

Profits From Garage Sales, Online Auctions May Bring Tax Implications

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H&R Block Advises Taxpayers to Be Aware That Individual Personal Property Items May Be Taxable

KANSAS CITY, MO, Jun 25, 2009 (MARKETWIRE via COMTEX) -- One man's junk is another man's treasure, especially when it comes to garage sales. However, H&R Block (NYSE: HRB) advises taxpayers who might be looking to make a little extra money from a garage sale or online auction to be aware of the tax implications of such sales. For neighborhood tag sales, you probably won't have to pay taxes. But people who are hosting "online garage sales" on auction sites such as eBay may have a tax bill.

In most cases, the items sold at a garage sale or via an online auction site will generate a non-deductible loss, which means any money you make isn't taxable. For example, putting a \$250 price tag on a couch you bought for \$1,000 generates a non-deductible loss of \$750. However, if a sale does generate a gain, the proceeds must be reported on an individual's tax return.

"Although the typical annual garage sales don't net a profit on most items overall, taxpayers still need to be aware of whether they make a gain on individual items for tax purposes," said Amy McAnarney, executive director of The Tax Institute at H&R Block. "Most likely, taxpayers who are getting rid of a few items probably won't have to pay a capital gains tax on the proceeds from the sale of their clothing, furniture, DVDs or other property."

Online auctions

Taxpayers who host "online garage sales" by buying and selling items on auction sites like eBay may have a tax bill.

"If you're regularly selling items online and making a profit, you're responsible for reporting that income to the IRS," McAnarney said.

Trading or bartering services

Some taxpayers are more likely to trade for services, too. However, a gain on a barter or trade for services also is taxable. Determining the amount of gain may be complicated, and if the barter or trade is connected with a business or involves services, the tax treatment may vary depending on the specific facts and circumstances.

Why pay when you can deduct?

Taxpayers can avoid any confusion around the sale of their clothing and household items by donating that personal property that is in good condition to a non-profit charitable organization for a deduction on their tax return. If you donate noncash items with a total fair market value of more than \$500, you must file Form 8283 with your return. You may need a qualified appraisal if you donate an item or a group of items with a value of more than \$5,000.

Taxpayers should keep a receipt or written statement from the organization, as well as an itemized description of what property was donated, the values assigned to those items and how the values were calculated.

"The IRS allows you to take a deduction for items donated to certain non-profit charities," McAnarney said. "Be certain to keep an itemized list of what was donated and the values assigned to each item of personal property."

Taxpayers who have questions about whether the sale of an item is subject to income tax should contact their tax professional. H&R Block tax offices are open now and can help individuals best prepare for any taxes. Or visit www.hrblock.com for tax tips and other important information.

The Tax Institute, a division of H&R Block, is a national leader in providing unbiased research, analysis and interpretation of federal and state tax laws. Staffed by enrolled agents, CPAs and attorneys, The Tax Institute provides industry expertise for matters related to taxes and the professional tax preparation industry.

About H&R Block

H&R Block, Inc. (NYSE: HRB) is the world's preeminent tax services provider, having served more than 400 million clients since 1955 and generating annual revenues of \$4.1 billion in fiscal year 2008. H&R Block provides income tax return preparation and related services and products via a nationwide network of approximately 13,000 company-owned and franchised offices and through TaxCut(R) online and software solutions. The company also provides business services through RSM McGladrey. For more information visit our Online Press Center at www.hrblock.com.

For Further Information:

Elizabeth McKinley

816.854.4568

Email Contact

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