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THE TAX LAWYER

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### Key Facts About Donating Cars To Charity

Many charities will take a car off your hands and give you what you need to claim a charitable contribution deduction on your taxes. Is it safe to participate? Sure, but make certain you know who is changing title to the car with the DMV. It may be safest to do it yourself.

Plus, on the tax side, pick your organization carefully. Some have gotten into trouble. First, be sure it is a 501(c)(3) charity. Confirm it [online](#) or ask to see the IRS exemption letter. Charities can:



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- Sell donated vehicles and use the proceeds to fund charitable programs;
- Use donated vehicles to further charitable programs;
- Make improvements to vehicles, sell them and use the proceeds to further charitable programs; or
- Distribute or sell vehicles at a discount to needy individuals for transportation.

Some charities hire private, for-profit agents to operate vehicle donation programs in their name. The charity may receive a flat fee or a percentage of sale proceeds. You can ask.

**Written Acknowledgment.** If you donate a vehicle and claim it is worth more than \$500, the charity must provide you with a contemporaneous written acknowledgment such as an IRS [Form 1098-C](#) stating:

- The donor's name and taxpayer identification number;
- The vehicle identification number;
- The date of the contribution, and one of the following:
  - A statement (if true) that no goods or services were provided by the charity for the donation;
  - A description and good faith estimate of the value of any goods or services the charity provided for the donation; or
  - A statement (if true) that goods or services provided by the charity consisted entirely of intangible religious benefits.

**Sale of Vehicle.** If the charity sells the vehicle for more than \$500, it must provide written acknowledgment to the donor within 30 days of the sale stating:

- That the vehicle was sold in an arm's length transaction between unrelated parties;
- The date the vehicle was sold;
- The gross sale proceeds; and
- That the donor's deduction cannot exceed the gross proceeds from the sale.

**IRS Form 8283.** A donor must file IRS [Form 8283](#) if deductions for all non-cash gifts for the year exceed \$500. If the deduction is over \$5,000, the donor must complete Section B of Form 8283. The charity must complete a portion of the form and sign it.

**Vehicle Title.** Charities and fundraisers are subject to state law on transfers of title. Generally, state charity officials suggest that the donor transfers title himself to terminate his liability. In most states, this involves filing a form with the state DMV. To help avoid liability, donors should also remove license plates before the donation, unless state law requires otherwise.

*Robert W. Wood practices law with [Wood LLP](#), in San Francisco. The author of more than 30 books, including *Taxation of Damage Awards & Settlement Payments* (4th Ed. 2009 with 2012 Supplement, [Tax Institute](#)), he can be reached at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*