

The Accountants Guide to Car Donation



Step 1 - Determine Eligibility

For a car donation to be eligible for a tax deduction, it must be made solely for charitable or public purposes by an individual who will itemize deduction on Schedule A of form 1040 and is not taking the standard deduction.

*Quick tip: In order for this to be worth the extra effort and documentation, the total of the itemized deductions for that year would need to be more than the standard deduction one is entitled to in their specific circumstance.

It must also be made to one of the following:

1. 501(c)(3): An organization created in the US for one of the following purposes:
 - a. Religious
 - b. Charitable
 - c. Educational
 - d. Scientific
 - e. Literary
 - f. Prevention of cruelty to children or animals
2. 501(c)(23): War veterans' organization
3. 501(c)(10): Domestic fraternal societies
4. 501(c)(13): Nonprofit cemeteries
5. The United States, or a state or subdivision that performs significant government functions

*Quick tip: To verify if the charity is eligible, look up in IRS pub 78, or call IRS Customer Account Services 877-829-5500. There are other charity databases, such as GuideStar.com, which list more information on the charity.

Determine the vehicles value



Determining the vehicles value requires that you first determine what the charity did with the vehicle. There are different guidelines for vehicles that were sold by the charity, and for vehicles that were used by the charity.

1

The vehicle was sold by the charity:

If it sold for less than \$500 the donor can deduct the smaller of either: \$500, or the fair market value* of the vehicle at the time of the donation.

If it sold for more than \$500 - Donor can deduct the gross proceeds of the sale.

2

The vehicle was used by the charity for the charities use:

If the charity took the vehicle with the intention of using it frequently for its regularly conducted activities, the donor can claim a deduction for the fair market value of the vehicle*.

Documentation

What documentation does the donor need? For vehicles worth \$500 or less:

- Name of charity
- Description of donated vehicle
- Statement if goods and services were received, and their value

All that Information will usually be found on the receipt issued by the charity

For vehicles worth more than \$500 and less than \$5000:

- Name of charity
- Description of donated vehicle
- Statement if goods and services were received, and their value
- Copy B of form 1098-c OR a legal substitute
- If e-filing attach form 8453

All that information will usually be found on the receipt issued by the charity, which may also be a legal substitute for the 1098-c

*Fair Market value is defined as "the price at which the 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 necessary facts." It can be calculated by comparing to sales of similar property during the same time period, or using a current car guide publication (such as a "blue book"). For a vehicle donation, only the private property sale price could be considered, not the dealer retail value. In addition, other factors can decrease the value of the vehicle, such as engine or body trouble or excessive wear.

For vehicles worth more than \$5000

- Form 8283, section B signed by an authorized official of the charity
- Form 1098-c or equivalent document
- Written appraisal of the vehicle's value

This appraisal must be from a qualified appraiser and must be completed no more than 60 days before the donation. The cost of the appraisal cannot be deducted as a charitable expense, but can be itemized in misc expenses more than 2% of the donor's taxable income.

More Resources

- **Helpful phone numbers**
 - Ordering forms, instructions, and publications, 800-TAX-FORM
 - Tax questions, 800-829-1040
 - IRS Customer Account Services, 877-829-5500
 - Kars 4 Kids Donation Hotline, 877-Kars-4-Kids
- **IRS forms**
 - [Form 1040](#), U.S. Individual Income Tax Return
 - [Form 1040, Schedule A](#), Itemized Deductions
 - [Form 4868](#), Application for Automatic Extension of Time to File Taxes
 - [Form 1040 – X](#), Amended U.S. Individual Income Tax Return
 - [Form 1098-C](#), Contributions of Motor Vehicles, Boats, and Airplanes
 - [Form 8282](#), Donee Information Return
 - [Form 8283](#), Noncash Charitable Contributions and Disclosure Requirements
 - [Form 8453](#), U.S. Individual Income Tax Transmittal for an IRS e-file Return
- **Other links**
 - <http://www.kars4kids.org/tax-deduction.html>
 - www.guidestar.org
 - www.irs.gov/eo
 - <http://www.irs.gov/app/pub-78/>
 - [Publication 526](#), Charitable Contributions
 - [Publication 557](#), Tax-Exempt Status for Your Organization
 - [Publication 561](#), Determining the Value of Donated Property
 - [Publication 1771](#), Charitable Contributions – Substantiation

- [Publication 4303](#), *A Donor's Guide to Vehicle Donations*
- [Publication 4302](#), *A Charity's Guide to Vehicle Donations*