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DEPARTMENT OF THE TREASURY

IRS Officials Urge Care for Those Making a Car Donation; New Law Changes Rules at End of the Year

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WASHINGTON — The Internal Revenue Service issued a consumer alert today to help taxpayers avoid potential pitfalls when they donate their automobiles to charities.

In addition, as taxpayers plan their charitable giving, donors should understand the way that the American Jobs Creation Act of 2004 will alter the rules for the contribution of used motor vehicles, boats and planes after Dec. 31, 2004.

Next year, if the claimed value of the donated motor vehicle, boat or plane exceeds \$500 and the item is sold by the charitable organization, the taxpayer is limited to the gross proceeds from the sale.

Under the new rules, the charitable organization must provide an acknowledgement to the donor within 30 days of the sale stating the amount of gross proceeds. Alternatively, if the charity significantly uses or materially improves the vehicles, the charity must certify this intended use and duration and provide an acknowledgement to the donor within 30 days of the contribution. If the charity significantly uses or materially improves the vehicle, generally, the donor may deduct the vehicle's market value.

For the remainder of 2004, however, the new rules do not apply. Under the rules in effect for 2004, taxpayers will be able to deduct the fair market value of the contributed property.

"Just because the rules will be tightened for vehicles donated next year doesn't mean anyone should give a car to charity and claim an inflated value this year," said IRS Commissioner Mark W. Everson.

IRS officials recommend that people who want to donate their vehicle by Dec. 31, 2004, take the following steps:

- **Check That the Organization is Qualified** — Taxpayers should make certain that they contribute their car to an eligible organization; otherwise, their donation will not be tax deductible. Taxpayers can use the IRS Web site to check that an organization is qualified by searching Publication 78. Publication 78 is an annual, cumulative list of most organizations that are qualified to receive deductible contributions. Publication 78 is also available in many public libraries. In addition, taxpayers can call IRS Tax Exempt/Government Entities Customer Service at 1-877-829-5500. Be sure to have the organization's correct name and its headquarters location, if possible. Churches, synagogues, temples, mosques and governments are not required to apply for this exemption in order to be qualified. They frequently are not listed in Publication 78. Donations to these institutions are tax deductible.
- **Itemize in Order to Benefit** — Many taxpayers can't take a deduction for car donations because they don't itemize deductions on their personal tax return. For taxpayers, the decision to itemize is determined by whether their total itemized deductions are greater than the standard deduction (for 2004, the standard deduction will be \$4,850 for single; \$9,700 for married filing jointly). Slightly more than one-third of the 130 million individual taxpayers itemized in 2001, the last year for which complete data is available.
- **Calculate the Fair Market Value** — The donor must take many factors into consideration to establish the value of the car. Many used-car buying guides contain step-by-step instructions so that readers can make adjustments to the value of a car

for accessories, mileage and other indicators of its general condition. Both Publication 526, Charitable Deductions, and Publication 561, "Determining the Value of Donated Property," provide detailed instructions.

- **Deduct Only the Car's Fair Market Value** — Some car donation program operators have mistakenly claimed that donors can deduct the highest value listed in a used-car buyer's guide for their make and model of car, regardless of the donated car's condition. The IRS, however, will only allow a deduction for the fair market value of the car. Fair market value takes into account many factors, including the vehicle's condition. The fair market value of the taxpayer's car may be substantially different than the highest value listed in a used-car buyer's guide for that make and model of car.
- **Document the Charitable Contribution Deduction** — For vehicle donations, taxpayers must document the car donation and its fair market value. Recordkeeping requirements are comprehensive and vary depending on the amount of the contribution and the total amount of the charitable deduction. IRS Publication 526 details requirements for the types of receipts taxpayers must obtain and the forms they must file.
- **Contact State Charity and IRS Officials When in Doubt** — Donors with questions about whether a contribution is deductible should call the IRS at 1-800-829-1040 or for TTY/TDD help, call 1-800-829-4059. They can also find IRS forms and publications at IRS.gov. Donors concerned that contributions are being solicited for fraudulent purposes should contact the appropriate state charity official, who is often located in the state attorney general's office. A list of state charity official offices can be found online.

Related Items:

- [IRS Publication 78](#)
- [State Charity Officials](#)
- [State Attorneys General](#)
- Publication 526, Charitable Deductions ([PDF 177K](#))
- Publication 561, Determining the Value of Donated Property ([PDF 101K](#))

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