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Final Frontier? Even Rocket Man Pays IRS

Will the IRS pay for your hobby? Not usually. But if you manage to make it into a real business, the IRS will subsidize it. If you want to avoid IRS hassles [my standard advice](#) is to keep business and personal pursuits separate. But that doesn't work for everyone.

After all, when you travel for business, you may try to make it a vacation, too, tacking on extra days at the end or squeezing in some golf or sightseeing between meetings. See [Summer Vacation—Er, Business Trip—Tax Reminders](#) and [More Business Travel/Vacation Tax Treats](#). When you buy a new car, you may want it to handle family trips and office commutes. Today's economic and time demands make multi-purposing even more compelling.

Do What You Love, The Money Will Follow was a classic self-help book by psychologist [Marsha Sinetar](#). Many people write, blog, and proselytize about it. What does it have to do with tax law?

Suppose you lose \$20,000 a year in your "business" of breeding, training and caring for Dalmatians. You can report that loss on a [Schedule C](#) and write it off against your other income on your Form 1040. If your



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combined state and federal income tax rate is 40%, your Dalmatian breeding will **really** only cost you \$12,000. Uncle Sam and your state subsidized your passion.

But if your Dalmatians are a hobby, you can't claim a loss. You must be in **business** to make a profit. And proving you're in business is easier said than done. For a list what to do (and not to do), see [Ten Tips For Deducting Your 'Hobby'](#). Rather have it in pictures? Here you go: [In Pictures: Convincing Uncle Sam To Subsidize Your Hobby](#).

The latest entrant into the hobby loss tax case hall of fame is Donald Barker, whose case is here: [Barker v. Commissioner](#). Mr. Barker worked at NASA (or for private contractors affiliated with NASA). No question, he was a real space geek.

He was so passionate about space and Mars in particular that he started his own little company, Mars Advanced Exploration & Development, Inc. (MAXD) which he ran on the side. He went to a few conferences, incurred some meal and entertainment expenses and wrote a white paper. He tried unsuccessfully to develop space technology, but MAXD had no income and quickly went down a black hole.

Was he in business? The IRS said no and the Tax Court agreed. Maybe Barker wanted to explore the last frontier. Maybe he wanted to make money. But MAXD never got off the ground, and the burden of proof was on him to show he was in it for profit.

For more, see:

[When Taxpayers Go Fishing For Deductions](#)

[Taxing Suicide Kits: Business Or Hobby?](#)

[Avoid IRS Audit Triggers](#)

[The ABCs of Hobby Losses and Profit Motive](#)

[Dr. Faust Goes To Tax Court](#)

[Lawyer's 'International Consulting' A Hobby, Says Tax Court](#)

[Proprietors: To Avoid Audit, Avoid Schedule C](#)

[What's Your IRS Audit Risk?](#)

[Three Tax Mistakes You Make Every Day](#)

[Ten Ways To Audit Proof Your Tax Return](#)

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