Dream Come True or Truly a Nightmare?
Vehicle Donations – Not for the Timid

A kind-hearted soul has come to the parish wanting to do a good deed. He has a car that he wants to donate to the parish for the personal use of the Pastor, who, by the way, really does need the car. Of course, you would be willing to accept such a gift and be happy to provide the donor with a charitable contribution letter for the fair market value (FMV) of the vehicle, right? Wrong! Well, maybe.

Vehicle donations have come under scrutiny by the Internal Revenue Service (IRS). Taxpayer charitable deductions are subject to new rules and regulations. And the steps that the parish must complete in order to obtain the vehicle and to transfer the title are somewhat involved. So, just what are you getting yourself into? Let’s take a look and see.

Can a vehicle be donated for the Pastor’s personal use? No.
The Pastoral Handbook §7.2.15 states that providing, insuring and maintaining a Pastor’s or Parochial Vicar’s car is a personal expense of the priest. In other words, while a parish may reimburse its priests for parish business mileage, it may not provide a vehicle to its priests. This policy helps to ensure equitable compensation among priests. The IRS rules state that the sale or transfer to a buyer other than a needy individual without a significant intervening use or material improvement requires the parish to certify that the sale was made in an arm’s length transaction between unrelated parties. Both rulings preclude a donor from donating a vehicle for the personal use of the Pastor.

Can a vehicle be donated for other purposes? Maybe.
But what if the parish can use the vehicle to further its own charitable programs, or, to provide a means of transportation to a needy person? Or, what if the parish can sell the vehicle to provide funds to further its charitable purpose? What does the IRS have to say about it?

If the vehicle’s FMV is $500 or less, the donor may claim a charitable contribution up to the vehicle’s FMV. If the parish sells the vehicle for $500 or less, the donor can deduct the smaller of $500 or the FMV on the date of contribution, reduced, if necessary, to no more than the donor’s cost, or other basis, in the vehicle. If the FMV is greater than $250, the charity must provide contemporaneous written acknowledgment, and you can use Form 1098-C (Copy C – no IRS reporting) or your own method of acknowledgment.

If the vehicle’s FMV is greater than $500, and the parish sells the vehicle, the donor can deduct the smaller of the gross proceeds from the sale of the car or the car’s FMV on the date of the contribution, reduced, if necessary, to no more than the donor’s cost, or other basis, in the vehicle. Remember, the vehicle must be sold in an arm’s length transaction to an unrelated party.
Other than selling the vehicle, there are a few exceptions to the rule for donations where the vehicle’s FMV is greater than $500 involving the parish’s ability to use, improve or help a needy individual with the vehicle:

- The charity makes a significant intervening use of the vehicle, such as using it to deliver meals on wheels.
- The charity makes a material improvement to the vehicle, i.e., major repairs that significantly increase its value and not mere painting or cleaning.
- The charity donates or sells the vehicle to a needy individual at a significantly below-market price, if the transfer furthers the charitable purpose of helping a poor person in need of a means of transportation.

It is unlikely that most parishes will satisfy the first two exceptions as they typically do not have an ongoing program with significant use or have the means to make material improvements to a vehicle.

To constitute significant intervening use, the parish must actually use the vehicle to substantially further the parish’s regularly conducted activities, and the use must be significant, not incidental. Factors in determining whether a use is a significant intervening use include its nature, extent, frequency and duration.

Material improvements include major repairs and additions that improve the condition of the vehicle in a manner that significantly increases the value, and cannot be funded by an additional payment from the donor of the vehicle. These improvements do not include cleaning, minor repairs, routine maintenance, painting, removal of dents or scratches, cleaning or repair of upholstery, and installation of theft deterrent devices.

The most likely circumstance will be the opportunity to provide a vehicle to a needy person. One reminder: the donor may not specify a person to whom the vehicle will be donated. In other words, the needy person should be selected prior to asking for a donation, or, the needy person should be selected by an independent party or committee.

**Do I need special reporting? Yes.**

In all cases where the FMV is greater than $500, the parish must issue an accurate Form 1098-C, Copies B and C, to the donor within **30 days** of the contribution or face severe penalties. The donor must attach the form to their tax return to take the deduction. The parish will need to file Form 1098-C Copy A with the IRS by the last day of February of the following year.

If you would like more information on the IRS guidelines for vehicle donations or review the Form 1098-C and instructions, go to [www.irs.gov](http://www.irs.gov) or call the Parish Finance Department.
Do I have to do anything else? Of course.
Well, you’ve negotiated the requirements so far and have decided to accept a vehicle donation on behalf of the parish. Your fun is just beginning! Enter the Department of Motor Vehicles (DMV). Take a number, please . . .

The donor should provide the parish with a notarized bill of sale, a notarized Odometer Disclosure Statement and a Certificate of Title signed by the donor as seller. The parish will sign the Title as purchaser. The Certificate of Title will only accommodate one transfer at a time. The parish will need to take title only, not register the vehicle. If the Pastor will not be titling the vehicle, a letter should be written on parish letterhead authorizing a parish employee to handle the title on the specific vehicle. The make, model and VIN should be included on the letter. The employee will need to show their driver’s license to the Colorado DMV to complete the authorization. The DMV will issue a new Certificate of Title to the parish.

Whether the vehicle is to be sold to an unrelated party or given to a needy individual, the parish will need to prepare the same documentation: a notarized bill of sale, a notarized Odometer Disclosure Statement and the Certificate of Title signed by the parish as the seller. If you need copies of the bill of sale or Odometer Disclosure Statement, please call Parish Finance.

There are a few things to be alert to that may require additional documents or attention:
  • If the vehicle had had the title transferred within the last 30 days, the parish will have to wait until the 30 days are up to title the vehicle (only one title per 30 day period is allowed).
  • If the car is titled out of state, a Form 2395 “Verification of Vehicle Identification Number” is required.
  • If the Certificate of Title indicates that the vehicle was rebuilt from salvage, a disclosure statement is required.

Is it worth it? You must answer this question!
Let’s ask this question: Are you still with us? Congratulations! You have made it through the vehicle donation gauntlet. You deserve a gold star. If we lost you along the way, consider this your fair warning that vehicle donations are not for the timid.