

## TAX STRATEGIES FOR CAR AND TRUCK DONATIONS

Hurricane Katrina and Hurricane Rita inspired Americans' generosity. Literally millions of Americans gave generously, and even schoolchildren pitched in with bake sales and lemonade stands.

Used cars and trucks have always been popular charitable gifts, and in the hurricanes' wake, they're likely to become even more popular. Many charities have toll-free hotlines for car donations, with volunteers who pick it up from your home. This avoids the hassles you'd face if you sold the vehicle. And donors have traditionally claimed full "blue book" value for their gifts, even for vehicles in poor condition. (Gifts worth more than \$5,000 have always required appraisals.)

Congress and the IRS have always encouraged charitable gifts. That's why they're deductible in the first place. But "abusive" deductions for beat-up cars have attracted IRS attention, and in late 2004, Congress and the President tightened the rules.

Your first step should be to verify that the organization you give to is a qualified charity. If there's any doubt, you can verify the organization's status with the IRS by calling 877-829-5500. Make sure you have the organization's correct name and address.

Under the new rules you can deduct the vehicle's "fair market value" only if the organization you give the car to uses it for "exempt" purposes. For example, your church might use your old van to transport parishioners, or your local Habitat for Humanity might use your old truck to transport building supplies.

In most cases, however, the charity that gets the vehicle sells it to raise cash. Under the new rules, if the charity sells the vehicle, your deduction is limited to the charity's actual proceeds. If the charity sells it for more than \$500, they'll have to supply you with a receipt stating the vehicle

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was sold in an arm's-length sale and reporting the gross proceeds from the sale. You'll have to attach the receipt to your return and file it with Form 8283, where you report noncash charitable donations.

For more information, or to evaluate your own potential gift, contact our office.

This is intended for general interest and not as specific legal or accounting advice for anyone. You should consult your tax advisor to get more information.