

OFFICE OF CHIEF COUNSEL

DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE WASHINGTON, D.C. 20224

2/28/2005

Number: **INFO 2005-0004** Release Date: 3/31/2005 CC:ITA:B1/CONEX-104614-05 UIL: 170.19-00

Via Regular Mail

The Honorable U.S. House of Representatives Washington, DC 20515

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Attention:

Dear

This letter responds to your inquiry dated January 12, 2005, on behalf of

of and the asked about the new rules for vehicle donations under Section 170(f)(12) of the Internal Revenue Code (the Code). also asked if sales of donated vehicles by these organizations are in direct furtherance of the organizations' charitable purposes. I hope the following general information is helpful.

The new rules limit the charitable contribution deduction for a donated vehicle that is sold without any significant intervening use or material improvement by the donee organization to the gross proceeds received from the vehicle's sale. (Section 170(f)(12)(A)(ii) of the Code). The Secretary of the Treasury has the authority to issue regulations or other guidance exempting from this limit deductions for vehicles that are sold in direct furtherance of the donee organization's charitable purpose (the direct furtherance exception).

of my staff called on January 28, 2005, and explained to that the Secretary of the Treasury must implement the direct furtherance exception in order for it to take effect. Until that time, no exception exists from the general rule under Section 170(f)(12)(A)(ii).

also explained that if the Secretary implements the direct furtherance exception, can request a private letter ruling to allow us to examine organizations' information and determine whether sales of vehicles donated to organizations would qualify for the direct furtherance exception. I am enclosing Rev. Proc. 2005-1, 2005-1 I.R.B. 1, which explains how to request a private letter ruling.

If you need further assistance, please contact me at (202)

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or

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I.D. No. , at (202)

Sincerely,

Thomas A. Luxner Chief, Branch 1 Office of Associate Chief Counsel (Income Tax & Accounting)

Enclosure