

Brandon Froedge, Ashley Lucas, Brett Motz and Rhett Welliever. Student Managers: Justin Dugger, Rogge Merriman and Matt Musselman.

RENEWABLE ENERGY AND  
ENERGY EFFICIENCY EXPO

**HON. LEE TERRY**

OF NEBRASKA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, July 31, 2008*

Mr. TERRY. Madam Speaker, one of the greatest threats to our national security is our country's dependence on foreign sources of oil. We must expand the use of our alternative sources of energy and I believe alternative fuels is an integral part of that.

I have introduced a resolution recognizing the importance of alternative and renewable fuels as well as the role of the flexible fuel vehicle club in promoting alternative and renewable fuels. Flex fuel cars can run on any blend of ethanol and gasoline from E10 to E85.

Fuel cell technology has many different applications from emergency backup generators at hospitals and police stations to a pollution free replacement for gasoline and diesel engines in cars, buses and trucks. Fuel cell technology promises to reduce the number of large new power plants and transmission lines we need to build by allowing the distributed generation of electricity across the country.

One other important aspect is tax credits. Research and development in the energy industry requires time and money. We must give the energy industry the assurance that tax benefits will be carried into the future, if we do not they will chose to develop elsewhere leaving us behind the eight ball.

In addition, fuel cell technology provides important emergency backup power generation capability for first responders and our military.

Over the years I have fought hard to diversify our energy supplies and I am not going to stop now. You can count on my strong and unwavering commitment to make our country energy independent once and for all.

PERSONAL EXPLANATION

**HON. TIMOTHY V. JOHNSON**

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

*Thursday, July 31, 2008*

Mr. JOHNSON of Illinois. Madam Speaker, unfortunately Tuesday night, July 29, 2008, I was unable to cast my votes on H.R. 2490, H.R. 6113, and H.R. 2192, and wish the RECORD to reflect my intentions had I been able to vote.

Had I been present for rollcall No. 534 on suspending the rules and passing H.R. 2490, to require the Secretary of Homeland Security to conduct a pilot program for the mobile biometric identification in the maritime environment of aliens unlawfully attempting to enter the United States, I would have voted "aye."

Had I been present for rollcall No. 535 on suspending the rules and passing H.R. 6113, Paperwork Assistance Act, I would have voted "aye."

Had I been present for rollcall No. 536 on suspending the rules and passing H.R. 2192, to amend title 38, United States Code, to establish an Ombudsman within the Department of Veterans Affairs, I would have voted "aye."

RESTORE BALANCE TO TAX  
TREATMENT OF CHARITABLE  
VEHICLE DONATIONS

**HON. WILLIAM D. DELAHUNT**

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

*Thursday, July 31, 2008*

Mr. DELAHUNT. Madam Speaker, in 2004, the Congress enacted changes in the federal tax code intended to address real and perceived abuses related to charitable donations of vehicles. Those changes, while well-intended, have had unanticipated and serious consequences. Over the last three years, charitable vehicle donations have plummeted. The steep decrease in revenue has forced many charities—in my state and across the country—to reduce services to their beneficiaries.

The objectives of the 2004 changes were commendable. But the specific requirements have choked vehicle donations and the charities—and charitable services—which depend on them. Today I am introducing legislation to refine those changes in ways that restore better balance to this provision of the tax code and fulfills the original intent of Congress: to promote charitable donations.

Before 2005, a taxpayer could deduct the fair market value (FMV) of vehicles donated to charity. Under Section 170 of Title 26 of the US Code, a donor could claim the FMV as determined by well-established used car pricing guides, as long as the FMV was under \$5000. However, there was concern that some taxpayers were gaming the system by claiming excessive deductions; and that there was insufficient IRS oversight to detect or police these problems.

In its FY2005 budget request, the Administration proposed reforming the rules governing vehicle donations by allowing a deduction only if the taxpayer obtained a qualified appraisal for the vehicle. However, the Congress rejected that proposal and went much further. The final version, included in the American Jobs Creation Act of 2004 (PL 108-357), limited deductions over \$500 to the actual proceeds of sale of the vehicle by the charity, regardless of appraised value. Only if the charity actually keeps and uses the car (rather than sells it for the resulting revenue) can the donor deduct its FMV.

The rules took effect for tax year 2005. Today, a taxpayer with an older used car in poor condition can call many charities nationwide to have the vehicle towed at no cost and then claim a \$500 deduction. However, a taxpayer with a newer-model car in good condition has no idea what deduction will be allowed until the vehicle is actually sold. That sale may not occur until months later, forcing the donor to roll the dice on the final deduction amount.

During congressional debate, proponents argued that the changes would not add new bur-

dens on vehicle donors or adversely impact charitable giving. To the contrary, evidence abounds that the changes have seriously disrupted charitable giving and forced many charities to curtail services to low-income beneficiaries.

Two new government reports have concluded that charitable vehicle donations have plummeted since federal tax law changed four years ago. In March 2008, a Government Accountability Office (GAO) study of 10 national charities over the two years after the law changed found that vehicle donations had dropped by 39 percent and that the resulting charitable revenues decreased by 25 percent. In May 2008, the Internal Revenue Service documented that the number of vehicles donated in 2005, the first year after the rules changed, decreased by 67 percent and that their value fell by over 80 percent.

To feel informed enough to decide whether to donate a vehicle, taxpayers need a reasonable degree of certainty about the resulting deduction. Otherwise, alternatives such as a private sale or dealer trade-in become more attractive. This is clearly not what the Congress intended.

The objective of the original 1986 car donation provision in the federal tax code was to encourage charitable donations. The 2004 amendments have undermined that goal without improving IRS enforcement. As a result, charities and their beneficiaries are suffering.

The change has affected not only the number of donations, but also the quality of donated vehicles. News articles from across the country reflect plummeting donation rates and the precipitous decline in revenue of non-profit community organizations. The news coverage itself has exacerbated the problem; potential donors concerned about the changes are discouraged further by the perception of the new burdens associated with the amended rules.

Charities which had operated successful vehicle donation programs, either independently or through third-party fundraisers, have been hit hard. Those unable to cover overhead costs have eliminated vehicle donation programs and resolved to forego the resulting revenue stream. It appears that no charities have initiated or expanded vehicle donation programs over the past two years.

Contrary to reassurances offered during the congressional debate, the tax law changes constituted a classic "baby and bathwater" overreach that has seriously impacted social services provided by non-profit groups across the country. Modest tax incentives are critical to sustaining charitable contributions, including in-kind gifts. The decline in vehicle donations since 2004 could be addressed by minor legislative refinements that would also address potential abuses and buttress IRS enforcement.

Following are the text and technical analysis of my proposed legislation, which I view as a starting point for new congressional debate on this important issue.