

Next Plateau Consulting LLC
 Frank Washelesky
 455 N. Cityfront Plaza Dr.
 NBC Tower - Suite 2600
 Chicago, IL 60611-5379
 312-670-0500
 fwashelesky@next-plateau.com
 www.next-plateau.com



Donating a Car to Charity

If you donate your car to charity, you may claim a tax deduction for the donation if you itemize your deductions on your federal income tax return. To get started, you'll need to pick a qualified charitable organization, determine the fair market value (FMV) of your car, and obtain the necessary documentation for your donation.

Pick a qualified charity

Your donation won't be tax deductible unless you make it to a qualified organization. Generally, the most common types of qualified organizations are Section 501(c)(3) organizations such as charitable, educational, or religious organizations. To determine if an organization is qualified, you can check Internal Revenue Service (IRS) Publication 78, Cumulative List of Organizations. This publication is available on the IRS website (www.irs.gov).

You can also call the IRS Customer Account Services division for Tax Exempt and Government Entities toll-free at (877) 829-5500 to find out if an organization is qualified.

Determine your car's fair market value

When you donate your car to charity, you must first determine its fair market value. The FMV represents the maximum deduction you may take on your federal income tax return.

Certain commercial firms and trade organizations publish monthly or seasonal guides for different regions of the country that contain dealer sale prices or average dealer prices for recent model cars. While these prices are not "official" and the publications are not considered appraisals of any specific donated property, they do provide clues for making an appraisal and suggest relative prices for comparison with current sales and offerings in your area.

However, FMV may be affected if your car has engine trouble, body damage, high mileage, or excessive wear. For the FMV of your car to be considered the same as the price listed for a private party sale in such a guide, that price must be for a car that is the same make, model, and year as yours, and that is sold in the same area, in the same condition, and with the

same or similar options, accessories, and warranties as your car.

In certain circumstances, if the tax deduction you claim for your car is greater than \$5,000, you may need a written appraisal of the car's FMV from a qualified appraiser. The appraisal must be made no more than 60 days before you donate the car.



Obtain the necessary documentation

For deductions of less than \$250, you'll need a receipt (a letter from the organization will suffice) that shows the name of the organization to which you made the donation, the date and location of your contribution, and a reasonably detailed description of the car. You'll also need a record of the FMV of the car (and how you determined it) at the time of the contribution.

If you claim a deduction of \$250 or more, you'll need a contemporaneous written acknowledgement of your donation. In addition to information about the organization, the date and location of your contribution, and a description of the car, this acknowledgement must include one of the following:

1. A statement that no goods or services were provided by the charity in return for the contribution, if that was the case
2. A description and good-faith estimate of the value of any goods and services that the charity provided in return for the contribution, or
3. A statement that goods or services that the charity provided in return for the contribution consisted entirely of intangible religious benefits, if that was the case

If you claim a deduction of more than \$500, the charity must use IRS Form 1098-C as the acknowledgement. This form will indicate that the charity either:

1. Sold the car in an arm's-length transaction to an unrelated party (the date of the sale and the sale's gross proceeds will be listed)
2. Will make a significant intervening use of or material improvement to the car before transferring it, or
3. Will give the car, or sell it for a price well below its FMV, to a needy individual in furtherance of its charitable purpose

Worth noting:

Because churches, synagogues, temples, and mosques are treated as exempt organizations without filing an application for exemption under Internal Revenue Code Section 501(c)(3), they are not listed in Publication 78.

If the charity elects either of the last two options listed above, it must send you Form 1098-C within 30 days of your donation; otherwise, you must be sent Form 1098-C within 30 days of the sale of your car. You must attach a copy to your return.

Claim the deduction

If the charity sells your car and you claim a deduction of more than \$500, you can deduct the lesser of (1) the gross proceeds of the sale (as indicated on Form 1098-C), or (2) the car's FMV on the date of your contribution. However, if the charity doesn't sell the car, but instead elects to (1) make a significant intervening use of it or materially improve it prior to its transfer, or (2) give away the car or sell it at a price well below its FMV to a needy individual in furtherance of its charitable purpose, you can generally deduct the car's FMV at the time of your contribution. In this instance, Form 1098-C should indicate which of the two exceptions applies.

You can take a deduction only for the year in which you transfer the car to the charity, even if the charity doesn't sell the car until a later year. However, you can't take a deduction of more than \$500 until you've received Form 1098-C to attach to your return. Thus, if you receive Form 1098-C after you file your return for the year of the donation, you may then file an amended return for that year, claim the deduction on the amended return, and attach Form 1098-C to the amended return.

For deductions of greater than \$500 but not more than \$5,000, you must also complete Section A of Form 8283, Noncash Charitable Deductions, and attach it to your tax return.

If your deduction is for an amount greater than \$5,000, you must complete Section B of Form 8283, have it signed by an authorized official of the charity, and attach it to your return. In this instance, if your deduction is not limited to the gross proceeds of the sale of your car (i.e., one of the two allowable exceptions noted above applies), the appraiser must also complete and sign Section B of Form 8283, and you must also attach the appraisal to your return.

Disclosure Information -- Important -- Please Review

DISCLAIMER: The information contained in this newsletter; is general in nature and is not legal, financial or tax advice. For information regarding your particular situation, contact your legal, accounting, or tax advisor. This newsletter is believed to provide accurate and authoritative information related to the subject matter. The accuracy of the information is not guaranteed and is provided with the understanding that; the providers of this newsletter are not rendering legal, accounting or tax advice. In specific cases, clients should consult their legal, accounting or tax advisors. Circular 230 Disclosure: To ensure compliance with requirements imposed by the IRS under circular 230, we inform you that any U.S. Federal tax advice contained in this communication, unless otherwise specifically stated, was not intended or written to be used, and cannot be used, for the purpose of (1) avoiding penalties under the Internal Revenue Code or (2) promoting, marketing, or recommending to another party any matters addressed herein.

If the charity sells your donated car for \$500 or less, you can deduct the lesser of \$500 or the FMV of your car on the date of your contribution. However, if one of the exceptions noted above applies, you may generally deduct the FMV of your car.



Tax Filing Requirements - Amount of Deduction		
\$500 or less	Over \$500 but not over \$5,000	Over \$5,000
<ul style="list-style-type: none"> • Form 1040 • Schedule A 	<ul style="list-style-type: none"> • Form 1040 • Schedule A • Copy of Form 1098-C • Form 8283, Section A 	<ul style="list-style-type: none"> • Form 1040 • Schedule A • Copy of Form 1098-C • Form 8283, Section B

