



Finance

Diocese of Rockford

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(815) 399-4300
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MEMORANDUM

TO: Pastors, Parochial Administrators, Superintendents, Principals, Parish Business Managers, and Agency/Office Directors

FROM: Wayne Lenell

DATE: November 30, 2005

RE: Donations of Vehicles

The IRS has issued regulations and forms for documenting donations of vehicles, boats and airplanes to charitable organizations. The Diocesan Office of Accounting and Data Processing will assist diocesan organizations in complying with the new rules. When accepting a donation of a vehicle valued over \$500, the diocesan organization must gather certain information from the donor, and provide Form 1098-C to the donor within 30 days after receiving the donation if the diocesan organization plans to keep the vehicle, or within 30 days after selling the vehicle. The Office of Accounting and Data Processing will prepare the forms for diocesan organizations and forward copies of the forms to the IRS after the end of each calendar year.

When a diocesan organization accepts a donation of a vehicle, it is important to inform the donor of the organization's intended disposition of the vehicle within four main categories as follows:

1. If the diocesan organization intends to sell the vehicle, the organization should inform the donor that it will provide Form 1098-C within 30 days of selling the vehicle, and that the amount the donor may use as a charitable contribution for tax purposes is the gross selling price from the sale of the vehicle. Any associated fees or commissions paid are the responsibility of the organization and do not affect the contribution allowable to the donor.
2. If the diocesan organization intends to keep the vehicle for ministry purposes, the Form 1098-C would not report a value, and the donor could deduct the "Blue Book" value of the vehicle. The IRS provides some guidance regarding what type of use qualifies for this treatment as follows:

. . . the organization must actually use the vehicle to substantially further the organization's regularly conducted activities, and the use must be significant, not incidental, [such as] driving a vehicle every day for one year (or 10,000 miles during a year) to deliver meals to needy individuals, if delivering meals is an activity regularly conducted by the organization.

3. If the diocesan organization intends to make material improvements to the vehicle and plans to either keep the vehicle or sell it after making the improvements, the Form 1098-C would not report a value, and the donor could deduct the “Blue Book” value of the vehicle. The IRS provided some guidance regarding what type of improvements constitute “material improvements” as follows:

. . . they include major repairs and additions that improve the condition of the vehicle in a manner that significantly increases the value.

The IRS also specifies what does **not** constitute a material improvement by stating:

. . . material 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.

4. If the diocesan organization gives the vehicle, or sells it for a price significantly below market value to a “needy individual in furtherance of donee’s charitable purposes” the Form 1098-C would report no value and the donor would use the “Blue Book” value for purposes of a tax deduction.

The Office of Accounting and Data Processing will need information from diocesan organizations to prepare Form 1098-C. We have developed an internal form to gather the information (see next page).

If you have any questions regarding donations of vehicles, boats or airplanes, please call Lori Glenn or Wayne Lenell at 815-399-4300.

Diocese of Rockford
Donation of a Vehicle, Boat or Airplane

Name of parish, school, or diocesan agency: _____

Contact person: _____

Address: _____ City: _____ Zip: _____

Federal Employer Identification Number (FEIN): 36 - _____

I. For **all** donations of vehicles, boats or airplanes:

Donor's name: _____

Identification (Social Security) Number: _____

Address: _____ City: _____ Zip: _____

Date of contribution: _____

Make of vehicle: _____ Model: _____ Year: _____

Vehicle Identification Number (17 characters): _____

Odometer reading: _____

II. If the organization plans to sell the vehicle, wait until the vehicle is sold and provide the following:

Date of sale: _____ Sales price: _____

III. If the organization plans to keep the vehicle for ministry-related purposes, provide the following:

Description of intended use of vehicle: _____

IV. If the organization plans to make material improvements to the vehicle, provide the following:

Description of intended improvements: _____

Estimated cost of improvements: _____

V. If the organization plans to donate the vehicle, or sell it at a price significantly lower than the fair market value, to a needy individual, check here:

Please mail this form to:

Attn: Lori Glenn
Office of Accounting and Data Processing
P.O. Box 7044
Rockford, IL 61125

Or fax this form to:

(815) 399-5657