

GARAGE SALES

Do You Have to Pay Taxes?

At year's end, you may start thinking about your tax burden this year, looking to make donations and take any last-minute deductions before Dec. 31.

If you've had a garage sale or two this year, you might be wondering if you need to pay taxes on the money you made.

The short answer, H&R Block says, is no. That's because you probably sold your items at a loss. If you sold items for more than you originally paid, however, you might have to report the income as a capital gain. These tend to be things like artwork, jewelry or collectibles.

TYPES OF SELLERS

The IRS recognizes three kinds of sellers for used items. Casual sellers engage in infrequent sales. These are people who maybe hold one or two sales per year, if that. As long as what you sold went for less than you originally paid for it, you don't have to report your earnings from the sale. While this won't add to your tax bur-



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den, be aware that the loss you're taking on the sales aren't tax deductible, either.

Hobbyists sell items occasionally and don't intend to make a profit. They may deduct expenses related to

their hobby as miscellaneous itemized deductions, but those deductions cannot exceed the total revenue generated by your hobby, nor can it exceed 2% of your adjusted gross income.

Businesses frequently make sales for profit. Sole proprietors will need to report purchases and sales on IRS Schedule C. Ordinary and necessary business expenses can directly offset income.

Business owners would do well to consult with a tax professional about which items are deductible and which aren't.

SALES TAXES

Depending on your state or municipality and the frequency with which you sell, you may owe local sales taxes. Some states, such as Texas, have occasional sales exemptions, but it's best to check local rules and regulations rather than assuming that you won't owe.

DONATIONS

Let's say that, after your sale, you donated the leftovers to a local charity to sell in their shop. The good news is that's still a loss and not reportable. With the right paperwork, it could also be a tax deduction for you. Any reputable charity should be able to provide you with a proof of donation that says they're a qualified charitable organization. You'll also need to itemize your deductions and list your non-cash contributions to charity on IRS Schedule A. Gather information from comparable sales to assess the value of your contributions. How much you can deduct depends on your tax bracket and tax rate.

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SELLER'S TIP

Check for Other Requirements

While you're checking on your tax rates, ask whether holding a garage sale requires a permit in your area. Some cities and counties require permits to track how many sales are held and generate money to provide city services, such as cleaning up litter from garage sale signs left on roadsides. Be a good neighbor and only post signs where they're allowed.

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