

# Charitable Contributions of Motor Vehicles, Boats & Airplanes

## Introduction

Do you have an old car, truck, RV, motorcycle, boat or plane sitting around and you don't know what to do with it? You don't want to go through the trouble of trying to sell it yourself or use it as a trade in. You might consider donating it to a charity. The following are the rules and issues you need to understand before making a donation.

## Outright Sale

If the organization sells the vehicle without using it significantly for charitable purposes or making material improvements, the deduction is generally limited to the gross proceeds from the sale. When this general rule applies, the FMV of the donated asset is irrelevant. The gross sale proceeds amount is reported on line 4c of the Form 1098-C, Contributions of Motor Vehicles, Boats and Airplanes, provided to the donor (and to the IRS) by the charity.

## Transferred to Needy Individual

The sale-proceeds limitation doesn't apply if the charity sells or transfers the vehicle to a needy individual for below FMV in furtherance of the organization's charitable purpose. In this case, the donor can generally deduct the FMV of the motor vehicle (or boat or plane) as of the contribution date – even if FMV exceeds the gross sale proceeds figure. The charity will indicate when this exception applies by checking box 5b on Form 1098-C.

## Significant Use or Material Improvements

The sale-proceeds limitation also doesn't apply if the charity keeps the donated motor vehicle (or boat or plane) and uses it significantly for charitable purposes or makes material improvements before ultimately selling it. In these cases, the donor can generally deduct the FMV of the motor vehicle (or boat or plane) as of the contribution date. The charity will indicate when one of these exceptions applies by checking box 5a on Form 1098-C and describing the significant use or material improvements on line 5c.

## Requirements

The taxpayer cannot claim any deduction above \$500 for a donated motor vehicle (or boat or plane) unless the recipient charity provides an acknowledgement on Form 1098-C. The Form 1098-C must be provided within 30 days of the sale (or within 30 days after the donation if one of the exceptions explained above applies). Donor must attach Copy B of Form 1098-C to their Form 1040.

## Tips to Consider

1. Avoid Middlemen – Numerous for-profit intermediary organizations advertise aggressively on TV, billboards and elsewhere, offering to help you donate your vehicle to charity. Here's the catch: These organizations typically keep about 50 percent to 90 percent of the vehicle's value for themselves, and the charities don't get what they could have gotten. To prevent this, check directly with charities you admire and find out whether they accept car or boat donations.
2. Find a Worthy Charity – If the charities you normally support aren't equipped to accept such donations, do some homework until you find a reputable charity that is. In order to qualify for the deduction, the charity that gets your donation must be an IRS-approved 501(c)(3) organization. You can research charities' track records online by going to one of the links on my website under "Charitable Organization Information".  
[http://rkcpa.com/Favorite\\_Links.html](http://rkcpa.com/Favorite_Links.html)
3. Do the Delivery Yourself – Once you've identified a worthy charity, recognize that it will have to pay someone to pick up your motor vehicle, boat or plane for you. To help the charity maximize the benefit of your donation, drop the motor vehicle, boat or plane off yourself if possible.
4. Transfer the Vehicle with Care – Want to eliminate all risk of running up parking tickets and other violations after you've said goodbye to your donated vehicle? Then formally re-title the vehicle to the charity, and report the transfer to your state's department of motor vehicles or licensing. Never agree to leave the ownership space on the charity donation papers blank.
5. Keep a Thorough Paper Trail – If it's worth more than \$5,000, your documentation must include an outside appraisal. You'll also need proof of the donation, such as a receipt from the charity and a copy of the title change.
6. Donor's Tax ID Number – If you donate a motor vehicle, boat or plane to a 501(c)(3) charity you must provide the organization with your tax identification number. If you do not provide your tax identification number to the charity your deduction will be limited to \$500 regardless of the sale proceeds or the FMV of the motor vehicle, boat or plane.