

# Commercial Captains and Taxes

A Brief Conversation

# Which One Are You?

- **Professional Captain—making a living**
- **Occasional Paid Captain—having fun**
- **Once-in-a-Blue-Moon Paid Captain**

# The Professional Captain

- Recordkeeping—Keep records for at least 4 years.
- Keep fixed asset records for at least 4 years after year of sale.
- What is not deductible?
  - Most clothing
- Simple spreadsheet bookkeeping is adequate
- Credit card statements are not adequate receipts

# Occasional Paid Captain

- **Is this a hobby?**
- **Internal Revenue Section 183**
  - **Multiple criteria to help determine hobby vs. business**
  - **Intent is critical**
  - **3 out of 5 year assumption**
  - **Limits deductibility of losses to income from the activity**
  - **No Schedule C reporting—(Schedule A for expenses)**
  - **No self-employment tax**

# Once in a Blue Moon Paid Captain

- Did you get a 1099-MISC?
- Internal Revenue Regulation §1.1402(a)-2
  - Self-employment tax applies to an individual in a trade or business

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Questions?

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