



Photo courtesy Valerie Adams Meffert

# Should I Donate My Boat?

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In recent years, vessel donation has gotten somewhat confusing. This is partially due to changes in the IRS tax laws governing charitable donations that were not well expressed or understood by donors. It was further confused by the recent economic downturn and its impacts on the boating market.

So, is donating your boat a good idea? The short answer is maybe. It can be a great way of turning your old boat into a gift that can help others, or it can turn into a huge headache and financial disappointment if you don't do your homework before making the donation. Here are some basics to help clarify the situation.

The first order of business is to make sure the charity you have

chosen is a qualified organization for the donation. Most charities will be able to answer this question, but in the event they do not, you can check IRS Publication 78, which is available online at [www.irs.gov/app/pub-78](http://www.irs.gov/app/pub-78).

To maximize the deduction you can take, you'll want to

claim the "fair market value" of your vessel. This can best be determined by obtaining an appraisal from a certified marine surveyor or appraiser, and is usually moderated by the listing or selling prices of other similar vessels. Be sure to let the surveyor know about all modifications, additions or equipment replacements that could support a higher than average valuation. For boats with a value greater than \$5000, an appraisal is mandatory.

To claim the fair market value of your boat, the IRS requires the vessel be put to "significant intervening use" by the charity in their regularly conducted activities. If the vessel is not used this way, and is liquidated by the charity in less than three years from the date of donation, the IRS may restrict the donor's deduction to the amount the charity received for the boat. This can pose a major problem

## The nuts and bolts of vessel donation

for the donor if the liquidation price is significantly less than the donor's fair market value claim and may result in the IRS disallowing the original deduction amount. This can happen because many charities are not in the business of using boats and are interested in turning the boat into cash as quickly as possible to get out from under maintenance and insurance costs.

When looking for a suitable charity for your boat donation, make sure the charity is normally engaged in activities that include the use of boats, such as a boating school, marine research organization or Sea Scout troop. Also, be sure the charity will use the vessel, that the usage will be properly logged, and that the charity will make those logs available to you in the event that the IRS questions your claimed deduction. It can be very helpful if you can produce proper logs that substantiate the charity's usage. When you donate your boat, the charity must, within 30 days of the contribution date, provide you with a 1098-C form and a contemporaneous written acknowledgement. To claim fair market value, it is essential that the 1098-C form indicate that the vessel will not be sold prior to significant intervening use or material improvement (box 5a checked). This is very important!

Additionally, the charity must complete and provide the Donee Acknowledgement (part IV) of IRS Form 8283, which the donor must submit with their tax return when claiming the deduction. This must indicate the donated property will not be used for an unrelated use. If the charity sells the vessel in fewer than three years from the date of donation, the charity is required to file

IRS Form 8282, which informs the IRS of the sale price of the boat and what usage, if any, the vessel was put to. The more details the charity provides on the usage, the better it is for the donor.

Another confusing aspect of the donation process is coming up with a good definition of “significant intervening use.” The IRS simply does not provide a set definition of what that means. At Ocean Conservation Society, based on many conversations we’ve had with IRS charitable organization specialists, we believe that somewhere around 100-200 hours per year of usage represents “significant intervening use.” Our use consists of near-shore and offshore marine research, which is meticulously logged and referenced in the many scientific papers we publish. Although the IRS is unlikely to put

anything in writing, contacting an IRS specialist prior to donating a vessel can help clarify whether the intended use will be adequate to substantiate a fair market value donation.

Donating your boat can give you great satisfaction by helping you support a cause that you care deeply about. It can be a good source of support for a charity both while the vessel is used in the charity’s normal programs and, later on down the line, when the boat is sold. Boat donations are still an excellent means of philanthropic giving, especially if the process includes some basic planning, a little

research and the advice of a qualified tax professional. ~

*Charles Saylan is executive director of Ocean Conservation Society, a California-based 501 C3 nonprofit engaged in marine mammal conservation research and public education and outreach on ocean conservation issues. For more information, visit [www.oceanconservation.org](http://www.oceanconservation.org)*

#### For more information, see:

- \*IRS Publication 526: Charitable Contributions ([www.irs.gov/pub/irs-pdf/p526.pdf](http://www.irs.gov/pub/irs-pdf/p526.pdf))
- \*IRS Publication 1771: Charitable Contributions – Substantiation and Disclosure Requirements ([www.irs.gov/pub/irs-pdf/p1771.pdf](http://www.irs.gov/pub/irs-pdf/p1771.pdf))
- \*IRS Publication 561: Determining the Value of Donated Property ([www.irs.gov/pub/irs-pdf/p561.pdf](http://www.irs.gov/pub/irs-pdf/p561.pdf))

