

Doing Well and Good

Charitable (or Bargain) Sales for Affordable Housing

Charitable sales are an often-overlooked method of stretching limited public and nonprofit dollars in a manner that can be advantageous for both the seller and buyer. In general, charitable sales, also sometimes called "bargain sales," are most feasible when a property owner is motivated to restrict his or her property for year-round affordable housing. However, depending on the landowner's financial circumstances and other factors, charitable sales can often also provide net (after tax) revenue comparable to a fair market value sale to a non-charitable entity. This achieves community goals by allowing the property to be protected, while generating significant revenue and tax advantages for the owner. In some cases, presenting information on the financial benefits of a charitable sale may be effective in persuading a property owner to consider this approach as a sound business alternative to a sale at fair market value, even when the property owner has already been seriously considering selling the property on the market.

While property owners should always be counseled to consult with tax advisors when considering a bargain sale, this white paper helps property owners work through some examples to show them the potential benefits that could result from such an approach. This information can be of assistance in encouraging landowners who have not previously considered the charitable sale approach, to determine whether and how an affordable housing alternative can successfully "compete" with a fair market value sale regarding net after tax return.

What is a Charitable Sale or Bargain Sale?

A "bargain sale" is the term used by the Internal Revenue Service to describe a sale of land (or interest in land such as a conservation restriction) for less than fair market value to a non-profit community land trust or government agency when the land is to be used for a public purpose, including affordable housing. Technically, in a charitable sale, a portion of the value of the property is sold and a portion is donated. The relative proportions of the sale and the donation are determined through negotiation between buyer and seller. The property owner can take a charitable deduction determined by the difference between the sales price and the appraised fair market value on his or her income tax return under Section 170 of the Internal Revenue Code, resulting in tax savings. Landowners often shy away from the term "bargain sale" as it implies that they are giving away their land for a "bargain." Hence, many organizations are increasingly using the term "charitable sale" as it better describes the nature of the transaction -- a sale to a charitable nonprofit organization or tax-exempt agency -- that results in an income tax deduction.

What are the Benefits of a Charitable Sale?

There are several benefits that may accrue to a property owner from a charitable sale:

- A charitable deduction may be able to be taken on the property owner's federal income tax return. The amount of savings will depend on the landowner's tax bracket. More information on calculating the deduction can be found below.

- A charitable sale may reduce the capital gains tax that would otherwise be due on the proceeds of a sale at fair market value. This may be significant, particularly for properties with high appreciated value and/or low basis.
- If the property has not been listed with a broker, no real estate commission will be due. Typically, this can be 6% to 10% of the selling price for undeveloped land.
- For sales to municipalities, no transfer stamps are due upon recording at the Registry of Deeds. This is \$4.56 per thousand of sale price in Dukes County.
- Often a community and trust or government agency is able to close the deal more quickly and with fewer contingencies than a developer or other buyer. This lower level of risk to the property owner may translate into "cash in hand" more quickly than when land is being sold for development.

Under particularly favorable conditions, a property owner can "break even" on a charitable sale when compared to the cost of selling for fair market value. The benefits of a charitable sale will vary depending on a particular landowner's situation. The only way to know for sure is to "run the numbers" in conjunction with the property owner and his or her tax advisor. This will determine the net after tax return from a charitable sale versus a fair market value sale. Even if the seller does not "break even," the tax advantages of a charitable sale will always "cushion the blow" on price.

What Information is Needed to Document a Bargain Sale?

The property owner is required to demonstrate donative intent, specifically that the property owner will receive no special quid pro quo for the charitable sale. For example, a property owner that receives a development permit in exchange for the charitable sale, might be making the charitable sale to encourage the permitting agency to look favorably on the permit. In such instance, the IRS might question the landowner's charitable intentions.

To help demonstrate donative intent, language should be put in the purchase and sales agreement to the effect that:

"BUYER acknowledges that SELLER intends to claim this sale as a bargain sale for charitable purposes and BUYER agrees to sign the property receipt acknowledgment on Form 8283 for the SELLER's federal income tax return. BUYER makes no acknowledgment as to the amount of any deduction claimed by the SELLER."

To substantiate the charitable sale, the property owner is required to have a complete appraisal prepared by a qualified appraiser no sooner than 60 days prior to the completion of the transaction. IRS Form 8283 must be attached to the landowner's federal tax return and must be signed by the appraiser, the seller, and the buyer. There are penalties for overstating the value of a charitable sale to both the property owner and his or her appraiser. It is important to document the fair market value, not just the asking price -- particularly for a property that has been on the market for some time and may be overpriced. See attached IRS Form 8283.

How are the Potential Tax Benefits of a Charitable or Bargain Sale Determined?

Any property owner contemplating a charitable sale should consult with a qualified tax

attorney or tax advisor to determine how the tax benefits of a charitable sale will apply in his or her income and tax circumstances.

Ideally this should occur as early in the process as possible.

As noted above, the amount of the charitable deduction is determined by the fair market value (FMV) of the property minus the sales price.

In general, the deduction for appreciated real property is limited to 30% of the property owner's Adjusted Gross Income (AGI). If the full amount cannot be deducted in the first year, any unused deduction may be carried forward for five additional years. After this time, any unused deduction is lost. In addition, total charitable deductions in any one year (appreciated real property, stock, cash and noncash contributions) are further limited to 50% of AGI. Both limitations must be respected on any given year's tax return. Nonprofit organizations and agencies that want to "run the numbers" for a landowner need to either obtain information about anticipated income and deductions from the landowner or clearly point out the assumptions that are used in the calculations.

Two important factors in determining the ability of a property owner to benefit from a charitable sale are the basis of the property and the tax bracket of the property owner. In general, the property owner that will benefit most from a charitable sale is one that is in a high tax bracket and has a property with a relatively low basis compared to the fair market value. However, either one of these conditions (high income or low basis) can serve as the "engine" that makes a charitable sale work for the property owner.

The basis of a property must be determined to calculate the capital gain (or loss) that will be reported upon its sale. For land that was purchased by the landowner, the basis is what the landowner paid for it, plus the value of any improvements that have been made. The basis for inherited property is the value on the date of death of the previous owner plus the value of any improvements. The basis for gifted property is the basis of the original owner plus any improvements (the previous basis transfers to the new owner). It is important to note that charitable sales are treated as part gift and part sale. The basis needs to be divided proportionately between the sale and the donation.

In some instances, charitable sales are less likely to be attractive to property owner. These include situations where the owner has no interest in affordable housing or is otherwise not motivated to invest the effort to make a charitable sale work, and cases where a landowner has already used up their charitable deduction (for example, through donations of appreciated stock). A charitable sale is likely to be less beneficial for properties with a high basis or landowners who have little income, thus placing them in a lower tax bracket. In addition, some corporations and nonprofits that hold land may not be able to benefit from the tax advantages of a charitable sale.

Noncash Charitable Contributions

▶ **Attach to your tax return if you claimed a total deduction of over \$500 for all contributed property.**
 ▶ **See separate instructions.**

OMB No. 1545-0908

Attachment
 Sequence No. **155**

Name(s) shown on your income tax return

Identifying number

Note. Figure the amount of your contribution deduction before completing this form. See your tax return instructions.

Section A. Donated Property of \$5,000 or Less and Certain Publicly Traded Securities—List in this section **only** items (or groups of similar items) for which you claimed a deduction of \$5,000 or less. Also, list certain publicly traded securities even if the deduction is more than \$5,000 (see instructions).

Part I Information on Donated Property—If you need more space, attach a statement.

1	(a) Name and address of the donee organization	(b) Description of donated property (For a donated vehicle, enter the year, make, model, condition, and mileage, and attach Form 1098-C if required.)
A		
B		
C		
D		
E		

Note. If the amount you claimed as a deduction for an item is \$500 or less, you do not have to complete columns (d), (e), and (f).

	(c) Date of the contribution	(d) Date acquired by donor (mo., yr.)	(e) How acquired by donor	(f) Donor's cost or adjusted basis	(g) Fair market value (see instructions)	(h) Method used to determine the fair market value
A						
B						
C						
D						
E						

Part II Partial Interests and Restricted Use Property—Complete lines 2a through 2e if you gave less than an entire interest in a property listed in Part I. Complete lines 3a through 3c if conditions were placed on a contribution listed in Part I; also attach the required statement (see instructions).

2a Enter the letter from Part I that identifies the property for which you gave less than an entire interest ▶ _____ . If Part II applies to more than one property, attach a separate statement.

b Total amount claimed as a deduction for the property listed in Part I: **(1)** For this tax year ▶ _____ .
(2) For any prior tax years ▶ _____ .

c Name and address of each organization to which any such contribution was made in a prior year (complete only if different from the donee organization above):

Name of charitable organization (donee) _____

Address (number, street, and room or suite no.) _____

City or town, state, and ZIP code _____

d For tangible property, enter the place where the property is located or kept ▶ _____

e Name of any person, other than the donee organization, having actual possession of the property ▶ _____

3a Is there a restriction, either temporary or permanent, on the donee's right to use or dispose of the donated property?

	Yes	No

b Did you give to anyone (other than the donee organization or another organization participating with the donee organization in cooperative fundraising) the right to the income from the donated property or to the possession of the property, including the right to vote donated securities, to acquire the property by purchase or otherwise, or to designate the person having such income, possession, or right to acquire?

c Is there a restriction limiting the donated property for a particular use?

Name(s) shown on your income tax return	Identifying number
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Section B. Donated Property Over \$5,000 (Except Certain Publicly Traded Securities)—List in this section only items (or groups of similar items) for which you claimed a deduction of more than \$5,000 per item or group (except contributions of certain publicly traded securities reported in Section A). An appraisal is generally required for property listed in Section B (see instructions).

Part I Information on Donated Property—To be completed by the taxpayer and/or the appraiser.

- 4 Check the box that describes the type of property donated:
- | | | |
|--|--|-------------------------------------|
| <input type="checkbox"/> Art* (contribution of \$20,000 or more) | <input type="checkbox"/> Qualified Conservation Contribution | <input type="checkbox"/> Equipment |
| <input type="checkbox"/> Art* (contribution of less than \$20,000) | <input type="checkbox"/> Other Real Estate | <input type="checkbox"/> Securities |
| <input type="checkbox"/> Collectibles** | <input type="checkbox"/> Intellectual Property | <input type="checkbox"/> Other |

*Art includes paintings, sculptures, watercolors, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, rare manuscripts, historical memorabilia, and other similar objects.

**Collectibles include coins, stamps, books, gems, jewelry, sports memorabilia, dolls, etc., but not art as defined above.

Note. In certain cases, you must attach a qualified appraisal of the property. See instructions.

5	(a) Description of donated property (if you need more space, attach a separate statement)	(b) If tangible property was donated, give a brief summary of the overall physical condition of the property at the time of the gift	(c) Appraised fair market value
A			
B			
C			
D			

(d) Date acquired by donor (mo., yr.)	(e) How acquired by donor	(f) Donor's cost or adjusted basis	(g) For bargain sales, enter amount received	See instructions	
				(h) Amount claimed as a deduction	(i) Average trading price of securities
A					
B					
C					
D					

Part II Taxpayer (Donor) Statement—List each item included in Part I above that the appraisal identifies as having a value of \$500 or less. See instructions.

I declare that the following item(s) included in Part I above has to the best of my knowledge and belief an appraised value of not more than \$500 (per item). Enter identifying letter from Part I and describe the specific item. See instructions. ► _____

Signature of taxpayer (donor) ► _____ Date ► _____

Part III Declaration of Appraiser

I declare that I am not the donor, the donee, a party to the transaction in which the donor acquired the property, employed by, or related to any of the foregoing persons, or married to any person who is related to any of the foregoing persons. And, if regularly used by the donor, donee, or party to the transaction, I performed the majority of my appraisals during my tax year for other persons.

Also, I declare that I hold myself out to the public as an appraiser or perform appraisals on a regular basis; and that because of my qualifications as described in the appraisal, I am qualified to make appraisals of the type of property being valued. I certify that the appraisal fees were not based on a percentage of the appraised property value. Furthermore, I understand that a false or fraudulent overstatement of the property value as described in the qualified appraisal or this Form 8283 may subject me to the penalty under section 6701(a) (aiding and abetting the understatement of tax liability). In addition, I understand that a substantial or gross valuation misstatement resulting from the appraisal of the value of the property that I know, or reasonably should know, would be used in connection with a return or claim for refund, may subject me to the penalty under section 6695A. I affirm that I have not been barred from presenting evidence or testimony by the Office of Professional Responsibility.

Sign Here | Signature ► _____ Title ► _____ Date ► _____

Business address (including room or suite no.)	Identifying number
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City or town, state, and ZIP code

Part IV Donee Acknowledgment—To be completed by the charitable organization.

This charitable organization acknowledges that it is a qualified organization under section 170(c) and that it received the donated property as described in Section B, Part I, above on the following date ► _____

Furthermore, this organization affirms that in the event it sells, exchanges, or otherwise disposes of the property described in Section B, Part I (or any portion thereof) within 3 years after the date of receipt, it will file Form 8282, Donee Information Return, with the IRS and give the donor a copy of that form. This acknowledgment does not represent agreement with the claimed fair market value.

Does the organization intend to use the property for an unrelated use? ► Yes No

Name of charitable organization (donee)	Employer identification number	
Address (number, street, and room or suite no.)	City or town, state, and ZIP code	
Authorized signature	Title	Date

Instructions for Form 8283



Department of the Treasury
Internal Revenue Service

(Rev. December 2005)

Noncash Charitable Contributions

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

- For contributions made after 2004, new rules apply to any donation of a motor vehicle, boat, or airplane. You must attach to your tax return Form 1098-C or other acknowledgment from the donee organization. If the organization sells the vehicle, your deduction may be limited to the gross proceeds from the sale. See *Qualified Vehicle Donations* on page 3.
- A C corporation generally must get an appraisal for property donated after June 3, 2004, if the deduction claimed for the donation is more than \$5,000.
- If you claim a deduction of more than \$500,000 for property donated after June 3, 2004, you generally must attach a qualified appraisal of the property to your return.
- An appraisal is not required if you donated inventory or intellectual property (such as a patent) after June 3, 2004.

Purpose of Form

Use Form 8283 to report information about noncash charitable contributions.

Do not use Form 8283 to report out-of-pocket expenses for volunteer work or amounts you gave by check or credit card. Treat these items as cash contributions. Also, do not use Form 8283 to figure your charitable contribution deduction. For details on how to figure the amount of the deduction, see your tax return instructions.

Who Must File

You must file Form 8283 if the amount of your deduction for all noncash gifts is more than \$500. For this purpose, "amount of your deduction" means your deduction before applying any income limits that could result in a carryover. The carryover rules are explained in Pub. 526, Charitable Contributions. Make any required reductions to fair market value (FMV) before you determine if you must file Form 8283. See *Fair Market Value (FMV)* beginning on page 2.

Form 8283 is filed by individuals, partnerships, and corporations.

Note. C corporations, other than personal service corporations and closely held corporations, must file Form 8283 only if the amount claimed as a deduction is more than \$5,000.

Partnerships and S corporations. A partnership or S corporation that claims a deduction for noncash gifts of more than \$500 must file Form 8283 with Form 1065, 1065-B, or 1120S.

If the total deduction of any item or group of similar items is more than \$5,000, the partnership or S corporation must complete Section B of Form 8283 even

if the amount allocated to each partner or shareholder is \$5,000 or less.

The partnership or S corporation must give a completed copy of Form 8283 to each partner or shareholder receiving an allocation of the contribution deduction shown in Section B of the Form 8283 of the partnership or S corporation.

Partners and shareholders. The partnership or S corporation will provide information about your share of the contribution on your Schedule K-1 (Form 1065 or 1120S). If you received a copy of Form 8283 from the partnership or S corporation, attach a copy to your tax return. Use the amount shown on your Schedule K-1, not the amount shown on the Form 8283, to figure your deduction.

If the partnership or S corporation is not required to give you a copy of its Form 8283, combine the amount of noncash contributions shown on your Schedule K-1 with your other noncash contributions to see if you must file Form 8283. If you need to file Form 8283, you do not have to complete all the information requested in Section A for your share of the partnership's or S corporation's contributions. Complete only column (g) of line 1 with your share of the contribution and enter "From Schedule K-1 (Form 1065 or 1120S)" across columns (c)–(f).

When To File

File Form 8283 with your tax return for the year you contribute the property and first claim a deduction.

Which Sections To Complete

If you must file Form 8283, you may have to complete Section A, Section B, or both, depending on the type of property donated and the amount claimed as a deduction.

Section A. Include in Section A only the following items.

1. Items (or groups of similar items as defined on page 2) for which you claimed a deduction of \$5,000 or less per item (or group of similar items).
2. The following publicly traded securities even if the deduction is more than \$5,000:
 - a. Securities listed on an exchange in which quotations are published daily,
 - b. Securities regularly traded in national or regional over-the-counter markets for which published quotations are available, or
 - c. Securities that are shares of a mutual fund for which quotations are published on a daily basis in a newspaper of general circulation throughout the United States.

Section B. Include in Section B only items (or groups of similar items) for which you claimed a deduction of more than \$5,000. Do not include publicly traded securities reportable in Section A. With certain exceptions, items reportable in Section B require a written appraisal by a qualified appraiser.

Similar Items of Property

Similar items of property are items of the same generic category or type, such as coin collections, paintings, books, clothing, jewelry, nonpublicly traded stock, land, or buildings.

Example. You claimed a deduction of \$400 for clothing, \$7,000 for publicly traded securities (quotations published daily), and \$6,000 for a collection of 15 books (\$400 each). Report the clothing and securities in Section A and the books (a group of similar items) in Section B.

Special Rule for Certain C Corporations

A special rule applies for deductions taken by certain C corporations under section 170(e)(3) or (4) for certain contributions of inventory or scientific equipment.

To determine if you must file Form 8283 or which section to complete, use the difference between the amount you claimed as a deduction and the amount you would have claimed as cost of goods sold (COGS) had you sold the property instead. This rule is only for purposes of Form 8283. It does not change the amount or method of figuring your contribution deduction.

If you do not have to file Form 8283 because of this rule, you must attach a statement to your tax return (similar to the one in the example below). Also, attach a statement if you must complete Section A, instead of Section B, because of this rule.

Example. You donated clothing from your inventory for the care of the needy. The clothing cost you \$5,000 and your claimed charitable deduction is \$8,000. Complete Section A instead of Section B because the difference between the amount you claimed as a charitable deduction and the amount that would have been your COGS deduction is \$3,000 (\$8,000 – \$5,000). Attach a statement to Form 8283 similar to the following:

Form 8283—Inventory

Contribution deduction	\$8,000
COGS (if sold, not donated)	– 5,000
	<hr/>
For Form 8283 filing purposes	=\$3,000

Fair Market Value (FMV)

Although the amount of your deduction determines if you have to file Form 8283, you also need to have information about the value of your contribution to complete the form.

FMV is the price a willing, knowledgeable buyer would pay a willing, knowledgeable seller when neither has to buy or sell.

You may not always be able to deduct the FMV of your contribution. Depending on the type of property donated, you may have to reduce the FMV to figure the deductible amount, as explained next.

Reductions to FMV. The amount of the reduction (if any) depends on whether the property is ordinary income property or capital gain property. Attach a statement to your tax return showing how you figured the reduction.

Ordinary income property is property that would result in ordinary income or short-term capital gain if it were sold at its FMV on the date it was contributed. Examples of ordinary income property are inventory, works of art created by the donor, and capital assets held for 1 year or less. The deduction for a gift of ordinary income property is limited to the FMV minus the amount that

would be ordinary income or short-term capital gain if the property were sold.

Capital gain property is property that would result in long-term capital gain if it were sold at its FMV on the date it was contributed. For purposes of figuring your charitable contribution, capital gain property also includes certain real property and depreciable property used in your trade or business and, generally, held more than 1 year. However, to the extent of any gain from the property that must be recaptured as ordinary income under section 1245, section 1250, or any other Code provision, the property is treated as ordinary income property.

You usually may deduct gifts of capital gain property at their FMV. However, you must reduce the FMV by the amount of any appreciation if any of the following apply.

- The capital gain property is contributed to certain private nonoperating foundations. This rule does not apply to qualified appreciated stock.
- You choose the 50% limit instead of the special 30% limit.
- The contributed property is tangible personal property that is put to an unrelated use (as defined in Pub. 526) by the charity.
- The contributed property is intellectual property (as defined on page 3) donated after June 3, 2004.

Qualified conservation contribution. A qualified conservation contribution is a donation of a qualified real property interest, such as an easement, exclusively for certain conservation purposes. The donee must be a qualified organization as defined in section 170(h)(3) and must have the resources to be able to monitor and enforce the conservation easement or other conservation restrictions. To enable the organization to do this, you must give it documents, such as maps and photographs, that establish the condition of the property at the time of the gift.

If the donation has no material effect on the real property's FMV, or enhances rather than reduces its FMV, no deduction is allowable. For example, little or no deduction may be allowed if the property's use is already restricted, such as by zoning or other law or contract, and the donation does not further restrict how the property can be used.

The FMV of a conservation easement cannot be determined by applying a standard percentage to the FMV of the underlying property. The best evidence of the FMV of an easement is the sales price of a comparable easement. If there are no comparable sales, the before and after method may be used.

Attach a statement that:

- Identifies the conservation purposes furthered by your donation,
- Shows, if before and after valuation is used, the FMV of the underlying property before and after the gift,
- States whether you made the donation in order to get a permit or other approval from a local or other governing authority and whether the donation was required by a contract, and
- If you or a related person has any interest in other property nearby, describes that interest.

If an appraisal is required, it must include the method of valuation (such as the income approach or the market data approach) and the specific basis for the valuation (such as specific comparable sales transactions).

For details, see Pub. 561, Determining the Value of Donated Property. Also see section 170(h), Regulations section 1.170A-14, and Notice 2004-41. Notice 2004-41, 2004-28 I.R.B. 31, is available at www.irs.gov/irb/2004-28_IRB/ar09.html.

Intellectual property. The FMV of intellectual property donated after June 3, 2004, must be reduced to figure the amount of your deduction, as explained on page 2. Intellectual property means a patent, copyright (other than a copyright described in section 1221(a)(3) or 1231(b)(1)(C)), trademark, trade name, trade secret, know-how, software (other than software described in section 197(e)(3)(A)(i)), or similar property, or applications or registrations of such property. However, you may be able to claim additional charitable contribution deductions in the year of the contribution and later years based on a percentage of the donee's net income, if any, from the property. The amount of the donee's net income from the property will be reported to you on Form 8899, Notice of Income From Donated Intellectual Property. See Pub. 526 for details.

Qualified Vehicle Donations

The following rules apply to any donation of a qualified vehicle after 2004. A qualified vehicle is any motor vehicle manufactured primarily for use on public streets, roads, and highways; a boat; or an airplane. However, property held by the donor primarily for sale to customers, such as inventory of a car dealer, is not a qualified vehicle.

If you donate a qualified vehicle after 2004 with a claimed value of more than \$500, you cannot claim a deduction unless you attach to your return a copy of the contemporaneous written acknowledgment you received from the donee organization. The donee organization may use Copy B of Form 1098-C as the acknowledgment. An acknowledgment is considered contemporaneous if the donee organization furnishes it to you no later than 30 days after the:

- Date of the sale, if the vehicle was sold in an arm's length transaction to an unrelated party, or
- Date of the contribution, if the vehicle will not be sold by the donee organization before completion of a material improvement or significant intervening use, or the vehicle will be given or sold to a needy individual for a price significantly below FMV in direct furtherance of the organization's charitable purpose of relieving the poor and distressed or underprivileged who are in need of a means of transportation.

For contributions made before September 2, 2005, an acknowledgment is considered contemporaneous if it was furnished by the later of the time prescribed above or October 1, 2005.

For a qualified vehicle donated after 2004 with a claimed value of more than \$500, you can deduct the smaller of the vehicle's FMV on the date of the contribution or the gross proceeds received from the sale of the vehicle, unless an exception applies as explained below. Form 1098-C (or other acknowledgment) will show the gross proceeds from the sale if no exception applies. If the FMV of the vehicle was more than your cost or other basis, you may have to reduce the FMV to figure the deductible amount, as described under *Reductions to FMV* on page 2.

If any of the following exceptions apply, your deduction is not limited to the gross proceeds received from the sale. Instead, you generally can deduct the vehicle's FMV on the date of the contribution if the donee organization:

- Makes a significant intervening use of the vehicle before transferring it,
- Makes a material improvement to the vehicle before transferring it, or
- Gives or sells the vehicle to a needy individual for a price significantly below FMV in direct furtherance of the organization's charitable purpose of relieving the poor and distressed or underprivileged who are in need of a means of transportation.

Form 1098-C (or other acknowledgment) will show if any of these exceptions apply. If the FMV of the vehicle was more than your cost or other basis, you may have to reduce the FMV to figure the deductible amount, as described under *Reductions to FMV* on page 2.

Determining FMV. A used car guide may be a good starting point for finding the FMV of your vehicle. These guides, published by commercial firms and trade organizations, contain vehicle sale prices for recent model years. The guides are sometimes available from public libraries or from a loan officer at a bank, credit union, or finance company. You can also find used car pricing information on the Internet.

An acceptable measure of the FMV of a vehicle donated after June 3, 2005, is an amount not in excess of the price listed in a used vehicle pricing guide for a private party sale of a similar vehicle. However, the FMV may be less than that amount if the vehicle has engine trouble, body damage, high mileage, or any type of excessive wear. The FMV of a donated vehicle is the same as the price listed in a used vehicle pricing guide for a private party sale only if the guide lists a sales price for a vehicle that is the same make, model, and year, sold in the same area, in the same condition, with the same or similar options or accessories, and with the same or similar warranties as the donated vehicle.

Example. Neal donates his 1982 DeLorean DMC-12, which he bought new for \$25,000. A used vehicle pricing guide shows the FMV for his car is \$9,950. Neal receives a Form 1098-C showing the car was sold for \$7,000. Neal can deduct \$7,000 and must attach Form 1098-C to his return.

More information. For details, see Pub. 526 or Notice 2005-44. Notice 2005-44 is on page 1287 of Internal Revenue Bulletin 2005-25 at www.irs.gov/irb/2005-25_IRB/ar09.html.

Additional Information

You may want to see Pub. 526 and Pub. 561. If you contributed depreciable property, see Pub. 544, Sales and Other Disposition of Assets.

Specific Instructions

Identifying number. Individuals must enter their social security number. All other filers should enter their employer identification number.

Section A

Part I, Information on Donated Property

Line 1

Column (b). Describe the property in sufficient detail. The greater the value of the property, the more detail you must provide. For example, a personal computer should be described in more detail than pots and pans. For a vehicle, give the year, make, model, condition, and mileage at the time of the donation (for example, "1963 Studebaker Lark, fair condition, 135,000 miles"). If you do not know the actual mileage, use a good faith estimate based on car repair records or similar evidence.

For securities, include the following:

- Name of the issuer,
- Kind of security,
- Whether a share of a mutual fund, and
- Whether regularly traded on a stock exchange or in an over-the-counter market.

Note. If the amount you claimed as a deduction for the item is \$500 or less, you do not have to complete columns (d), (e), and (f).

Column (d). Enter the approximate date you acquired the property. If it was created, produced, or manufactured by or for you, enter the date it was substantially completed.

Column (e). State how you acquired the property. This could be by purchase, gift, inheritance, or exchange.

Column (f). Do not complete this column for property held at least 12 months or publicly traded securities. Keep records on cost or other basis.

Note. If you have reasonable cause for not providing the information in columns (d) and (f), attach an explanation.

Column (g). Enter the FMV of the property on the date you donated it. You must attach a statement if:

- You were required to reduce the FMV to figure the amount of your deduction, or
- You gave a qualified conservation contribution.

See *Fair Market Value (FMV)* beginning on page 2 for the type of statement to attach.

Column (h). Enter the method(s) you used to determine the FMV.

The FMV of used household goods and clothing is usually much lower than when new. A good measure of value might be the price that buyers of these used items actually pay in consignment or thrift shops. You can also review classified ads in the newspaper or on the Internet to see what similar products sell for.

Examples of entries to make include "Appraisal," "Thrift shop value" (for clothing or household goods), "Catalog" (for stamp or coin collections), or "Comparable sales" (for real estate and other kinds of assets). See Pub. 561.

Part II, Partial Interests and Restricted Use Property

If Part II applies to more than one property, attach a separate statement. Give the required information for each property separately. Identify which property listed in Part I the information relates to.

Lines 2a Through 2e

Complete lines 2a–2e only if you contributed less than the entire interest in the donated property during the tax year. On line 2b, enter the amount claimed as a deduction for this tax year and in any prior tax years for gifts of a partial interest in the same property.

Lines 3a Through 3c

Complete lines 3a–3c only if you attached restrictions to the right to the income, use, or disposition of the donated property. An example of a "restricted use" is furniture that you gave only to be used in the reading room of an organization's library. Attach a statement explaining (1) the terms of any agreement or understanding regarding the restriction, and (2) whether the property is designated for a particular use.

Section B

Part I, Information on Donated Property

You must have a written appraisal from a qualified appraiser that supports the information in Part I. However, see the *Exceptions* below.

Generally, you do not need to attach the appraisals to your return but you should keep them for your records. But see *Art valued at \$20,000 or more* below and *Deduction of more than \$500,000* on page 5.

Exceptions. You do not need a written appraisal if the property is:

1. Nonpublicly traded stock of \$10,000 or less,
2. A vehicle (including a car, boat, or airplane) donated after 2004 if your deduction for the vehicle is limited to the gross proceeds from its sale,
3. Intellectual property (as defined on page 3) donated after June 3, 2004,
4. Certain securities considered to have market quotations readily available (see Regulations section 1.170A-13(c)(7)(xi)(B)),
5. Inventory and other property donated by a corporation that are "qualified contributions" for the care of the ill, the needy, or infants, within the meaning of section 170(e)(3)(A),
6. Any donation made after June 3, 2004, of stock in trade, inventory, or property held primarily for sale to customers in the ordinary course of your trade or business, or
7. A donation made by a C corporation (other than a closely held corporation or personal service corporation) before June 4, 2004.



A donation made by a C corporation after June 3, 2004, and reported in Section B does require an appraisal unless one of the previous exceptions (1 through 6) applies.

Although a written appraisal is not required for the types of property listed above, you must provide certain information in Part I of Section B (see the instructions for line 5 on page 5 and have the donee organization complete Part IV).

Art valued at \$20,000 or more. If your total deduction for art is \$20,000 or more, you must attach a complete copy of the signed appraisal. For individual objects valued at \$20,000 or more, a photograph must be provided upon request. The photograph must be of sufficient quality and size (preferably an 8 x 10 inch color

photograph or a color transparency no smaller than 4 x 5 inches) to fully show the object.

Deduction of more than \$500,000. If you claim a deduction of more than \$500,000 for an item (or group of similar items) donated to one or more donees after June 3, 2004, you must attach a qualified appraisal of the property to your return unless an exception applies. See *Exceptions* on page 4.

Appraisal Requirements

The appraisal must be made not earlier than 60 days before the date you contribute the property. You must receive the appraisal before the due date (including extensions) of the return on which you first claim a deduction for the property. For a deduction first claimed on an amended return, the appraisal must be received before the date the amended return was filed.

A separate qualified appraisal and a separate Form 8283 are required for each item of property except for an item that is part of a group of similar items. Only one appraisal is required for a group of similar items contributed in the same tax year, if it includes all the required information for each item. The appraiser may group similar items with a collective value appraised at \$100 or less.

If you gave similar items to more than one donee for which you claimed a total deduction of more than \$5,000, you must attach a separate form for each donee.

Example. You claimed a deduction of \$2,000 for books given to College A, \$2,500 for books given to College B, and \$900 for books given to a public library. You must attach a separate Form 8283 for each donee.

See Regulations section 1.170A-13(c)(3)(i)–(ii) for the definition of a “qualified appraisal” and information to be included in the appraisal.

Line 5

Note. You must complete at least column (a) of line 5 (and column (b) if applicable) before submitting Form 8283 to the donee. You may then complete the remaining columns.

Column (a). Provide a detailed description so a person unfamiliar with the property could be sure the property that was appraised is the property that was contributed. The greater the value of the property, the more detail you must provide.

Column (c). Include the FMV from the appraisal. If you were not required to get an appraisal, include the FMV you determine to be correct.

Columns (d)–(f). If you have reasonable cause for not providing the information in columns (d), (e), or (f), attach an explanation so your deduction will not automatically be disallowed.

Column (g). A bargain sale is a transfer of property that is in part a sale or exchange and in part a contribution. Enter the amount received for bargain sales.

Column (h). Complete column (h) only if you were not required to get an appraisal, as explained earlier.

Column (i). Complete column (i) only if you donated securities for which market quotations are considered to be readily available because the issue satisfies the five requirements described in Regulations section 1.170A-13(c)(7)(xi)(B).

Part II, Taxpayer (Donor) Statement

Complete Section B, Part II, for each item included in Section B, Part I, that has an appraised value of \$500 or less. Because you do not have to show the value of these items in Section B, Part I, of the donee’s copy of Form 8283, clearly identify them for the donee in Section B, Part II. Then, the donee does not have to file Form 8282, Donee Information Return, for items valued at \$500 or less. See the *Note* on page 6 for more details about filing Form 8282.

The amount of information you give in Section B, Part II, depends on the description of the donated property you enter in Section B, Part I. If you show a single item as “Property A” in Part I and that item is appraised at \$500 or less, then the entry “Property A” in Part II is enough. However, if “Property A” consists of several items and the total appraised value is over \$500, list in Part II any item(s) you gave that is valued at \$500 or less.

All shares of nonpublicly traded stock or items in a set are considered one item. For example, a book collection by the same author, components of a stereo system, or six place settings of a pattern of silverware are one item for the \$500 test.

Example. You donated books valued at \$6,000. The appraisal states that one of the items, a collection of books by author “X,” is worth \$400. On the Form 8283 that you are required to give the donee, you decide not to show the appraised value of all of the books. But you also do not want the donee to have to file Form 8282 if the collection of books is sold. If your description of Property A on line 5 includes all the books, then specify in Part II the “collection of books by X included in Property A.” But if your Property A description is “collection of books by X,” the only required entry in Part II is “Property A.”

In the above example, you may have chosen instead to give a completed copy of Form 8283 to the donee. The donee would then be aware of the value. If you include all the books as Property A on line 5, and enter \$6,000 in column (c), you may still want to describe the specific collection in Part II so the donee can sell it without filing Form 8282.

Part III, Declaration of Appraiser

If you had to get an appraisal, the appraiser must complete Part III to be considered qualified. See Regulations section 1.170A-13(c)(5) for a definition of a qualified appraiser.

Persons who cannot be qualified appraisers are listed in the Declaration of Appraiser. Usually, a party to the transaction in which you acquired the property being appraised will not qualify to sign the declaration. But a person who sold, exchanged, or gave the property to you may sign the declaration if the property was donated within 2 months of the date you acquired it and the property’s appraised value did not exceed its acquisition price.

An appraiser may not be considered qualified if you had knowledge of facts that would cause a reasonable person to expect the appraiser to falsely overstate the value of the property. An example of this is an agreement between you and the appraiser about the property value when you know that the appraised amount exceeds the actual FMV.

Usually, appraisal fees cannot be based on a percentage of the appraised value unless the fees were paid to certain not-for-profit associations. See Regulations section 1.170A-13(c)(6)(ii).

Part IV, Donee Acknowledgment

The donee organization that received the property described in Part I of Section B must complete Part IV. Before submitting page 2 of Form 8283 to the donee for acknowledgment, complete at least your name, identifying number, and description of the donated property (line 5, column (a)). If tangible property is donated, also describe its physical condition (line 5, column (b)) at the time of the gift. Complete Part II, if applicable, before submitting the form to the donee. See the instructions for Part II.

The person acknowledging the gift must be an official authorized to sign the tax returns of the organization, or a person specifically designated to sign Form 8283. After completing Part IV, the organization must return Form 8283 to you, the donor. You must give a copy of Section B of this form to the donee organization. You may then complete any remaining information required in Part I. Also, Part III may be completed at this time by the qualified appraiser.

In some cases, it may be impossible to get the donee's signature on Form 8283. The deduction will not be disallowed for that reason if you attach a detailed explanation why it was impossible.

Note. If the donee (or a successor donee) organization disposes of the property within 2 years after the date the original donee received it, the organization must file Form 8282, Donee Information Return, with the IRS and send a copy to the donor. An exception applies to items having a value of \$500 or less if the donor identified the items and signed the statement in Section B, Part II, of Form 8283. See the instructions for Part II.

Failure To File Form 8283

Your deduction generally will be disallowed if you fail to:

- Attach a required Form 8283 to your return,
- Get a required appraisal and complete Section B of Form 8283, or

- Attach to your return an appraisal of property for which you claimed a deduction of more than \$500,000. However, your deduction will not be disallowed if your failure was due to reasonable cause and not willful neglect or was due to a good-faith omission. If the IRS asks you to submit the form, you have 90 days to send a completed Section B of Form 8283 before your deduction is disallowed.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

Recordkeeping	20 min.
Learning about the law or the form	29 min.
Preparing the form	37 min.
Copying, assembling, and sending the form to the IRS	35 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.
