

In general, the IRS treats physical precious metals like gold, silver, platinum, and palladium bullion as collectibles (numismatics) for tax purposes. Collectibles are considered alternative investments by the IRS. If you buy and sell collectibles, you may be subject to capital gains tax on the profit you make from these transactions.

Here are some general guidelines for taxation on collectible transactions:

1. **Long-term capital gains:** If you hold the collectibles for more than one year before selling, any profit is considered a long-term capital gain. Long-term capital gains on collectibles, which include bullion, were generally taxed at a maximum rate of 28%. This rate might be lower depending on your income tax bracket.
2. **Short-term capital gains:** If you sell the collectibles within a year of purchasing it, any profit is considered a short-term capital gain. Short-term capital gains are taxed at your ordinary income tax rate.

What Is a Collectible?

Before anything else, let's define the word collectible. According to the IRS, a collectible is defined as any tangible personal property that the IRS determines is a collectible. The IRS does provide specific examples of collectibles including:

- Works of art
- Rugs or antiques
- Metals or gems
- Stamps or coins, including US Minted coins
- Alcoholic beverages

The idea behind collectibles is they have specific intrinsic value. If an item carries additional value based on its rarity in a market, it will likely be considered a collectible for tax purposes.

Calculating Your Basis

When figuring out your tax obligation for selling a collectible, you need to figure out your basis. This is the non-taxable portion of your collectible, and it is often equal to what you paid for the item. There are two ways you can figure this out, depending on how you acquired the item(s):

- If you bought the collectible, your taxable basis is the purchase price of the asset plus any associated broker and transaction fees.
- If you inherited the collectible, the basis is the fair market value (FMV) of the item at the time of inheritance.

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