

About Crowdfunding Donations, Income, and Taxation

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 Distributions Received from Crowdfunding Sites Taxable?

That depends.

Crowdfunding websites are required to report distributions of money on **Form 1099-K** if the amount meets certain thresholds.

	Form 1099-K is required if:
Prior to 12/31/2011	The total of all payments distributed to a person exceeded \$20,000 in gross payments from more than 200 transactions or donations
2022 and later	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. The circumstances of the crowdfunding will determine whether it is taxable to the recipient, as outlined below

IF...	AND...	THEN...
The distribution of funds meets the threshold to be reported on Form 1099-K	The recipient of Form 1099-K <u>provided goods or services to the contributors</u> in exchange for their contributions	Form 1099-K must be reported on the recipient's tax return.
The distribution of funds meets the threshold to be reported on Form 1099-K	The recipient of Form 1099-K <u>provided NO goods or services</u> to the contributors in exchange for their contributions	The contribution is considered a <i>gift</i> and Form 1099-K is not reported on the recipient's tax return.
The distribution of funds does not meet the threshold to be reported on Form 1099-K		The contribution is not reported on the recipient's tax return.

Take Note: If the distributions reported on **Form 1099-K** are not reported on the tax return of the recipient, the IRS may contact the recipient for more information. The recipient will have an opportunity to explain why the crowdfunded distributions were not reported on their tax return. For this reason, we recommend that all taxpayers who receive amounts from crowdfunding, especially those listed on **Form 1099-K** but not reported on their tax return, 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](#).