



Donating Your Used Car to Charity

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One of the negative aspects of buying a new car is the annoyance involved with getting rid of your old car. Many individuals find the trade-in allowance offered by dealers (if any) to be well below the car's true value. But the alternative of selling the car on your own involves the expense of advertising as well as the commitment of time needed to meet with potential buyers, accompany them on test drives, negotiate a fair price, etc.

For these reasons, some people consider a different option for their old cars – donating them to charity. You may have seen ads from charities in your local newspaper or on television urging individuals to donate their old cars. The donation approach saves you the trouble of trying to sell the car.

In taking this approach, however, bear in mind that the amount of the deduction you will be allowed to claim is subject to special limitations. In many cases, the allowable deduction may be less than your view of the car's value.

Since most charities do sell the cars they receive, it's likely that your donation will be limited to the actual sale price. Furthermore, these sales typically result in sales below "Blue Book" value. Also, you won't know the amount of your deduction until the charity has sold the car and reported the sale proceeds to you (see below).

Only if the charity uses the car in its operations or materially improves the car before selling it will your deduction be based on the car's fair market value at the time of the donation. In that case, fair market value is usually set according to the "Blue Book" listings for used cars published by the National Automobile Dealers Association. In any case, you must itemize your deductions to get the tax benefit; you cannot take a deduction for a car donation if you take the standard deduction.

If you donate your used car to charity, make sure you take the steps needed to substantiate your tax deduction.

If the charity sells the car, you will need a written acknowledgement from the charity containing your name and tax ID number, the vehicle ID number, a certification that it was sold at arm's length to an unrelated party, the gross proceeds of sale, and statement that the deduction cannot exceed the proceeds. The charity should provide you with this acknowledgement within 30 days of the sale.

If, instead, the charity will use the car, the acknowledgement needs to certify the intended use and the intended duration of the use, along with a statement that the car will not be sold before completion of the use. In this case, the acknowledgement should be provided within 30 days of the donation.