

IRS**News Release****Media Relations Office****Washington, D.C.****Tel. 202.622.4000****For Release: 12/3/01****Release No: IR-2001-112****IRS AND STATE CHARITY OFFICIALS URGE CARE WHEN MAKING A CAR DONATION**

WASHINGTON – The Internal Revenue Service and state charity officials issued a consumer alert today to help taxpayers avoid potential pitfalls when they donate their automobiles to charities.

Across the nation, an increasing number of charities have turned to car-donation programs in recent years as an effective way to raise money. Many of these charities run sound programs. But IRS and state officials are concerned that, as the end of the tax year approaches and taxpayers finalize their charitable donations, many may not know enough about the state and federal recordkeeping and filing requirements.

“When done correctly, donating a used car to a charity can help both the charity and the taxpayer,” said IRS Commissioner Charles Rossotti. “We want people to take a few simple steps to avoid possible problems and to make sure they get the proper tax deduction for their donation. Don’t get taken for a ride.”

State officials have additional concerns about car donation programs, stemming from their mandate to safeguard charitable assets and to prevent deceptive donation practices.

“We urge the public to take the proper steps to find out how their contributions will be used,” said Karin Kunstler Goldman, president of the National Association of State Charity Officials (NASCO) and an Assistant Attorney General in New York State. “Any reputable charity should be happy to provide potential donors with financial reports and other information about its activities.”

NASCO members consist of officials from most of the 50 states and District of Columbia who have regulatory authority over charitable organizations. During the past year, NASCO and IRS officials responsible for overseeing tax-exempt organizations have begun to work together in a partnership to address issues of common concern.

For a taxpayer, the appeal of a car donation is simple: Unload an old car, help a worthy cause and take advantage of tax provisions designed to support the generosity of Americans. Taxpayers who itemize deductions on their tax return can deduct, within limits, the fair market value of their contributions to qualified charities.

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The proliferation of car donation programs, however, has taken place without taxpayers always understanding what they must do to take advantage of the deduction. This confusion has been heightened by claims of some of the private fundraisers who operate car donation programs on behalf of qualified charities.

IRS and NASCO officials recommend that people who want to donate their vehicle take the following steps:

- **CHECK THAT THE ORGANIZATION IS QUALIFIED** –Taxpayers must make certain that they contribute their car to an eligible organization; otherwise, their donation will not be tax deductible. Taxpayers can use the IRS Web site to check that an organization is qualified by searching Publication 78 at www.irs.gov/bus_info/eo/eosearch.html. Publication 78 is an annual, cumulative list of most organizations that are qualified to receive deductible contributions. Publication 78 is also available in many public libraries. In addition, taxpayers can call IRS Tax Exempt/Government Entities Customer Service at 1-877-829-5500. Be sure to have the organization's correct name and its headquarters location, if possible. Churches, synagogues, temples, mosques and governments are not required to apply for this exemption in order to be qualified. They frequently are not listed in Publication 78. Donations to these institutions are tax deductible.
- **EXAMINE STATE FILINGS FOR MORE INFORMATION** - Taxpayers can also review the organization's state registration and financial filings. These documents are commonly filed with a state charity regulator such as the State Attorney General's Office or the Secretary of State's Office. Donors can use these records to find out how long a charity has been in existence and to compare the percentage of revenue the charity spends on its charitable programs to the percentage it spends on administrative costs.
- **ASK QUESTIONS ABOUT HOW THE DONATED VEHICLE WILL BE USED** – Many donors also want to make sure their contribution is used for the charitable purpose they intend. NASCO officials urge donors to ask whether those soliciting the car donation are officials of the charity itself or a private fundraiser acting on the charity's behalf. If it is a private fundraiser, what will it do with the vehicle? Will the car be fixed up and given to the poor and needy? Or will it be resold? And if it is resold, what share of the proceeds go to the charity? A donor can ensure the donation furthers the intended charitable purpose by obtaining acceptable responses to these questions.
- **ITEMIZE IN ORDER TO BENEFIT** – Many taxpayers can't take a deduction for car donations because they don't itemize deductions on their personal tax return. For taxpayers, the decision to itemize is determined by whether their total itemized deductions are greater than the standard deduction (for 2001, the standard deduction will be \$4,550 for single; \$7,600 for married filing jointly). Less than one-third of the nearly 128 million individual taxpayers itemized in 1999, the last year for which complete data is available.

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- **DEDUCT ONLY THE CAR'S FAIR MARKET VALUE** – Some car donation program operators have mistakenly claimed that donors can take the full “Blue Book” value of their car for a deduction. The IRS, however, will only allow a deduction for the fair market value of the car. Fair market value takes into account many factors, including the vehicle’s condition. The fair market value of the taxpayer’s car may be substantially different from the “Blue Book” value.
- **CALCULATE THE FAIR MARKET VALUE** – The donor must take many factors into consideration to establish the value of the car. Many used-car buying guides contain step-by-step instructions so that readers can make adjustments to the value of a car for accessories, mileage and other indicators of its general condition. Both IRS Publication 526, “Charitable Deductions,” and IRS Publication 561, “Determining the Value of Donated Property,” provide detailed instructions. Both publications can be found at www.irs.gov.
- **DOCUMENT THE CHARITABLE CONTRIBUTION DEDUCTION** – For vehicle donations, taxpayers must document the car donation and its fair market value. Recordkeeping requirements are comprehensive, somewhat complicated and vary depending on the amount of the contribution and the total amount of the charitable deduction. IRS Publication 526 details requirements for the types of receipts taxpayers must obtain and the forms they must file.
- **FOLLOW STATE LAW REGARDING CAR TITLE AND LICENSE PLATES** – Generally, state officials ask the donor to transfer the car title to the charity’s name and make a copy of the title transfer, when possible. In some states, however, there are exceptions to this titling process, and an agent can hold an open title or insert a dealer’s name. The donor should remove the license plates, unless state law requires otherwise. This will help avoid any liability problems after the car is transferred.
- **CONTACT STATE CHARITY AND IRS OFFICIALS WHEN IN DOUBT** - Donors with questions about whether a contribution is deductible should call the IRS at 1-800-829-1040 or for TTY/TDD help, call 1-800-829-4059. They can also find IRS forms and publications at the IRS Web site at http://www.irs.gov/bus_info/eo/index.html. Donors concerned that contributions are being solicited for fraudulent purposes should contact the appropriate state charity official, who is often located in the state attorney general's office. A list of state charity official offices can be found online at www.nasconet.org, and a list of state attorneys general can be found at www.naag.org.

More than a quarter of the nearly 128 million Americans filing individual returns claimed a tax deduction for a charitable contribution in 1999. The value of these donations came to more than \$122 billion.

