

Hobby or Business:

How do you distinguish between a business and a hobby? ([Income & Expenses | Internal Revenue Service \(irs.gov\)](#)) ([Is this a Hobby or a Real Business? How the IRS Decides \(thebalancesmb.com\)](#))

Answer: In making the distinction between a hobby or business activity, take into account all facts and circumstances with respect to the activity. A hobby activity is an activity not done for profit. This includes activities done mainly for sport, recreation, or pleasure. No one factor alone is decisive. You must generally consider these factors in determining whether an activity is a business engaged in making a profit:

- Whether you carry on the activity in a businesslike manner and maintain complete and accurate books and records.
- Whether you have personal motives in carrying on the activity.
- Whether the time and effort you put into the activity indicate you intend to make it profitable.
- Whether you depend on income from the activity for your livelihood.
- Whether your losses are due to circumstances beyond your control (or are normal in the startup phase of your type of business).
- Whether you or your advisors have the knowledge needed to carry on the activity as a successful business.
- Whether you were successful in making a profit in similar activities in the past.
- Whether the activity makes a profit in some years and how much profit it makes.
- Whether you can expect to make a future profit from the appreciation of the assets used in the activity.

Will the IRS Consider My Business a Hobby?

There is no place where you designate the deductions from your activity as a **business or hobby**. It's the IRS that determines if your activity is a business or a hobby. This doesn't happen unless the IRS makes a determination on your business, based on years in business and profitability.

What If My Business Doesn't Make a Profit?

The IRS presumes an activity to be a business (to be set up to make a profit) if it has a profit in at least three of the last five years. The business must be substantially the same during that time. But what if it doesn't? The IRS can review your business situation and make a determination on whether it's for-profit or not-for-profit.

Tips for Selling Art

The Visionary Arts and Crafts Guild that I belong to had a speaker back in 2018 that talked about creating a business plan, so I did. I update it annually to keep track of progress and evaluate what is working and what doesn't.

Things to do:

1. Create a business plan
2. Write both a Vision and Mission Statement
3. Set up a business page on Facebook and Nextdoor
4. Open an Etsy shop or set up a web presence
5. Decide if you want to do shows or sell in a gallery or co-op
6. Join a guild or arts association in your area

On Facebook and other social media, write a message encouraging your followers to share your business page and get online users. I "own" several FB pages or groups – one group is for beading I started in Feb 2020 and it already has 500 followers. Another page I started is for positive thoughts, and that was 2 years ago and I have only 100 followers. So I wrote messages on each to encourage followers to share it and increase the followers, and pinned it to the top of the FB page.

Post photos of your process or work in progress, new items for sale, seasonal items, Etc.

Start and use your customer mailing list – send messages before shows or special events.

Remember – the more people that know about you, the more chances for sales. Do not forget to promote the BSNM everywhere your art is displayed and when you do your own promotions. If we all promoted the BSNM through our private and social venues, we would all be bringing in a lot more members.

- Take BSNM cards to shows – impress people that you are in an art guild
- Add "Bead Society of New Mexico Member" to your business cards
- Promote the BSNM Facebook page: <https://www.facebook.com/BeadSocietyNM/>
- Have an extensive price range for your items – the small things under \$20 will pay for your vendor space
- Mark down items that have been around for a while – people love a deal
- Give a "new" look to your work:
 - Display it in a new way
 - Package it differently
 - Demonstrate its use
 - Call attention to it in new and creative ways

Take photos of new items and send for the BSNM newsletter. PLEASE post pictures of your new work in the newsletter and on your FB page. Let people know when you are doing a show or win an award.