Vehicle Donations Have Better Write-Off Before December 31, 2004

Tax Law Changes Diminish Write-Offs Of Vehicle Donations

For months charities and organizations have been fighting against a piece of legislation diminishing taxpayer's ability to write-off the Fair Market Value of a donated vehicle. In an effort to lessen taxpayer's deductions by 2.3 billion dollars over the next 10 years, the new legislation will be law on January 1, 2005.

The new law states that taxpayers will no longer be able to write-off the vehicle's fair market value but rather the vehicle's actual sale price from the wholesale auction, a far cry from Fair Market Value. The reason for the change is that the government believes that too many tax payers have taken advantage of the system, over valuing donated property, specifically vehicles.

To garner a vehicle's Fair Market Value as a write off, you may want to consider donating your vehicle by the end of the year, before the law changes. Kelley Blue Book (www.kbb.com) has a check list to help taxpayers get the most from their donation and how to accurately determine a car's Fair Market Value.

1. DONATE YOUR VEHICLE BEFORE DECEMBER 31, 2004. Tax law is about to change. To write-off the vehicle's fair market value and allow charities to benefit, get your information in order and donate your vehicle by December 31, 2004.

2. DETERMINE THE FAIR MARKET VALUE OF YOUR VEHICLE. To determine the Fair Market Value of your vehicle, you must use Kelley Blue Book's PRIVATE PARTY Value. The Used Vehicle Condition Quiz will allow you to input your vehicle's mileage and current condition - both of which will affect the value. Print the Condition Quiz and Value report for your tax return.

3. MAKE SURE THE CHARITY IS A NAME YOU RECOGNIZE AND TRUST. The donor should be familiar with the charity's purpose. Be careful of 'sound-alike' charities. Just because you've heard an ad on the radio for a charity does not mean it is legitimate. Call the Better Business Bureau to determine if the charity you have chosen is a recognized organization.

4. ASK HOW MUCH MONEY THE CHARITY RECEIVES. According to a government report, more than $34 million was donated in automobile revenue in 2000, however, only 32% of the gross revenue was returned to the charity. To work with charities that receive the maximum amount of return, visit www.vehicle-donation.com.

5. SIGN THE TITLE OVER DIRECTLY TO THE CHARITY OR THEIR AGENT. Don't leave the title blank under any circumstances. Many illegitimate charities ask that the title be left blank. This practice may leave you liable for the vehicle months after it has been donated.

6. GET A RECEIPT. When you make any non-cash contributions, you must get a receipt from the charitable organization including the name of the charity, their tax ID, date, location of the contribution, and a detailed description of the donation. Keep this to justify your tax deduction.

For more information and IRS tax forms visit www.kbb.com/donation.

SOURCE: Kelley Blue Book

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