

Tax Alert

Donating a Vehicle Might not Provide the Tax Deduction You Expect

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All charitable donations aren't created equal — some provide larger deductions than others. And it isn't necessarily just how much or even what you donate that matters. How the charity uses your donation might also affect your deduction.

Take vehicle donations, for example. If you donate your vehicle, the value of your deduction can vary greatly depending on what the charity does with it.

Determining Your Deduction

You can deduct the vehicle's fair market value (FMV) if the charity:

- Uses the vehicle for a significant charitable purpose (such as delivering meals-on-wheels to the elderly),
- Sells the vehicle for substantially less than FMV in furtherance of a charitable purpose (such as a sale to a low-income person needing transportation), or
- Makes "material improvements" to the vehicle.

But in most other circumstances, if the charity sells the vehicle, your deduction is limited to the amount of the sales proceeds.

Getting Proper Substantiation

You also must obtain proper substantiation from the charity, including a written acknowledgment that:

- Certifies whether the charity sold the vehicle or retained it for use for a charitable purpose,
- Includes your name, tax identification number, and the vehicle identification number, and
- Reports, if applicable, details concerning the sale of the vehicle within 30 days of the sale.

For more information on these and other rules that apply to vehicle donation deductions — or deductions for other charitable gifts — please contact us.