

E-Bay Craze: Taxable or Not?

By Bernadette M. Johnson

If you are anything like me, you love E-Bay! At one point in my life I was hooked on E-Bay. In fact, I was on a first name basis with the UPS carrier. I've bought brand new shoes, leather coats and even textbooks on E-Bay! My ten year old daughter even makes her way to the site every now and then to "check-out" the deals. But I'm not just an online shopper; I've even had some luck in unloading an item or two. It beats having a garage sale and hoping someone will show up. We all have something better to do with our Saturdays.

E-Bay and other online auction sites are one of today's hottest trends. And if you are like me and many other Americans, you may have caught the online auction bug. Whether you are posting unwanted items from your attic or basement or have intentions of becoming a virtual entrepreneur, you should be aware of the tax rules that apply to your sales proceeds.

So I'm sure you are asking, what's the deal? Is it taxable or not? Well, the old baby furniture or the unused treadmill generally do not have any tax consequences. In these cases, the amounts you receive for these items are generally less than what you paid for them so there's no gain on the sale. The most you get out of the sale is cash to buy more junk and a little more space in your garage. And that, my friend, is not taxable!

If the items you are unloading is considered an antique or collectible item, then a different set of rules are applicable. In this case, you generally will receive more for the item than what you paid for it, creating a gain on the sale. The tax treatment on this sale will depend on whether or not you've had the items for a year or more. The general rule of having the item for less than a year deems it as a short-term gain and is taxed at your ordinary income rate. However, if you've had the item for a year or more, then it's considered a long-term gain and you may be eligible for favorable tax rates.

So if you have made any online sales or are considering such sales we will be happy to advise you on the proper handling of your transactions for tax purposes.