

U.S. Senate Committee on Finance

For Immediate Release

Tuesday, March 23, 2004

Grassley, Baucus Continue Investigation of In-kind Charitable Contributions

WASHINGTON -- Sen. Chuck Grassley, chairman of the Committee on Finance, and Sen. Max Baucus, ranking member, have advanced their review of in-kind charitable contributions by asking the Internal Revenue Service to explain its actions to prevent abuse and for key documents detailing such contributions.

“Car donations are getting the most headlines because the General Accounting Office and the Treasury Department agree that the amounts of taxpayers’ deductions often substantially exceed the fair market values of the donated vehicles,” Grassley said. “But cars aren't the only charitable gift in this category. Donations of land, art and intellectual property are all raising concerns. It appears we’re just scratching the surface. It’s important to get a good handle on all areas of abuse to allow taxpayers to take the deductions they've earned rather than what they've inflated.”

Baucus said, “It appears that a significant number of audits are falling through the cracks at the Internal Revenue Service when it comes to follow-up on charitable donations. While tax breaks have helped increase giving to charities by encouraging more people to donate, the structure is also a magnet for tax abuse. And that's where the IRS should come in.

“But it’s clear that there's a problem when no action is taken by the IRS in 2001 and 2002 regarding the thousands of cases that were referred for audit due to potential noncompliance on charitable donations involving at least \$5,000. Not a single examination was conducted nor dollar collected. We can no longer ignore the abuses taking place involving our tax laws.”

The senators are working to advance reforms of vehicle and intellectual property donations through their foreign sales corporation/extraterritorial income act bill, which is pending before the full Senate. They plan to develop additional reform proposals as needed.

The text of the senators’ latest letter is attached.

March 22, 2004

The Honorable Mark E. Everson
Commissioner
Internal Revenue Service

1111 Constitution Avenue
Washington, DC 20224

Dear Commissioner Everson:

In November 2003, GAO issued a report finding that proceeds received by charities with vehicles donation programs were significantly less than deductions taxpayers were reporting on their tax returns. It is estimated that, annually, vehicle donation deductions lower taxpayers' income tax liability by \$654 million. A charity is required to file a Donee Information Return (Form 8282) with the IRS if the charity receives donated property with a value in excess of \$5,000 and the charity disposes of such property within two years from the date the property was received. According to the GAO report, the IRS estimates that on average about 20,000 Form 8282s are received annually for all sorts of in-kind donations, and that 4,000 to 5,000 tax returns are reviewed to determine whether they have audit potential. Thirty to forty percent of these surveyed returns are referred to the field for audit. According to GAO's analysis of the IRS audit data, none of these referred returns were actually audited during the years 2001 and 2002.

We are concerned that charitable contributions of various types of property may produce far more in the way of tax deductions for taxpayers than cash proceeds for charities. We request that you provide the Finance Committee with a report on what action IRS is taking with regard to the backlog of Forms 8282 to ensure that the appropriate fair market value is being used by taxpayers in computing their charitable deductions. We are also requesting that the IRS provide the Committee with the first two hundred Form 8282s and (corresponding Form 8283s) received by the IRS that were referred to the field for audit during the year 2002. In addition, we are requesting all Forms 8282s and 8283s for the most recent year with respect to the top ten corporate contributors of in-kind property as determined by amounts claimed as deductions. Please submit the report and Forms no later than 30 days from the date of this letter.

We recognize that some of the material requested is protected by section 6103. Please submit a set of Forms pursuant to section 6103 and another set of Forms redacting the section 6103 information. Pursuant to the authority of IRC section 6103(f)(4), the Chairman designates that (named staff) may have access to section 6103 information under this letter.

This is a Congressional record and is entrusted to the IRS for the sole purpose of obtaining confidential information pursuant to section 6103(f) of the IRC.

Sincerely yours,

Max Baucus
Ranking Member

Charles E. Grassley
Chairman

