

About Crowdfunded Donations, Income, and Taxation

For more information about when Form 1099-K is in scope and how to report non-taxable amounts on the tax return:

- **Form 1099-K: Scope and Reporting on the Tax Return**

Crowdfunding is a method of raising money through websites by soliciting contributions from a large number of people. The donations may be solicited to fund businesses, for charity, or for gifts. Crowdfunding campaigns may be organized on behalf of other people or businesses or they may be organized by the beneficiaries themselves. Well-known examples of crowdfunding sites are **Kickstarter** and **GoFundMe**.

Are Contributions Made To Crowdfunding Sites Tax-Deductible as Charitable Donations?

In most cases, no. Crowdfunding contributions are only tax deductible if the donation went to an organization that is recognized by the IRS as a qualified charitable organization. These include nonprofit groups that are religious, charitable, educational, scientific, or literary in purpose, or that work to prevent cruelty to children or animals. You can search for Tax Exempt Organizations at <https://www.irs.gov/charities-non-profits/search-for-tax-exempt-organizations>.

Are Monies Received From Crowdfunding Sites Taxable?

That depends. Payment apps and online marketplaces are required to report distributions of money on **Form 1099-K** if the amount meets certain thresholds.

	Form 1099-K is required if:
Tax Year 2022 & Prior Years	The total of all payments distributed to a person exceeded \$20,000 in gross payments from more than 200 transactions or donations
Beginning with Tax Year 2023	The total of all payments distributed to a person exceeded \$600 in gross payments regardless of the number of transactions or donations

But the issuance of **Form 1099-K** **does NOT automatically mean that the amount reported on the form is taxable** to the person who received the form. And, vice-versa, not receiving **Form 1099-K** does not mean that any funds received from crowdfunding sources are not taxable.

The circumstances of the crowdfunding will determine whether it is taxable to the recipient, as outlined below.

IF...	AND...	THEN...
The taxpayer received Form 1099-K for the receipt of crowd-funded monies	The taxpayer <u>provided goods or services to the contributors</u> in exchange for contributions	The monies are considered taxable and Form 1099-K must be reported on the tax return.
The taxpayer received Form 1099-K for the receipt of crowd-funded monies	The taxpayer <u>provided NO goods or services</u> in exchange for contributions	The monies are considered a <i>gift</i> and are not taxable. If the taxpayer cannot get corrected Form 1099-K, then it must be reported on the tax return.
The taxpayer did <u>not</u> receive Form 1099-K because the threshold for reporting was not met	The taxpayer <u>provided goods or services to the contributors</u> in exchange for crowd-funded monies received	The monies are considered taxable and must be reported as income on the tax return.
The taxpayer did <u>not</u> receive Form 1099-K because the threshold for reporting was not met	The taxpayer <u>provided NO goods or services</u> in exchange for crowd-funded monies	The monies are considered a <i>gift</i> and are not taxable. They are not reported on the tax return.

Note: A crowdfunding organizer who is raising money on behalf of others may receive **Form 1099-K**, but the money may be excluded from the organizer’s gross income (and is therefore not taxable) as long as the organizer has given all the crowd-funded monies to the person they were fundraising for.

Note! IRS recent guidance says that **Form 1099-K must be reported on the tax return. If the 1099-K amount is non-taxable and the taxpayer contacts the payer but cannot get Form 1099-K corrected, the amount must be reported on the tax return.** Refer to “Form 1099-K: Scope and Reporting on the Tax Return” to determine when Form 1099-K is in scope, how to correct a Form 1099-K, and where to report Form 1099-K amounts on the tax return.

Recordkeeping Best Practice: We recommend that all taxpayers who receive amounts from crowdfunding, especially those listed on **Form 1099-K**, keep complete and accurate records of all the facts and circumstances surrounding the fundraising for at least 5 years.

For more information, see IRS Fact Sheet FS-2022-20 about [Crowdfunding and Recordkeeping](#).