

Vehicle Donations

There are special rules that apply to deducting a charitable donation relating to a vehicle or boat. The contribution depends upon what the charity does with the vehicle. Charities typically sell donated vehicles. The deduction allowed to an individual for a vehicle or boat is generally limited to the gross proceeds obtained from the sale of the vehicle sold by the charitable organization, the deduction claimed by the donor usually may not exceed the gross proceeds from the sale.

Should the deduction be \$250 or more a written acknowledgement of the donation must be obtained from the charitable organization that sold the vehicle. Should the deduction be more than \$500, this written acknowledgment or Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, must be attached to your 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.

Should the charitable organization intend to make significant intervening use of the vehicle or material improvements to the vehicle, the acknowledgment must include certain certifications. Should the organization sell the vehicle to a needy individual at a price significantly below fair market value, or gratuitously transfers the vehicle to a needy individual, the acknowledgment must also include certain certifications.

Generally one may deduct the vehicle's fair market value instead of the amount of gross proceeds from the sale if any of the following situations apply:

- * 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 fair market value 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

The fair market value cannot exceed the private party sales price listed in a used vehicle pricing guide.