain on Form 8949 and Schedule D. If you get a 1099-K and don't report it, it could generate an IRS notice within a year or two after you file, Shorin said.

"That's the concern. Everyone's fear in life is the IRS audit," he said.

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