

IRS News Release

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IRS Reminds Taxpayers About Requirement of Written Acknowledgment for Donated Cars

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WASHINGTON -- Internal Revenue Service officials today reminded taxpayers that they must obtain a charity's written acknowledgment of their vehicle donation before they claim a deduction for the donation. For deductions of more than \$500, the taxpayer is required to attach the acknowledgment to the taxpayer's return for the year of the donation.

Effective for vehicles donated to charity on or after January 1, 2005, the American Jobs Creation Act of 2004 provides that, generally, a taxpayer's deduction is limited to the gross proceeds from the sale of the vehicle by the charity. The charity must provide a written acknowledgment within 30 days after the vehicle is sold that notifies the taxpayer of the amount of the gross sales proceeds.

The IRS is aware that questions have arisen as to whether the charity must sell the vehicle in 2005 in order for the donor who donated a vehicle in 2005 to receive a deduction for 2005. The charity does not need to sell the vehicle in 2005. A taxpayer can take a charitable contribution deduction only for the year the vehicle is transferred to the charity, even if the vehicle is not sold by the charity until a later year. (Only taxpayers who itemize their deductions can take a charitable contribution deduction.)

However, a taxpayer cannot take a charitable contribution deduction of \$500 or more for a vehicle donation unless the taxpayer has received a written acknowledgment of the donation from the charity and attached the acknowledgment to the return.

If the taxpayer receives the written acknowledgment after filing the tax return for the year of the donation, the taxpayer may, after receiving the acknowledgment, file an amended return for that year and claim the deduction on the amended return. The taxpayer must attach the acknowledgment to the amended return.