

What are the tax consequences associated with donating a used vehicle to Goodwill?

In October 2004, President Bush signed the American Jobs Creation Act of 2004, which changed the tax treatment of contributions of donated vehicles to charities such as Goodwill, starting January 1, 2005

Before January 1, 2005, a donor was entitled to deduct the fair market value of any used vehicle that was donated to a recognized charitable organization. There are many different ways to determine a vehicle's fair market value, including appraisals and/or reference to published used vehicle price guides. This old rule still applies to any used vehicle donation where the claimed fair market value of the vehicle is \$500 or less.

However, the new tax law significantly changes the method for donations of used vehicles where the claimed value exceeds \$500. In these cases, the amount that a donor may claim as a tax deduction is limited to the sale price that Goodwill later receives when it sells the vehicle.

If you donate your used vehicle to Goodwill, you will be asked to sign a statement indicating whether you intend to claim that the value of your used vehicle is either greater than \$500 or less than \$500. If the claimed value of your vehicle is less than \$500, you will be responsible for determining the value of your vehicle for purposes of claiming a tax deduction. Goodwill will provide you with a receipt for your vehicle at the time of your donation. However, Goodwill will not send you any additional statements after it sale of your vehicle, nor will Goodwill report its sale of the vehicle to the Internal Revenue Service.

If you claim that the value of the donated vehicle exceeds \$500, Goodwill will provide you with additional substantiation for your donation. Within 30 days following the sale of your vehicle, Goodwill will send you a written acknowledgment that will include a description of your vehicle and its vehicle identification number, your tax I.D., and the amount of the sale price received by Goodwill upon the sale of your vehicle. Federal tax law requires that you attach a copy of this statement to the tax return in which you claim a deduction for the donation of your used vehicle. The tax laws also require this information be reported to the Internal Revenue Service.

There may be a situation where you initially believe that the fair market value of your used vehicle exceeds \$500, but Goodwill ultimately sells your vehicle for a price less than \$500. In that case Goodwill will provide you with a written statement indicating that your vehicle was sold for less than \$500. You would then be responsible for establishing the fair market value of your vehicle for tax deduction, not to exceed \$500. Because the vehicle sold for less than \$500, Goodwill will not report the sale of your vehicle to the Internal Revenue Service.

Hopefully this short summary statement will answer any questions you may have regarding the Goodwill vehicle donation program. If you have any additional questions, please call one of our vehicle donation specialists at 513-612-5980 or 513-771-4800.



Goodwill

Ohio Valley Goodwill Industries
EMPLOYMENT AND TRAINING CENTER

AUTO AUCTION

Dear Donor,

Thank you for donating your vehicle to Goodwill. The contribution will be used to help Goodwill to continue providing employment training to men and women with disabilities in the greater Cincinnati community.

This letter is intended to help you, the donor, understand your tax deduction options under the new Federal guidelines.

1. If you **do not itemize deductions** on your tax return or you do not wish to claim a tax deduction, there is no action required on your part.
2. If you intend to claim a tax deduction of **\$500 or less**, you will need to determine the "fair market value" for your vehicle and claim that amount. Goodwill will not notify the IRS of the sale price. (This is just like the "old" law).
3. If you intend to claim a tax deduction of **more than \$500**, you will be limited to the sale price that Goodwill receives for the vehicle. Goodwill is required to notify the IRS of the sale price if over \$500. We will also notify you, the donor, of the sale amount. If the sale price turns out to be \$500 or less, you can deduct the Fair Market Value up to \$500, regardless of the sale price and Goodwill will not notify the IRS of the sale amount.

Attached is a more extensive information sheet for your reference. Goodwill's staff will make every effort to answer your questions, but please consult your own tax advisor for guidance.

Goodwill Industries

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