



Highlights of [GAO-04-73](#), a report to the Committee on Finance, U.S. Senate

Why GAO Did This Study

Donating a vehicle to charity enables a donor to support a charitable cause, dispose of an unwanted vehicle, and receive a tax benefit. More charities are turning to vehicle donation programs as a means for raising funds. As a result, our objectives were to: (1) determine the number of charities with vehicle donation programs, and the number of taxpayers claiming deductions for vehicle donations; (2) compare the proceeds received by charities from vehicle donations to what donors claimed for those deductions; and (3) describe related Internal Revenue Service (IRS) and state compliance activities.

What GAO Recommends

In conjunction with its ongoing National Research Program study, which is to be completed in December 2004, GAO recommended that the IRS assess: (1) the merits of its compliance program for generating audit leads on taxpayers that may have overstated their noncash charitable contribution deductions and (2) whether forms charities submit when disposing of donated property should be recorded and retained.

IRS agreed with the recommendations and stated that the actions it will take to implement them will depend on the results of its review of the level of noncompliance in reporting noncash contributions.

www.gao.gov/cgi-bin/getrpt?GAO-04-73

To view the full product, including the scope and methodology, click on the link above. For more information, contact Cathleen A. Berrick at (202) 512-3404 or berrickc@gao.gov.

VEHICLE DONATIONS

Benefits to Charities and Donors, but Limited Program Oversight

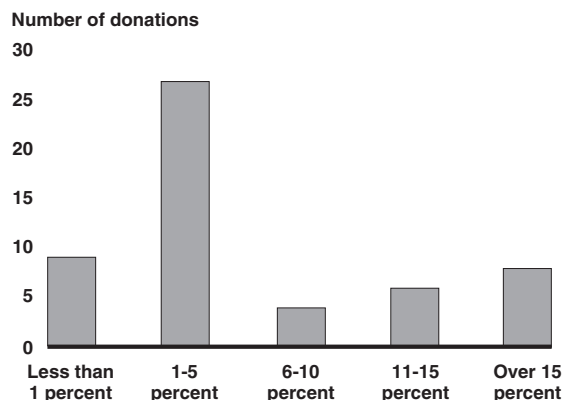
What GAO Found

An estimated 4,300 charities have vehicle donation programs, based on a GAO survey of 157,500 charities with revenue of \$100,000 or more. Taxpayers claimed deductions for donated vehicles on about 733,000 of the 4.4 million tax year 2000 returns filed with noncash deductions over \$500, lowering taxpayer liability by an estimated \$654 million.

For the charities surveyed, proceeds from vehicle donations ranged from \$1,000 for one charity, to \$8.8 million for another. However, proceeds generally constituted a small share of total charity revenue for the majority of charities GAO reviewed. In addition, for two-thirds of the 54 specific vehicle donations GAO examined, charities received 5 percent or less of the value donors claimed as deductions on their tax return. Differences in proceeds received by the charity and value claimed by a taxpayer were due in part, to vehicles being sold at auctions at wholesale prices, and proceeds being reduced by vehicle processing and fundraising costs. Due to a lack of available data on the condition of donated vehicles, GAO could not determine whether taxpayers appropriately valued their vehicles when claiming associated tax deductions.

The IRS has some activities designed to detect noncompliant claims for noncash deductions, including vehicle donations. However, the IRS has not pursued potential leads from these activities because tax revenue yields are less than other potential noncompliance cases, such as abusive tax shelters. IRS's ongoing National Research Program study may provide information on how to deal with donated vehicle compliance issues. Also, an IRS task force drafted recommendations for improving IRS's oversight of charities' donated property programs. State officials have filed legal actions in a number of cases involving problems with vehicle donation programs, such as an individual soliciting vehicle donations for fictitious charities.

Charity Proceeds as a Percent of Donor Claims in 54 Selected Vehicle Donations



Source: GAO analysis of 54 tracked vehicle donations.