

# Making the Most of Your Money

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## Garage Sale versus Charitable Donation



I don't know many people who look forward to giving up their weekend to deal with the headaches of a garage sale. I do know a few, however, who like to rise to the challenge.

If you have a few things or more to sell, here is the easiest and most financially rewarding way to accomplish this unwanted task.

### **Holding a Garage Sale**

One real life example: Karen has about \$700 worth of items she wants to sell in her weekend garage sale. She also owns a couple of expensive evening dresses that she knows will not

sell for their full values at the sale and needs to decide what to do with them.

Karen puts signs around the neighborhood and runs an ad in the local paper announcing her garage sale. At the sale, she sells \$500 worth of items. After Karen cleans up, she has \$200 worth of items remaining and two evening gowns she still needs to dispose of. She puts the \$200 worth of unsold goods at the end of the driveway for garbage collection. She thinks about bringing the dresses to the resale shop but holds off for another day, because she feels exhausted from her garage sale. For her work, so far, she has put \$500 in her pocket.

### **Donating to Charity**

Perhaps, instead of the garage sale, Karen decides to donate all the items to one charity and take the tax deduction. The charity's staff comes by her house and picks up all her items. She obtains a receipt for the items (\$700) and the two dresses (\$800). Her total donation and tax deduction comes to \$1,500. If Karen is in the 40 percent tax bracket, then she has essentially put \$600 back in her pocket, as she has saved \$600 in taxes--all for a couple of hours of work.

Now, how would you rather you spend your weekend?

Be sure to get documentation from the charity to claim your deduction. If you want a big deduction, keep track of the items and their receipts. According to the Internal Revenue Service,

a taxpayer can deduct the fair market value of clothing and household goods. Fair market value is defined as “the price at which property would change hands between a willing buyer and a willing seller, neither having to buy or sell, and both having reasonable knowledge of all the relevant facts.”

If you donate more than \$500 worth of goods to a single charity, you must include Form 8283, Noncash Charitable Contributions, with your tax return.

Enjoy your summer!

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