

DONORS GUIDE TO CAR DONATION TAX DEDUCTION

Kars 4 Kids

The donation of a car or other vehicle to charity is a significant charitable contribution, perhaps the largest many people will give in their lifetimes. Whether the primary motivation to donate is convenience or altruism, donors want to ensure that they receive the maximum tax deduction allowable.

Step 1: Choose an eligible organization

The most important consideration when choosing a charity is determining its “exempt” status. To be eligible for a tax deduction, the car must be donated to a tax-exempt nonprofit organization, most commonly a 501(c) (3) organization created for religious, charitable, educational, scientific or literary purposes or for prevention of cruelty to children or animals. Religious organizations such as churches, synagogues and mosques automatically qualify even without filing for 501(c) (3) status.

To verify if an organization is tax-exempt, use the [IRS Exempt Organizations Select Check](#), call the IRS at (877) 829-5500, or ask to see the organization’s IRS letter recognizing it as tax-exempt.

QUICK TIP: Kars4Kids is a nationally recognized 501(c) (3) organization. Our Tax ID number is 22-3746050.

Step 2: Itemize deductions

For a car donation to be eligible for a tax deduction, the donation must be made solely for charitable or public purposes and the donor must itemize deductions (such as medical expenses and charitable donations) on Schedule A of IRS Form 1040. Those taking the standard deduction rather than itemizing will not receive a deduction for their donation. Generally, it is worth the effort to itemize if the total of the itemized deductions for that tax year is more than the standard deduction one is entitled to.

Quick tip: Whether itemizing deductions is worthwhile for you depends on the specifics of your situation. H&R Block offers a more detailed [guide to itemizing versus taking the standard deduction](#). Always speak to your accountant or tax advisor for advice specific to your circumstance.

Step 3: Determine the amount of your deduction

The exact amount of your deduction is dependent on what the charity does with your vehicle and on the vehicle’s value. Let’s break it down.

IF THE CHARITY...	YOUR TAX DEDUCTION IS...
Uses the vehicle for its own purposes (such as delivering food to the needy or giving it to a needy individual)	the fair market value of the vehicle.
Junks the vehicle or sells it for less than \$500	the fair market value of the vehicle up to \$500, as determined by the donor.
Sells the vehicle for more than \$500	the full final sale price of the vehicle.

Now, for an important definition: what is the “fair market value” of the car?

Fair market value is defined as “the price at which the property would change hands between a willing buyer and a willing seller, neither being compelled to buy or sell, and both having reasonable knowledge of all the necessary facts.” In other words, the price you could reasonably expect to get for the vehicle on the open market. This is not necessarily identical to the “blue book” value of the car, as factors such as engine or body trouble or excessive wear could decrease the vehicle’s value and significant improvements might increase the value.

QUICK TIP: You can use a vehicle pricing guide such as this one from Kelley Blue Book to determine your car’s value based on its current condition.

Step 4: Gather necessary documentation

The documentation you'll need to claim your deduction is dependent on the amount of the deduction.

≤\$500

For a deduction of \$500 or less, the IRS requires:

- the name of the charity
- a description of the donated vehicle
- a statement if goods and services were received, and their value.

QUICK TIP: This information is usually found on the receipt issued by the charity. If you donated to Kars4Kids, your official receipt is all the documentation you will need in this case.

\$500-\$5,000

For a deduction of more than \$500 and less than \$5,000, the IRS requires:

- the name of the charity
- a description of the donated vehicle
- a statement if goods and services were received, and their value
- Copy B of Form 1098-C OR a legal substitute
- If you are e-filing, Form 8453

QUICK TIP: The receipt issued by the charity may be a legal substitute for Form 1098-C. Kars4Kids' official receipt is a legal substitute for Form 1098-C and can be used to input all necessary information asked for by tax software from the 1098-C.

>\$5,000

For a deduction of more than \$5,000, the IRS requires:

- IRS Form 8283
- Form 1098-C or legal substitute (such as the receipt from the charity)
- a written appraisal of the vehicle's value. The appraisal must be from a qualified appraiser and must be completed no more than 60 days before the donation. The cost of the appraisal cannot be deducted as a charitable expense, but it can be itemized in miscellaneous expenses.

Step 4 (cont.)

If you are claiming the fair market value of a vehicle that will be used by the charity for its own purposes or the charity will be making material improvements to the vehicle, the IRS also requires written acknowledgment from the charity describing how the vehicle will be used or improved and certifying that it will not be sold before said use or improvement. The [IRS Guide to Vehicle Donations for Donors](#) explains this in more detail.

Step 5: File tax return!

The tax deduction can be claimed in the year that the donation was given. Don't forget to include all the necessary documentation, as outlined above, with your federal income tax return. Whether your car donation qualifies for a deduction on your state income tax return varies on a state-by-state basis. Check with [your state tax department](#).

Note: The tax benefit you receive for donating your car is a deduction, not a tax credit. This means that the amount of income that the government will tax you on is reduced by the deduction amount, resulting in lower taxes for you.

Additional Resources:

[Tax aspects of donating a car to charity](#) from American Institute of CPAs

A [Donor's Guide to Vehicle Donations](#) from the IRS

Charity Navigator's [Guide to Donating Your Car](#)

The [Accountants Guide to Car Donation](#) from Kars4Kids

Disclaimer: This guide is intended to be used as a general source of helpful information but not as a replacement for specific tax guidance or advice. Kars4Kids is not in the business of providing accounting, tax or legal advice. For that, we recommend you seek the services of a competent professional.