

## GARAGE SALE CHRISTMAS

Dec 26, 2011



As a consumer and parent, I love garage sale-ing—you never knew what you will find. Garage sales are especially helpful for Christmas shopping for young children. In my opinion, there is no reason to buy a new present for anyone under the age of 5. And for anyone under the age of 18 months, there is no reason to get any presents at all. (In my experience, no matter what you wrap up, a one-year old prefers to play with the wrapping paper.) But my wife thinks it just isn't right to exclude a child from Christmas commercialism. So, we have come to a compromise for our youngest daughter (who is 11 months old): we are placing new batteries in a few of our old toys and wrapping them up for her.

My suburban St. Louis, of course, does not have a monopoly on garage sales. In PLR 201149033, the IRS retroactively revoked the 501(c)(3) status of an organization that provided "therapeutic

[horseback] riding lessons to disabled and at risk children and adults." When times got tough, the organization sold off horses and other equine assets, including a "month-long garage sale", but the proceeds did not end up in the organization's account. Rather, the proceeds were given to its directors. Section 501(c)(3) and Reg. 1.501(c)(3)-1(c) provide that an organization will not qualify under section 501(c)(3) if more than an insubstantial part of its activities is not in furtherance of an exempt purpose. And it will not qualify if its earnings inure to its insiders. The organization in PLR 201149033 violated these provisions because its earnings inured to its directors and because its only activity for over a year was selling assets.

I hope PLR 201149033 does not discourage charities from holding garage sales (they just should give the money to the charity rather than its directors and keep conducting its charitable activities). I would love it. Imagine how long a baby could play with the wrapping paper around a real life saddle, a bucket of oats, or a Shetland Pony.

## MEET THE TEAM



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