

Changes to the Deduction of Used Motor Vehicles, Boats and Planes

*By Jim Wagenmann, CPA
JWagenmann@wmdco.com*

For contributions over \$500 made after December 31, 2005, taxpayers will only be able to deduct up to the gross proceeds of the sale of the used motor vehicle, boat or plane by the charitable organization. This will usually be the wholesale price of the vehicle that can be significantly lower than the fair market value. Within 30 days of the sale, the charitable organization must provide acknowledgement to the donor of the gross proceeds from the sale. However, if the charitable organization significantly uses or materially improves the vehicle, the donor may deduct the vehicle's market value. The charity must certify the intended use and duration and give acknowledgement of this within 30 days of the contribution.

To find the fair market value of your car, there are used car buying guides available online such as Kelley Blue Book and NADA. Rather than deducting the highest value listed on these guides, the fair market value of your car should take into account the vehicle's condition.

Make sure the organization you are donating to is one that is qualified to receive tax deductible contributions. Taxpayers can check www.irs.gov/bus_info/eo/eosearch.html to see Publication 78, which is a cumulative list of these qualified organizations. Donations to churches, synagogues, temples, mosques, and governments are tax deductible even though they may not be listed on Publication 78. Even if a donation is made to a qualified organization, the taxpayer must have made the decision to itemize deductions in order to deduct their contribution. And finally, when documenting your contribution, it is important to keep records of your donation. Requirements may vary depending on the value of your contribution and the amount of your

charitable contribution. Check IRS Publication 526 for more details about the necessary receipts and forms.

Jim Wagenmann, CPA is a member of the accounting firm Watkins, Meegan, Drury & Co., LLC in Bethesda, MD. He has in excess of thirty years experience in the areas of tax, employee benefits, estate and trust planning, as well as financial planning. He is the technical source for the firm in these areas. Jim can be reached at (301) 654-7555 or email at JWagenmann@wmdco.com.