



This article presents general guidelines for Georgia nonprofit organizations as of the date written 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 or boat 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 accepting vehicles as donations.

What Nonprofits Can Do with Donated Vehicles

Charitable organizations may choose to keep donated vehicles or dispose of them. A nonprofit may use a donated vehicle in order to conduct activities that substantially further its charitable programs. For example, a nonprofit afterschool program might use a donated van to provide rides home for the students. The use must be regular, for a significant period of time and for the nonprofit's charitable programs. A nonprofit that chooses to dispose of a vehicle may distribute it to a low-income individual at no cost or a price significantly below fair market value (if its charitable purpose includes relieving the poor and distressed or the underprivileged). Finally, a nonprofit can choose to sell a vehicle and use the proceeds exclusively to fund the charitable purposes of the organization.

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.

Dated: 12/1/2015

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

- Name of the nonprofit and date of the donation
- Description of the vehicle, including Vehicle Identification Number (VIN)
- Whether the nonprofit provided any goods or services in return for the vehicle. If so, nonprofit must provide a good faith estimate of the value of those goods or services

The nonprofit should 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 employee identification number (EIN)
- Donor's name and taxpayer identification number
- Date of the donation
- Whether the nonprofit provided any goods or services in return for the vehicle. If so, nonprofit must provide a good faith estimate of the value of those goods or services
- Information on what the nonprofit did or intends to do with the vehicle, as follows :
 1. Nonprofit Uses Vehicle – If the nonprofit keeps the vehicle to use, the acknowledgement must also include:
 - 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.
 2. 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 also include:
 - Statement that the nonprofit intends to sell or give the vehicle to a needy individual at price below fair market value; and
 - Statement that the gift or sale is in direct furtherance of the nonprofit's purpose.

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3. Nonprofit Sells Vehicle – If the nonprofit sells the vehicle for more than \$500, the acknowledgement must also 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.
4. Material Improvements – If the nonprofit intends to make a material improvement to the vehicle, the acknowledgement must also 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 nonprofit must provide the acknowledgement to the donor within 30 days of the contribution. If the nonprofit intends to sell the vehicle, the nonprofit must provide the acknowledgement to the donor within 30 days of the sale.

[Form 1098-C](#) can be provided to the donor in lieu of the written acknowledgments described above.

Filing and Disclosure Requirements

The charity (or donor) 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. Form is 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

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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 three years after the date it received the vehicle. This form must be filed within 125 days after the nonprofit disposes of the vehicle. Form 8282 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 for a vehicle donation program, 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](#).

Other Considerations

A nonprofit may operate a vehicle donation program on its own or it may hire 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 agency agreement should provide 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 oversight, control and agency relationship allow the gift to be deductible). Finally, the nonprofit should actively monitor the program by reviewing all contracts, approving advertisements, and examining records.

Another option is for a nonprofit to give a for-profit entity the right to receive and sell vehicles using the 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. Under the royalty agreement, the nonprofit would have no control over the for-profit entity's activities and will receive a percentage of the proceeds from the sale

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of the vehicles to support its charitable programs. 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.

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

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