

Donating Vehicles to Charities

If you donated a car or other vehicle to charity in 2005 and claim a deduction greater than \$500, remember, the rules for deducting that donation have changed. If the vehicle is sold by the charitable organization, the deduction claimed by the donor may not exceed the gross proceeds from the sale.

Form 1098-C or other written acknowledgment of the donation from the organization must be attached to the taxpayer's return. Among other things, the acknowledgment generally must include the gross proceeds of the sale, the vehicle identification number, and a statement certifying the vehicle was sold in an arm's length transaction between unrelated parties. The taxpayer can generally deduct the vehicle's fair market value, if:

- The organization makes significant intervening use of or materially improves the vehicle
- The organization gives or sells the vehicle to a needy individual at a price significantly below FMV in direct furtherance of its charitable purpose of relieving the poor and distressed or underprivileged who are in need of a means of transportation

The claimed deduction is \$500 or less

For donations made after June 3, 2005, the FMV cannot exceed the private party sales price listed in a used vehicle pricing guide.

If the organization intends to make significant intervening use of the vehicle or material improvements to the vehicle, the acknowledgment must include certain certifications. If the organization intends to sell the vehicle to a needy individual at a price significantly below FMV, or gratuitously transfers the vehicle to a needy individual, the acknowledgment must also include certain certifications.

For more information see Publication 526, Charitable Contributions, available on IRS.gov or by calling 1-800-TAX-FORM (800-829-3676).