



Donating Tax Guidance

The following is a summary of the new tax law...

The new tax law affects autos and boats so that the price for the vehicle sold is your tax deduction and not the appraised or book value, (unless the car or boat is used by the organization.) We at Dvar Institute have been processing car and boat donations for the past 20 years and can get you the maximum tax deduction. Those cars and boats that are used internally qualify for book value.

Beginning January 1, 2005, new federal tax legislation governing vehicle donations is in effect. The following is a summary of much of this new legislation (as contained in HR 4520).

Under the new law, allowable deductions for charitable contributions of vehicles, boats and airplanes (collectively referred to as "assets" in this summary) for which the claimed value exceeds \$500 will depend how the asset is used by the recipient charity. If the organization sells the asset without any significant intervening use or material improvement, the donor's deduction is limited to the gross sales proceeds received by the charity. But, if the organization uses the asset in direct furtherance of its charitable purpose the donor may deduct the "fair market value" of the asset.

According to the IRS, the donor, not the recipient charity, must determine the "fair market value" which the IRS describes as the price that a willing buyer and willing seller would agree upon if neither were pressured to do so. (Assistance with vehicle values can be found at Kelly Blue Book's web site [HERE](#). Other guidebooks and techniques are commonly used to determine the market values of other asset types such as newspaper classifieds, online auction sites, and other similar marketplace venues. Please contact us if you would like further tips on determining market value for other asset classes.)

Examples: If a vehicle with a "fair market value" of \$4000 is donated directly to the non-profit charity and the organization sells the vehicle for \$1000, the donor can only deduct \$1000. But, if for instance, the organization provides the vehicle to a disadvantaged person, the donor may deduct the full "fair market value" of \$4000.

Substantiation requirements when the claimed value exceeds \$500 are as follows: No deduction is allowed unless the donor receives a written acknowledgement from the charity. That document must include the name and taxpayer identification number (usually the social security number) of the donor and the vehicle identification number (or similar number) of the asset.

**DONATE
ALMOST
ANYTHING...**

AUTOS

BOATS

COLLECTIBLES

INTANGIBLES

INVENTORY

REAL ESTATE

**Thinking of
Donating?**

**Have
Questions?**

**Call Anytime...
800-338-6724**

Additional documentation is required but is dependent on how the asset is used by the charity:

In the event the charity sells the asset without any significant intervening use or material improvement, the charity must send a written acknowledgement to the donor within 30 days of the sale certifying (1) that the asset was sold at an arms length transaction between unrelated parties, (2) the amount of the gross sales proceeds, and (3) include a warning that the donor's deduction is limited to the sales proceeds.

If the charity intends to make significant use of the donated asset (such as providing a donated vehicle to a disadvantaged person) or make material improvements, the required written acknowledgement must be provided within 30 days of the contribution and must certify: (1) the intended use and duration of such use or the material improvements to be made, and (2) that the asset will not be transferred in exchange for money, other property, or services before completion of such use or improvements.
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