

10 Tax Write-offs You May Not Know About as a Streamer

Tax season can be challenging time of year for streamers. This guide will help you make the most of your tax deductions which will help to reduce your taxable income. Claiming these write-offs will ensure that you pay less tax, allowing you to keep more of your earnings in your bank account.

SELF-EMPLOYED VERSUS HOBBY INCOME

The IRS limits deductions to streamers who are “self-employed.” If you stream for fun, without any intention of someday streaming full-time or even part-time, then you’re earning “hobby” income according to the IRS.

Most streamers will file Form 1040 and report their business income and expenses on Schedule C. Hobby streamers report their earnings on Schedule 1 but no deductions are taken on this form.

The IRS allows you to take a deduction for any expense that is “ordinary” and “necessary” to your streaming business. This means you can only deduct something to the extent it’s used in your streaming business. Be reasonable and ethical when taking deductions. The fact that an item appears in your stream doesn’t automatically make it deductible. Think about the item’s primary use: for personal benefit or to benefit your streaming?

Top Tax Write-Offs for Streamers

1 SOFTWARE & APPS

Software directly related to live streaming or producing videos would typically be deductible, assuming it’s dedicated 100% to your streaming business. Other software might be less directly related to streaming, such as a Google Workspace subscription, but can still be deducted if you use it to support your streaming activities. Other examples could include:

- Broadcasting: StreamLabs/OBS
- Video Editing: Adobe Premier Pro/Camtasia
- Audio Mixing: Adobe Audition, MixPad
- Productivity: Trello, Microsoft Office
- Other: OWN3D Pro, StreamFX

2 CONTRACTORS

If you outsource any work to contractors such as designers, editors, moderators, or virtual assistants and make payments to those individuals, those expenses could be a deduction. Be aware that you might need to file a 1099-NEC if you paid a contractor \$600 or more by check, ACH, or wire (excluding credit card payments). Some platforms, such as UpWork and Fiverr, make the filing for you.

3 MARKETING COSTS

Various marketing costs that include payments for software and supplies that help promote your online brand may also be a tax write-off.

- Website domain and hosting
- Ads
- Stock Photos/Videos
- Icons/Logos

4 GIVEAWAYS

You might use giveaways to increase your subscriber count. The cost of items given away are a deductible sales expense since these items are an investment in growing your audience. **Be careful to only do giveaways for people who have already subscribed.** The IRS could, in theory, consider giveaways to non-subscribers to be actual gifts, not a promotional expense. Giving gifts might necessitate the filing of an annual gift tax return, if the value of your gifts is substantial.

5 STREAM BACKDROP

You can deduct expenses related to cultivating your ambience. You might be trying to create a specific aesthetic for your streaming audience. Expenses incurred to curate your vibe can be deducted.

Use your judgment though. The fact that something appears on camera while streaming isn't sufficient grounds to deduct it on your tax return.

- Royalty-free music
- LEDs, neons, blacklights, etc.
- Candles, diffusers, incense, etc.
- Posters, tapestries, wall art, etc.

6 HOME OFFICE

If you stream from home, you can deduct expenses related to your stream studio. To qualify, your studio must be "regularly" and "exclusively" used for streaming. You can't take the deduction if you occasionally stream from your bedroom and a few other places in your home. Your studio must be a distinct area of your home in which you consistently stream. It can't be used for anything other than streaming.

7 REPAIRS & MAINTENANCE

Structural repairs to your entire home are only partially deductible as indirect home office expenses whereas repairs specific to your streaming studio are fully deductible.

8 CELL PHONE

Your cell phone bill is deductible if you use it for streaming. Unless you have a cell phone dedicated solely to your streaming business, to deduct your cell phone bill you'll need to determine the extent to which you used your cell phone for business versus personal reasons.

DID YOU KNOW?

In-game purchases directly related your stream made through platforms such as Steam, Epic Games Store, Origin and Battle Net are deductions?

9 FURNITURE & HARDWARE

At some point, you'll probably buy furniture and other equipment for your streaming studio. In the business world these types of items are called "fixed assets." They're fixed because you'll likely use them for a period of time greater than one year.

Because you'll use these assets for more than one year, the IRS considers them to be "depreciable" property. Depreciable means that you must deduct the cost of these assets over the course of their useful life. However, as is common in the tax world, there are exceptions to this rule.

Safe Harbor Depreciation Rules

The first exception is that you can deduct any asset that costs less than \$2,500 in the year that you purchased it. For example, if your gaming PC cost \$2,000 then you wouldn't need to depreciate it. Additionally, if you paid \$5,000 total to furnish your studio, you could deduct any specific item that cost less than \$2,500.

Section 179 Depreciation

As another exception, even if your gaming PC cost more than \$2,500, you might be able to fully deduct it in the year that you purchased it. The purchase must qualify for "Section 179" depreciation. It will generally qualify if you purchase the PC for your streaming business. Additionally, to qualify for Section 179 depreciation, the item must be used more than 50% for business purposes. Similar to other mixed-use deductions, if you use furniture or equipment personally, then you'll need to subtract from the cost an amount that represents your personal use of the item.

10 TRAVEL EXPENSES

Travel expenses are deductible to the extent they're related to your streaming business. Here are a few scenarios illustrating this concept:

- 1. Trip is 100% business related** - Your travel costs are entirely deductible.
- 2. Trip is mostly business related** - Travel costs to and from the destination are deductible but costs related to personal enjoyment are not deductible (e.g. tickets to shows, side trips, etc.)
- 3. Trip is mostly for personal enjoyment** - Your travel costs aren't deductible but you can deduct costs directly associated with your business meetings (e.g. meals, meeting rooms, etc.)

To provide a travel deduction, the trip must be to a destination that is outside the geographic area in which you live. The duration of the trip must be long enough to require you to sleep or rest while traveling. If your trip meets these qualifications then you can deduct the full cost of travel, including transportation, lodging, meals, and incidentals.

For a comprehensive list on tax write-offs, or for other tax advice, please visit augur.cpa/blog.

If you have specific questions about your taxes, please email Christian at info@augur.cpa.

Augur CPA serves individuals and businesses in the arts, entertainment, professional services and other industries.

Augur CPA provides tax, accounting & CFO services. Tax services includes tax return preparation, tax planning, and tax consultations. Accounting services include bookkeeping, accounts payable, accounts receivable, and other activities supporting the financial reporting cycle.

ovrxtnd.gg

1067 S. Hover Street Suite E #233, Longmont, CO 80501

molly@ovrxtnd.gg | 720.618.1822

The Ovrxtnd Foundation is a 501(c)(3) nonprofit dedicated to providing opportunities to women in the CoD space.