

**Abstract:** Many people might consider donating their car to charity at year end to start the new year in a fresh ride and get a tax deduction. This brief article urges caution and explains why this strategy doesn't always work out as intended.

## **Pump the brakes before donating that vehicle to charity**

Many people might consider donating their vehicles to charity at year end to start the new year. Why not get a fresh ride *and* a tax deduction, eh? Pump the brakes — this strategy doesn't always work out as intended.

Donating an old car to a qualified charity may seem like a hassle-free way to dispose of an unneeded vehicle, satisfy your philanthropic desires and enjoy a tax deduction (provided you itemize). But in most cases, it's not the most tax-efficient strategy. Generally, your deduction is limited to the actual price the charity receives when it sells the car.

You can deduct the vehicle's fair market value (FMV) only if the charity 1) uses the vehicle for a significant charitable purpose, such as delivering meals to homebound seniors, 2) makes material improvements to the vehicle that go beyond cleaning and painting, or 3) disposes of the vehicle for less than FMV for a charitable purpose, such as selling it at a below-market price to a needy person.

If you decide to donate a car, be sure to comply with IRS substantiation and acknowledgment requirements. And watch out for disreputable car donation organizations that distribute only a fraction of what they take in to charity and, in some cases, aren't even eligible to receive charitable gifts. We can help you double-check the idea before going through with it.

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