

Statement for the Record: Hearing on  
Tax Reform and Charitable Contributions

Elizabeth K. Blake  
Senior Vice President of Advocacy, Government Affairs & General Counsel  
Habitat for Humanity International

Submitted to

The Committee on Ways and Means  
United States House of Representatives  
February 28, 2013

Habitat for Humanity International appreciates the opportunity to address the issue of charitable deductions through the lens of vehicle donation programs, an important resource development tool for nonprofits throughout the country.

In 2005, Habitat for Humanity International established its Cars for Homes™ donation program to provide U.S. Habitat affiliates an additional funding source to serve more low-income families in need of adequate, affordable housing. To date, Habitat's Cars for Homes™ program is an invaluable financial resource supporting the work of Habitat affiliates in over 1,100 communities.

Habitat for Humanity International is a global nonprofit Christian housing organization that seeks to put God's love into action by bringing people together to build homes, communities and hope. Since 1976, Habitat has served more than 600,000 families by welcoming people of all races, religions and nationalities to construct, rehabilitate or preserve homes; by advocating for fair and just housing policies; and by providing training and access to resources to help families improve their shelter conditions.

In the United States, Habitat has been ranked as the country's sixth largest private homebuilder on Builder's magazine top-100-list for the last two years. Cars for Homes™ played a vital role in helping Habitat reach that milestone. Started as a pilot program in the state of Washington, Cars for Homes™ was expanded in 2005 to serve all 50 states and has distributed funding from the sale of donated cars to 1,120 local Habitat for Humanity organizations in the U.S., Canada, and overseas to help build affordable homes.

Car donations remain a viable funding source for Habitat affiliates, however, these donations could have a greater impact on Habitat's work with a simple reform of the American Jobs Creation Act of 2004. This 2004 law was well-intentioned and intended to prevent abuse of such programs by enhancing IRS tracking and enforcement mechanisms. Unfortunately, it also included a minor provision that has inadvertently damaged legitimate nonprofit car donation programs nationwide.

The 2004 law limits deductions over \$500 to the proceeds of eventual sale of the vehicle by the charity regardless of appraised value. As a result, donors of cars worth more than \$500 must claim Habitat's

actual sale price of the car on their returns, creating a heavy administrative burden and cost for sponsoring nonprofits, as it can take weeks or months to complete that transaction. Donors must, therefore, deliver the car, keys, and title without knowing the exact tax benefit they will receive, making donors very reluctant to contribute a car worth \$500 or more.

Ever since Cars for Homes™ was launched in 2005, prospective donors have repeatedly told Habitat affiliates that the 2004 provisions serve as major disincentive to donating new cars or high quality older cars. As a result, Habitat loses many potential donors who are interested and willing to donate cars that ultimately would offer greater financial benefit to Habitat. In fact, according to the IRS the number of vehicles donated in 2005—the first year the new rules took effect—dropped by 67 percent. The corresponding value of those donations dropped by 80 percent meaning that donors were particularly withholding higher-value cars from which charities earn the greatest revenue.

Habitat for Humanity International supports legislation introduced in the last two Congresses that would raise the deduction threshold from \$500 to \$2500 to restore certainty to prospective car donors about their potential deductions. H.R. 860 was last introduced in the 112<sup>th</sup> Congress and garnered 333 bipartisan cosponsors, including 27 current members of the Ways and Means Committee.

HR 860 would advance the valuation of the donation to the front end of the process, based on fair market value up to \$2500. Claims exceeding \$2500 of value would require a certified appraisal. These simple reforms would restore certainty and confidence in the donation process, while leaving intact all the beneficial reforms protecting the integrity of the program. For Habitat, this change would promise significantly higher car donation revenue for Habitat affiliates, allowing them to offer even more deserving families opportunities to access adequate, affordable housing.

Thank you for your consideration of Habitat's concerns regarding the law governing charitable contributions in the form of car donations. Habitat looks forward to working with the Committee on this issue to ensure that Habitat affiliates and other local nonprofits are enabled to meet the critical needs of communities still struggling to recover from the foreclosure crisis and economic recession.

####