

Church Financial Hot Topic

Car, Truck, or Boat Donations

Like other donations to any legitimate qualified charity, donations of cars, boats, and trucks to the church are generally tax deductible. The availability of tax deductions for the donations of cars, trucks, and boats have become a significant source of funds for many non-profit organizations. This has unfortunately led to some improper reporting and estimating values for deductions. The IRS has passed laws that require greater substantiation for donations of vehicles, particularly vehicles valued over \$500.

The maximum amount a donor can deduct for the donation of a vehicle is the fair market value of the vehicle. Fair market value is the price a buyer would pay for the vehicle and a seller would accept for a vehicle. The FMV price would exclude any extenuating circumstances and reasonable knowledge of the facts about the property and its worth that exist between the two parties. While a good used vehicle guide may be a starting point for estimating the vehicle's value, it is not necessarily the value the IRS would allow the donor to deduct for the vehicle. Others sources of information for estimating values like local published sale prices for a private party sale are necessary to satisfy the IRS' acceptable pricing.

Estimating the vehicle's value is not the responsibility of the church. The vehicle's value cannot be included in the written acknowledgment from the church to the donor. The church's acknowledgment letter must contain the name and address of the church and a description of the vehicle including VIN (Vehicle Identification Number). Also, the church's acknowledgement letter should include the following statement: "No goods or services were provided in exchange for the donation other than intangible religious benefits." The church's acknowledgment letter should be delivered before the individual's tax return is filed.

How the church handles the vehicle and its value determines the responsibilities for how the donation is reported to IRS by the church and donor:

Donated Vehicle's Value	Church's Decision for Use of the Vehicle	Tax Documentation Responsibilities
Up to \$5,000	Church sells without altering or using the vehicle in an arm's length transaction.	The church sends within 30 days to the donor an acknowledgement letter and the additional statements that the vehicle was sold, stating proceeds from sale, and that the deduction cannot exceed proceeds of sale. The church sends Form 1098-C to the IRS by 2/28 of following year.
Up to \$5,000	Church either sells the vehicle at price significantly below market or gratuitously transfers to a needy family in ministering to one in need.	The church sends within 30 days to the donor an acknowledgement letter with additional statements that the vehicle was sold or gratuitously transferred to a needy family and that the exchange was in furtherance of church's exempt purposes of relieving poor and distressed or underprivileged who are in need. The church sends Form 1098-C to the IRS by 2/28 of following year.
Up to \$5,000	Church significantly uses or materially improves the vehicle.	The church sends within 30 days to the donor an acknowledgement letter with additional statements that describe intended significant use and duration of use or the intended improvement and certification that vehicle will not be sold before improvement completed. The church sends Form 1098-C to the IRS by 2/28 of following year.
Over \$5,000	Any decision.	The church sends within 30 days to the donor a similar acknowledgement letter as required when the vehicle's value is under \$5,000. The acknowledgement letter and required additional information is based on the church's decision for use of the vehicle listed above. Also, the church sends Form 1098-C to the IRS by 2/28 of following year. However, since the vehicle is valued over \$5,000, the donor will be required to complete Form 8283 by obtaining a qualified appraisal and have the form signed by a church representative.

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