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IRS Taxes Sale Of Pokémon GO Accounts

As Pokémon GO fever continues, some players appear to be frustrated and impatient. It is the nature of games, even without server problems. Besides, some people have more money than time. So, why not lay out some cash to leapfrog success, especially when [some players are selling their Pokémon GO accounts?](#) If money changes hands, you can assume [Pokémon GO taxes are coming.](#)

Whether for sale on eBay or elsewhere, prices to elevate your status vary. You might pay \$100 or several times that, and some may even [list](#) for \$1,000. As the Wall Street Journal noted, it isn't only ['Pokémon Go' players who are cashing in.](#) Consider the Oregon man who makes a \$65,000 profit annually buying and reselling "World of Warcraft" accounts. But with any such purchases, be careful. First, every deal you see advertised may not be legit, so beware. Besides, the game companies may not allow it, so you may end up a double loser.



(AP Photo/Richard Vogel)

So pay attention to the terms of service and rules from the game companies. But no matter what, do you know who *will* recognize your transaction, as a kind of universal truth? The IRS, that's who. The tax code says just about *everything* counts. In fact, unless there is a specific exception, the tax code says

that *everything* is taxable income. The IRS says that under penalties of perjury, you have to report “all income from whatever source derived.”

And it doesn't matter whether you get it by cash or check, wire, PayPal, or in any other way. Whether you get a Form 1099 or not, you have to report it. In fact, the IRS even reminds taxpayers that two-way trades are taxable. That means even trading one account for another is taxable. Swapping books or clothing? Taxable. Any time [you barter, the IRS wants its cut](#).

The IRS says income is income, whether you get it in cash or in kind. One-on-one or with multiple parties, the IRS says trading one product or service for another is [taxable bartering](#), and the IRS taxes it. You name the swap, it is income to both sides just like cash. Both are supposed to report the fair market value of goods or services on their tax returns.

It isn't clear how much bartering goes on or is reported, but that could change with the IRS's [Bartering Tax Center](#). How will the IRS know about trades or how much cash changes hands? They probably won't unless you receive a [Form 1099](#). According to this [IRS tax tip](#), you should ask the other party for one. (Yes, it is worth asking how many people do this.)

Again, the IRS says you must report any income on your tax return regardless of whether you receive a Form 1099. If the barter exchange occurs in employment, there's employment tax on top of income tax. If you're the employer, that can mean a penalty for failure to withhold. What's more, [failing to pay employment taxes means personal liability](#).

As for Pokémon GO, new resources are springing up all the time. It is worth checking out [ten things I wish I knew when I started 'Pokémon GO'](#). You may also want to check out this Vox [Explainers installment](#). A week on, it had already been downloaded a [15 million times](#) in the U.S. Now, if the IRS could only get a piece of that!

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.