

### **Is My Business Bonafide? Business or Hobby 9-Factor Test (Regs. Sec. 1.183-2(b))**

1. How does the business-owner handle the business (business-like i.e., separate books, bank accounts, records, similar to comparable businesses)?
2. Does the business-owner have professional knowledge of the business activity via education, training, or experience?
3. Does the business-owner spend time and effort carrying out the activities of the business?
4. Does the business-owner have an expectation that long-term business assets may appreciate in value?
5. Has the business-owner had success in other such business ventures?
6. Does the business have continual losses or does it show a profit three of the last 5 years? If so, it is presumed to be a “for-profit” business
7. Does the relative amount of profit and losses make sense over time; i.e., does it qualify under Sec. 183(d) as a “for-profit” business?
8. Does the business-owner’s financial status necessitate profit from the business?
9. Does the business appear to have more “recreational motives” than “for-profit” motives?