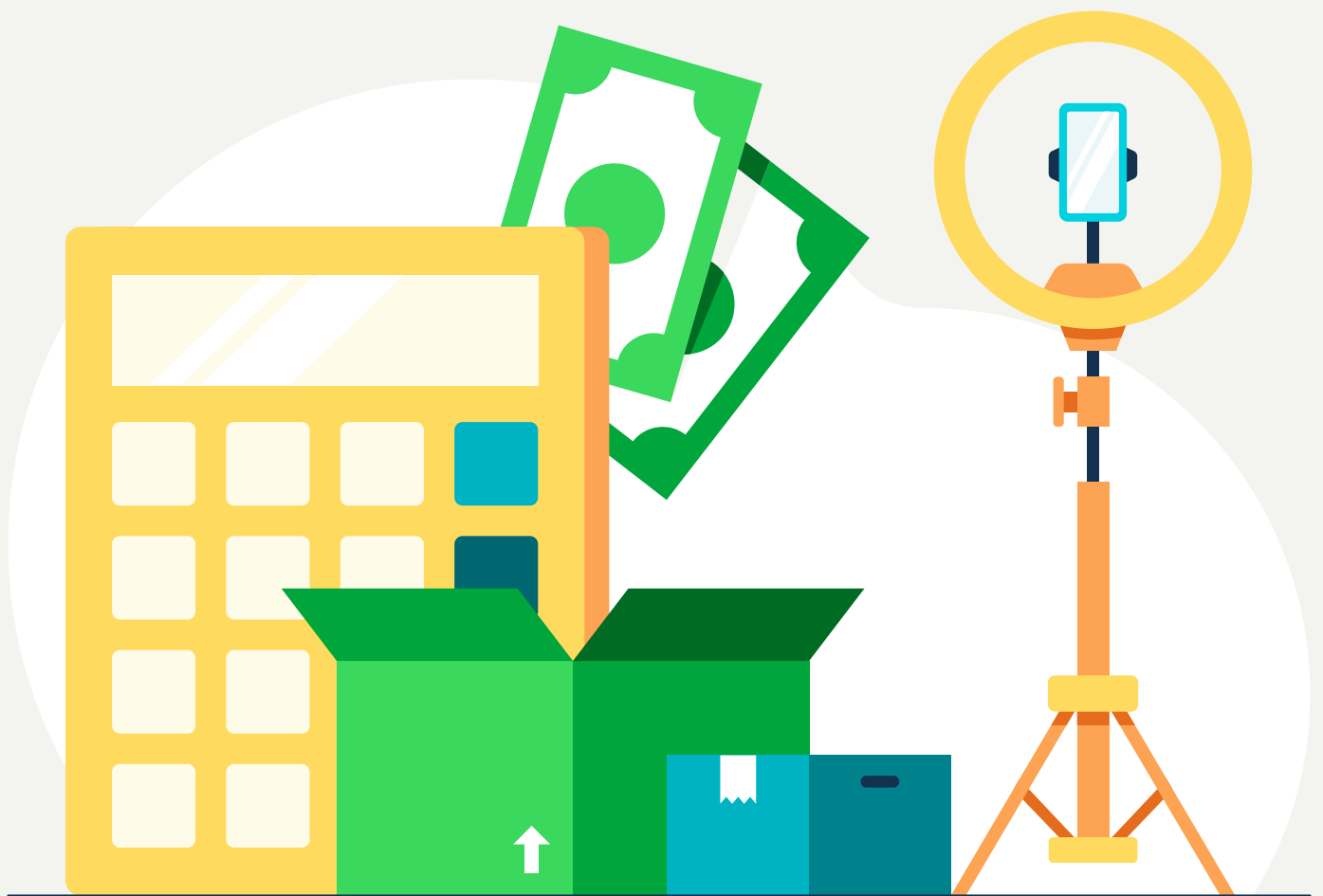


# Your tax guide for eBay and TikTok

How to report sales income, creator earnings, and claim every deduction



# The seller's dilemma: Reporting online income

Earning income from online platforms (whether selling goods on eBay or monetizing content on TikTok) classifies you as a self-employed individual.

This means **you are responsible for tracking all income and claiming all expenses**. This guide provides a cheat sheet for the tax rules specific to two major platforms and how to accurately complete your Schedule C.

## Tax status: Hobby vs. business

The IRS determines your tax obligations based on whether your activity is a hobby or a business.

Activity status	Tax reporting rule
<b>Business</b>	You must <b>report all income</b> . You <b>can deduct</b> all ordinary and necessary expenses to calculate your net profit.
<b>Hobby</b>	You must <b>report all income</b> . You <b>cannot deduct</b> expenses to reduce your income (a key difference).

### Ask yourself

Do you have an intention to make a profit? Do you keep businesslike records? If yes, it's likely a business.

# Understanding your 1099-K thresholds

The Form 1099-K reports the gross payments processed on your behalf by the marketplace. Due to recent legislative changes (including the One Big Beautiful Bill Act, or OBBBA), the lower reporting thresholds previously anticipated have been halted.

This means the original high threshold has been reinstated for the 2025 tax year (filed in 2026).

	Income source	2025 reporting threshold (taxes filed in 2026)
eBay	Goods sales processed through managed payments.	Over \$20,000 and 200+ transactions
TikTok Shop	Goods sales processed through the platform.	Over \$20,000 and 200+ transactions

### Note

The threshold for payment card transactions (e.g., in-person credit card terminals) remains no minimum. You will receive a 1099-K for all card payments, regardless of the amount.

# Seller guide

## 1. The marketplace seller (eBay & TikTok shop)

If you are selling physical goods, your taxable income is your profit, not your gross sales. This requires meticulous tracking of the cost of goods sold (COGS).

### Calculating income for physical goods

<b>Gross sales</b>	The total amount received from buyers (including shipping fees). This is what your 1099-K reports.
<b>COGS</b>	The direct costs of acquiring or creating the item (original purchase price, materials, freight).
<b>Net profit</b>	Gross sales minus COGS and all deductible expenses.

### Non-taxable sales

You do not report sales of personal items if you sell them for less than your original purchase price. This is not considered profit.

Always keep original purchase receipts to prove your cost basis.

If you sell a personal item for more than you paid, the profit is reported as a capital gain on Schedule D.



## 2. The content creator (TikTok monetization)

If you earn money through monetization features or direct sponsorships, you are typically paid as an independent contractor.

### Creator income tax forms

	Form you receive	Threshold
<b>Sponsorships (paid directly by a brand)</b>	1099-NEC (Nonemployee Compensation)	\$600 or more per payer
<b>Creator fund payouts (or other internal programs)</b>	1099-NEC or 1099-K (depending on the payment processor)	\$600 or more (or platform's 1099-K threshold)
<b>Taxable gifts/products</b>	None (must track yourself)	Fair market value

**Gifts as income:** If you receive free products or trips from a brand in exchange for a service (such as posting or reviewing), the fair market value of that item is considered taxable business income.

# Deduction worksheet:

## Reduce your taxable profit

Regardless of which platform you use, you can reduce your tax liability by deducting all ordinary and necessary business expenses on your Schedule C.

### Tax-deductible expenses checklist

- Cost of goods sold (COGS):**  
The original purchase cost of items or materials used to make them.
- Platform fees:**  
eBay listing fees, final value fees, TikTok Shop commission fees, etc.
- Processing fees:**  
Fees charged by PayPal, credit card processors, or third-party payment apps.
- Shipping costs:**  
Postage, shipping insurance, and packaging materials.
- Marketing/advertising:**  
Costs for promoting listings or running ads on the platform.
- Home office:**  
A portion of rent/utilities if you use a dedicated space exclusively for your business.
- Equipment/tech:**  
Cameras, lighting, software, and editing subscriptions used for content creation or listing management.

# 4 steps to file your online income

## Step 1: Calculate gross receipts and profit

Gather all 1099 forms (K and NEC) and your internal records.

- Start with total gross sales. This amount should be equal to or greater than the sum of all your 1099 forms.
- Subtract returns and allowances to determine gross profit.

	Source of funds	Amount
<b>A</b>	Sum of all 1099-K amounts received	
<b>B</b>	Sum of all 1099-NEC amounts received	
<b>C</b>	Cash, check, or direct payment income (not on any form)	
<b>D</b>	Total Gross Sales (A + B + C)	
<b>E</b>	Less: Returns, refunds, and allowances (customer rebates)	
<b>F</b>	Gross Receipts/Sales (D minus E)	

## Step 2: Complete Schedule C

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File Schedule C with your Form 1040. Here you report your Gross Receipts (Line 1) and itemize all your Deductions (Lines 8-27) to arrive at your net profit or loss.

## Step 3: Calculate self-employment tax

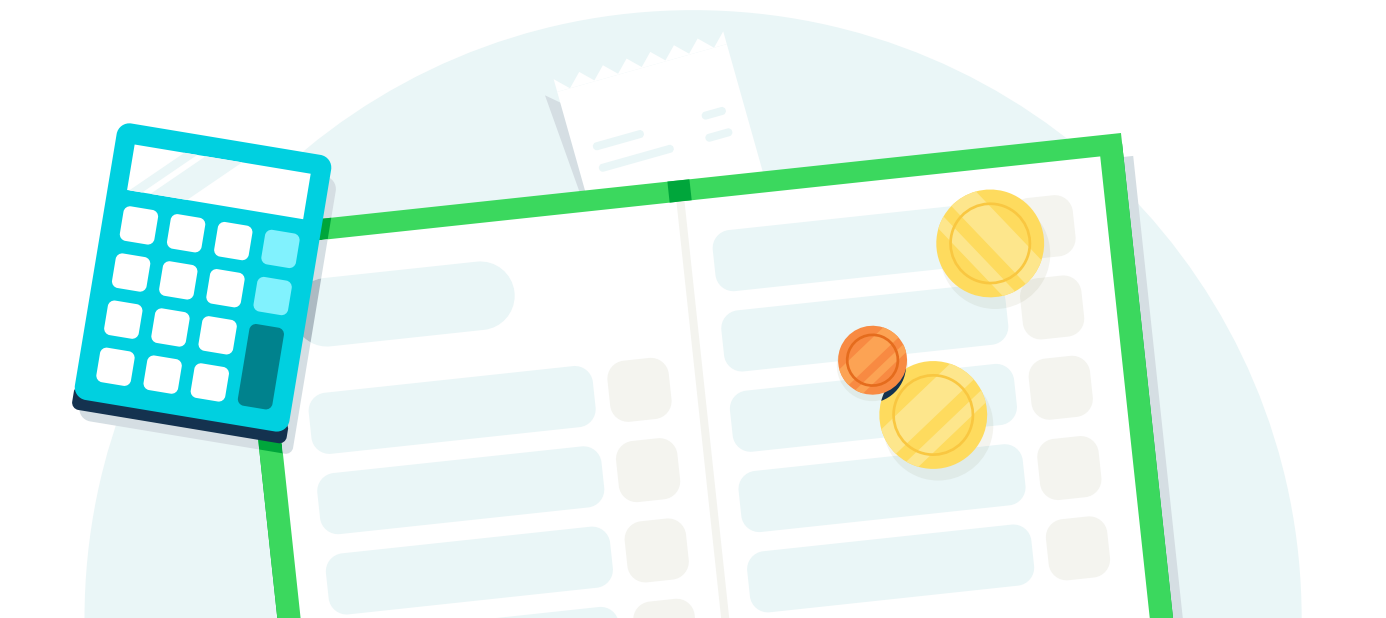
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If your net profit is \$400 or more, you must file Schedule SE to calculate your self-employment tax (15.3% for Social Security and Medicare).

## Step 4: Make estimated payments

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Since no taxes are withheld on your platform income, the IRS requires you to make quarterly estimated tax payments if you expect to owe over \$1,000 for the year.



# Find peace of mind come tax time

The secret to stress-free online selling taxes is simple: organized record-keeping. You need to track gross income, COGS, and expenses for every single transaction.

## QuickBooks accounting software can help by:

- Automatically importing and categorizing income and expenses from bank accounts and payment processors.
- Generating accurate Schedule C reports, making tax filing faster.
- Providing tools to track inventory and calculate COGS accurately.

**See how QuickBooks can make tax time a breeze for your marketplace income.**

[Explore QuickBooks for sellers](#)



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