



# Donating Your Vehicle To Charity

From the Office of Minnesota Attorney General Lori Swanson

Most people who donate a motor vehicle to charity are interested both in benefiting a worthwhile charitable purpose and receiving a tax deduction. Not all charitable vehicle donations programs are alike. Some charities use your donated vehicle in their programs, some sell or give your vehicle to a needy individual, while others auction off your vehicle to the public or sell it to a scrapyard and get the proceeds from the sale. Some charities run their own vehicle donation programs while others use professional fundraising companies that may keep a significant portion of your donation. With some charities, your entire donation will help the charity's mission. With others, 80 percent of your donation may be consumed by fundraising and administrative costs, with only 20 percent going to the charity. Plus, only taxpayers who file itemized returns may deduct their vehicle donations. Only about 30 percent of taxpayers file itemized returns.

This flyer has suggestions on how to better understand who you are donating to, how your donation will be used, and whether and how much you can deduct on your taxes for a donated vehicle.

## How Charities May Use Your Donation.

Charities typically do one of two things with a vehicle donation:

First, a charity may use the donated vehicle in its charitable program or distribute the vehicle to needy individuals. For example, a charity may use your vehicle to teach disadvantaged individuals how to repair cars or to deliver groceries to senior citizens. It may also give or sell your car at a steep discount to an economically disadvantaged person.

Second, the charity may sell your donated vehicle to the public or a junkyard and use the proceeds from the sale to fund its charitable programs.

## Charity-Operated Programs vs. Fundraiser-Operated Programs.

Some charities operate their own car donation programs. Other charities, however, use for-profit fundraising companies to solicit vehicle donations and sell or scrap your vehicle. In these instances, typically only a portion of the sales price goes to charity and the remainder is kept by the for-profit fundraising company as a fee or commission.

Under Minnesota law, a fundraising company is supposed to disclose its name and that the solicitation is being conducted by a fundraising company. If it does not, ask the person you are speaking with if they work for the charity or if they work for a fundraising company.

In other cases, one charity may solicit vehicle donations and pay a portion of the proceeds to another charity. Here too, it is important to determine how much money ultimately goes to the charitable purpose and how much is spent on fundraising and overhead.

Before you donate, ask the charity or fundraising company how it will use your donated vehicle. Will it auction off your car to the public or sell it to a scrapyard? Will it give your vehicle for free or at a nominal cost to a needy person? Will it keep your vehicle and use it to carry out the charity's mission? Ask about the mission of the charity, what services are provided by the charity, and what people are helped by the charity.

It is usually best to donate to organizations you know. Some charities that advertise heavily may use your donation for purposes which would surprise you.

## Find Out How Much of Your Donation Will Go To Charity:

If the program plans to sell your vehicle to the public or a scrapyard, ask this specific question: “What percentage of the *gross* sales price will go directly to the charity and what percentage of the *gross* sales price go to fundraising and overhead costs?” Be wary of charities and fundraising companies that answer this question by telling you what percentage of the *net* sales price (vs. the *gross* sales price) goes to charity, because the *net* sales price excludes overhead and fundraising costs.

If a fundraising company is involved, then a portion—often a significant amount—of your donation will be paid to the fundraising company. In addition, fundraising companies often spend significant amounts of money on advertising to solicit donors, and your donation helps to fund these advertising costs as well. With some fundraiser-operated programs, as much as 80 percent of your donation may be consumed by fundraising and overhead costs, while just 20 percent goes to the charity.

You can check the accuracy of what the fundraising company tells you by calling the Minnesota Attorney General’s Office at 651-296-3353 or 800-657-3787. A fundraising company is not supposed to solicit donations in Minnesota without registering with the Minnesota Attorney General’s Office. Fundraising companies must file periodic financial reports with the office that show what percentage of funds raised from a fundraising campaign went to charity vs. fundraising costs/overhead. They must also file a copy of their contract with the charity they solicit for that discloses an estimate of how much of your donation will go to charity vs. how much will be consumed by fundraising costs.

## Check Out the Charity.

To make sure the maximum amount of your donation is going to a charitable purpose you support, consider donating to a charity with which you are personally familiar. Do your due diligence on any charity before you donate.

Most charities that solicit donations from the public must register with the Attorney General’s Office. You should make sure the charity to which you seek to donate your vehicle is registered in good standing with the Attorney General’s Office. You may do this online by searching the Attorney General’s website at [www.ag.state.mn.us](http://www.ag.state.mn.us) and selecting “Search for Charities” on the Charities drop down menu. Registration with the Attorney General’s Office does not mean that the State has approved the organization. Rather, it simply means that the organization has filed the necessary paperwork to become registered.

An organization called GuideStar makes copies of the federal tax returns filed by charities—called the IRS Form 990—available over the Internet. You may view a charity’s IRS Form 990 at the GuideStar website at: [www.guidestar.org](http://www.guidestar.org). The Form 990 will show you how much a charity receives each year in donations and how much it spends on overhead and other expenses.

You may also wish to check if one of these organizations has rated the charity:

### **Charities Review Council**

2610 University Avenue West, Suite 375  
St. Paul, MN 55114-2007  
651-224-7030 or 1-800-733-4483  
[www.smartgivers.org](http://www.smartgivers.org)

### **Wise Giving Alliance Council of Better Business Bureaus**

4200 Wilson Boulevard, Suite 800  
Arlington, VA 22203  
703-276-0100  
[www.give.org](http://www.give.org)

## Can you claim your donation as a tax deduction?

Some charities claim that donations are “100 percent tax deductible.” It is important to remember that only taxpayers who file itemized tax returns may deduct their vehicle donation. On average, only 30 percent of taxpayers file itemized tax returns. This means that the other 70 percent of Americans who do not file itemized tax returns may not deduct a vehicle donation.

If you want to receive a tax deduction for your donation, you must select a charity that is eligible to receive tax-deductible contributions. Generally, charities whose income is tax-exempt under section 501(c)(3) are eligible to receive tax-deductible contributions.

To find out if a charity is eligible to receive tax-exempt donations, you may check with the IRS. IRS Publication 78 is an annual list of most charities. IRS Publication 78 is available online at [www.irs.gov/eo](http://www.irs.gov/eo). You may also verify an organization’s status by calling the IRS Customer Account Services division for Tax Exempt and Government Entities at 877-829-5500.

## How much can you claim as a tax deduction?

Some vehicle donation programs claim that they offer the “maximum tax deduction.” In fact, the amount you may deduct is set by federal law, not controlled by the charity.

The IRS has established different rules for how much you may deduct for a vehicle donation depending on the value of the vehicle and whether the charity will keep and use the car or whether it will sell the car or its parts.

## If the Charity Auctions Off or Scraps Your Vehicle.

As noted above, some charities auction donated vehicles or sell them to scrapyards. If this is what your charity does with your vehicle, then these IRS rules apply:

For vehicles with a claimed value of \$500 or less, a taxpayer may deduct on his or her tax return the lesser of \$500 or the vehicle’s fair market value. For example, if a vehicle has a fair market value of \$450, the donor’s charitable contribution deduction may not exceed \$450.

For vehicles with a claimed value of \$500 or more, a taxpayer may only deduct on his or her tax return the lesser of the vehicle’s fair market value or the gross proceeds the charity receives from the sale of the vehicle. For example, if a donated vehicle has a fair market value of \$900 but the charity receives \$750 in gross proceeds from its sale, the donor’s charitable contribution deduction may not exceed \$750.

If the charity sells your vehicle, it must give you a written acknowledgment of the donation and sales price within 30 days of the sale of your vehicle.

## If the Charity Uses or Fixes Your Vehicle:

The charity may also do the following with your vehicle:

- Significantly use the vehicle in its charitable programs
- Make material improvements to the vehicle
- Give or sell the vehicle to a needy individual at a price significantly below fair market value, in furtherance of the charity’s charitable mission.

If the charity uses your vehicle in any of these ways, then you may claim the fair market value of your vehicle on your itemized tax returns. The written acknowledgement provided by the charity must contain a statement certifying that one of these uses applied to your donation.

## How To Determine Fair Market Value:

The obligation for establishing fair market value rests with the donor. Dealer guides or “Blue Books” may provide a starting point, in that they summarize average prices for various model years and provide estimates for adjusting prices for condition, mileage and other factors. IRS guidelines state that donors should use the private party value and not the dealer retail value listed in pricing guides. You may also wish to take photos of your vehicle, maintain copies of maintenance records, and research similar private party sales online or in the newspaper and keep these records to help support the amount you deduct. Also, if the value of your vehicle is more than \$5,000, you must obtain a qualified written appraisal of the automobile and attach an appraisal summary (IRS form 8283, section B) to your tax return.

Tax questions should be directed to the IRS. The Attorney General's Office cannot provide tax advice. More information on donating a vehicle to charity can be obtained from IRS publication 4303: "A Donor's Guide to Vehicle Donations." Information on determining the value of donated property and for claiming tax-deductible contributions may be obtained from IRS Publication 561: "Determining the Value of Donated Property" and IRS Publication 526: "Charitable Contributions." These publications are available by calling 1-800-829-1040 or by visiting the IRS website at [www.irs.gov](http://www.irs.gov).

### Transferring Title To Your Vehicle.

Be sure that any charity to which you donate your vehicle transfers title to the vehicle out of your name. If title is not properly transferred, state records will still reflect you as the owner. This can create all kinds of problems, such as tickets sent to you for vehicular violations even though you no longer own the vehicle. If you are considering donating a vehicle to charity, you should find out how the charity will specifically handle the title transfer. Once the vehicle has been donated, you may also wish to follow-up with your local Driver and Motor Vehicle Services office to confirm that title has actually been transferred. Questions about state title requirements may be directed to the Department of Public Safety, Driver and Motor Vehicle Services by calling 651-296-6911.

