



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

For Immediate Release

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Grassley seeks IRS guidance and vigilance on car donations

WASHINGTON — Sen. Chuck Grassley has asked the Internal Revenue Service to clarify for charitable organizations when cars donated to their organizations in 2005 need to be sold in order to comply with reforms in car donations enacted last year.

Grassley said there's been confusion among donors and charities that cars donated this year must be sold by the end of the year, causing a fire sale and possibly low sale prices for charities and limited deductions for donors. Grassley said that neither the statute or IRS guidance requires such an end-of-year sale. "However, to ensure that there is no uncertainty, I've asked that the IRS make it clear that there is no required year-end sale of cars donated to a charity," he said.

Grassley also asked the Commissioner to stop abusive actions by some charities that are reselling donated cars to low-income buyers.

The legislation passed last year gave the Secretary authority to allow for an exception to the sale rule, which is the value of the car donation based on its sale price, when a car is sold to low-income individuals at below-market prices. Grassley said the Finance Committee has been made aware that some charities and middlemen are selling cars at auctions. These auctions sales are not going to low-income individuals at below-market prices yet are advertising to donors that the donor can take a higher value than sale price because the cars are being sold to low-income individuals at below market prices. Grassley said the effect is that honest charities are being hurt by unscrupulous practices by other charities and middlemen.

Grassley is Chairman of the Senate Committee on Finance. The text of his letter follows here.

December 19, 2005

The Honorable Mark Everson
Commissioner
Internal Revenue Service
Washington, DC

Dear Mr. Commissioner:

I am writing to you on two matters regarding the reforms of car donations included in tax legislation last year. I commend you and your staff for working to provide guidance in an expedited matter earlier this year.

First, in discussions with charities, there is confusion about whether the legislation and IRS guidance requires that charities must sell donated cars by the end of the year. For example, there is concern that a car donated in late December 2005 must be sold before January 1, 2006. It is my view that this is not required by the legislation or IRS guidance – but I would strongly encourage the Internal Revenue Service to issue additional guidance and clarification so that there is no uncertainty for donors and charities.

In addition, I have been informed that unfortunately there have been bad actors who are abusing the exceptions contained in the car donation legislation for donations made for resale to low-income individuals. It is important for those charities that are playing by the rules that this mischief be stopped now.

Thank you for your time and consideration on this matter.

Cordially yours,

Charles E. Grassley
United States Senator
Chairman, Committee on Finance