



This article presents general guidelines for Georgia nonprofit organizations and should not be construed as legal advice. Always consult an attorney to address your particular situation.

Vehicle Donations

You've probably seen the billboards encouraging you to donate your car to charity. Many charitable organizations now have vehicle donation programs. Nonprofits sometimes keep donated automobiles and use them in conducting their charitable mission but, most often, organizations sell the donated vehicles in order to generate revenue.

This article discusses the IRS and state regulations that nonprofits should comply with when using or selling donated vehicles.

What Nonprofits Can Do with Donated Vehicles

Charitable organizations may utilize donated vehicles in the following ways:

- Regularly use the vehicle for a significant period of time to conduct activities that substantially further its charitable programs;
- Distribute the vehicles at a price significantly below fair market value to needy individuals in direct furtherance of its charitable purpose;
- Sell the vehicle and use the proceeds exclusively to fund its charitable programs; or
- Sell the vehicle after it makes material improvements to the vehicle and use the proceeds exclusively to fund its charitable programs.
 - Material improvement includes a major repair or improvement that results in a significant increase in value, but does not include painting, removal of dents and scratches, cleaning or repair of upholstery, or installation of theft deterrent devices.

Operating a Vehicle Donation Program

There are three ways to operate a vehicle donation program.

- **Nonprofit handles donations** – A nonprofit may accept donations itself as long as the vehicle is used for one of the four purposes listed above.
- **Nonprofit hires an agent to operate the program** – If the nonprofit hires a private, for-profit entity to operate its program, the nonprofit must create an agency relationship that is valid under applicable state law.
 - The agreement should stipulate that the nonprofit is responsible for, and has oversight and control of, the actions of its agent when the agent solicits on the nonprofit's behalf.
 - The nonprofit should actively monitor the program by reviewing all contracts, approving advertisements, and examining records.
- **For-profit entity receives and sells vehicles using nonprofit's name** – In this type of arrangement, the nonprofit will sign a royalty agreement giving the for-profit entity the right to use its name to solicit donations.

- The nonprofit will receive a percentage of the proceeds from the sale of the vehicles to support its charitable programs.
- Under the royalty agreement, the nonprofit would have no control over the for-profit entity's activities.
- Under this program, **vehicle donations are NOT deductible by the donor. Both the for-profit and nonprofit entities must be careful not to mislead the donor as to whether the donation is deductible.**

Written Acknowledgement of Donation

Donors who contribute vehicles to charities can benefit from a federal income tax deduction. For the donor to be able to take advantage of this deduction, a nonprofit must generally provide the donor with a written acknowledgement. The information provided in the written acknowledgement depends on the value of the vehicle and how the nonprofit uses the vehicle. **Form 1098-C** [http://www.irs.gov/pub/irs_util/form_1098c.pdf] can be used as written acknowledgment of the donation or the nonprofit can provide its own statement containing the information described below.

Vehicle Valued at \$250 or Less – If the value of the vehicle is \$250 or less, the nonprofit is not required to provide a written acknowledgement to the donor, but if the donor wishes to take advantage of the deduction, he must have a receipt from the nonprofit. So it is a good idea for nonprofits to provide written acknowledgement to donors even for vehicles valued at \$250 or less.

Vehicle Valued Between \$250-\$500 – If the donor claims that the vehicle is valued between \$250-\$500, the nonprofit must provide a written acknowledgement that should include:

- Name of the nonprofit;
- Description of the vehicle, including Vehicle Identification Number (VIN);
- Date of the donation, and one of the following:
 - Statement that no goods or services were provided in return for the donation, if that was the case; or
 - Description and good faith estimate of the value of the goods and services, if any, that the nonprofit provided in return for donation; or
 - Statement that the goods and services provided by the nonprofit consisted entirely of intangible religious benefits, if that was the case.

The nonprofit must provide the written acknowledgement to the donor by the date on which the donor files his or her individual federal income tax return or the due date of the return (whichever is earlier).

Vehicle Valued at More Than \$500 – If the donor claims that the vehicle is valued over \$500, the nonprofit must provide a written acknowledgement that should include:

- Nonprofit's name and federal identification number;
- Donor's name and taxpayer identification number;

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- Description of the vehicle, including the Vehicle Identification Number (VIN);
- Date of the donation, and one of the following:
 - Statement that no goods or services were provided in return for the donation, if that was the case; or
 - Description and good faith estimate of the value of the goods and services, if any, that the nonprofit provided in return for donation; or
 - Statement that the goods and services provided by the nonprofit consisted entirely of intangible religious benefits, if that was the case.
- Information on what the nonprofit did or intends to do with the vehicle, as follows:
 - Nonprofit Uses Vehicle – If the nonprofit uses the vehicle, the acknowledgement must include the following information:
 - Statement certifying that the nonprofit intends to make a significant intervening use of the vehicle;
 - Detailed statement of the intended use;
 - Detailed statement of the duration of that use; and
 - Certification that the vehicle will not be sold before duration of that use.
 - Vehicle Sold or Given to Needy individual – If the nonprofit, whose purpose is to relieve the poor or underprivileged who are in need of transportation, intends to sell or give the vehicle to a needy individual, the acknowledgement must provide:
 - Statement that the nonprofit intends to sell or give the vehicle to a needy individual at price lower than fair market value; and
 - Statement that the gift or sale is in direct furtherance of the nonprofit's purpose.
 - Sale of Vehicle – If the nonprofit sells the vehicle for more than \$500, the acknowledgement must include:
 - Statement certifying that sale occurred in an arms-length transaction between unrelated parties;
 - Date vehicle was sold;
 - Gross proceeds received from the sale; and
 - Statement that the donor's deduction may not exceed the gross proceeds of the sale.
 - Material Improvements – If the nonprofit intends to make a material improvement to the vehicle, the acknowledgement must include:
 - Statement that the nonprofit intends to make a material improvement to vehicle;
 - Detailed description of the intended material improvement; and
 - Certification that the vehicle will not be sold before completion of material improvement.

Deadline for Providing Acknowledgement for Vehicle Valued at Over \$500

If the nonprofit intends to use the vehicle, sell or give it to a needy individual, or make a material improvement to the vehicle, the acknowledgement is due to the

donor within 30 days of the contribution. If the nonprofit intends to sell the vehicle, the acknowledgement must be provided to the donor within 30 days of the sale.

Filing and Disclosure Requirements

The charity must file several documents with the IRS concerning the vehicle donation. These forms include:

- [Form 990 \(Annual Information Return\)](#) – The vehicle donation must be included in the annual information return.
- [Form 1098-C](#) – Charity must file Copy A of Form 1098-C to report the information contained in an acknowledgement for a vehicle contribution worth more than \$500.
 - Due by February 28 (March 31 if filing electronically) of the year following the year in which the charity provides acknowledgement to the donor.
- [Form 8283](#) – The donor must file Form 8283. If the donor's deductions during the year exceed \$5,000, the donor must also complete Section B of Form 8283, and an authorized official of the nonprofit must complete a portion of the form and sign it. The donor must give the nonprofit a copy of Section B of Form 8283.
- [Form 8282](#) – A nonprofit required to sign Form 8283 for receipt of a vehicle must file Form 8282 if it sells or otherwise disposes of the vehicle within two years after the date it received the vehicle. This form must be filed within 125 days after the nonprofit disposes of the vehicle. Form 8283 requires the nonprofit to identify the donor and the amount the nonprofit received upon disposition of the vehicle. The nonprofit must provide a copy of the completed Form 8282 to the donor.

State Law Requirements

In addition to the IRS requirements, the charity must also consider state regulations, including:

- [Transfer of Title](#) – Charities are subject to state law requirements relating to transfers of vehicle titles.
 - To ensure termination of liability for the vehicle, donors should take responsibility for transfer of title, which includes removal of license plates and filling out the transfer of title on the back of the original title.
- [Georgia Charitable Solicitations Act](#) – If a charitable organization engages a for-profit company to run its vehicle donation program, including soliciting donations, then the for-profit company must register with the state as an agent under the Georgia Charitable Solicitations Act. For more information, see **Charitable Registration in Georgia**.
- [Sales Tax](#) – A nonprofit must pay sales tax on any vehicle that it sells unless it has a sales tax exemption from the state. For more on sales tax, see **Paying Sales and Use Tax in Georgia**.

Additional details and more information about federal laws concerning vehicle donations are available in [IRS Publication 4302](#).