



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Sen. Chuck Grassley Tuesday, April 1, 2003

Today's hearing focuses on three issues. First, we look back at the issue of schemes and scams that was raised by the Finance Committee two years ago. Next, we bring to the public's attention two new issues: paid preparers and donation of cars to charities. On the matter of tax schemes and scams the IRS reports good news. The IRS says the "tide has turned" on going after these abusive activities that can devastate taxpayers. I urge taxpayers to pay close attention to the "dirty dozen" tax schemes identified by the IRS in Ms. Hart's testimony. I hope the media widely reports these dirty dozen, because sunshine is probably our best friend in this fight. I also encourage the media to report to the public the very useful nine tips the GAO highlights in Mr. White's testimony on p. 12 on how to choose a paid preparer. With over 50 percent of taxpayers relying on preparers, it's important that Americans be careful in choosing a tax preparer.

This hearing will focus on several issues regarding paid preparers: in particular, what taxpayers need to be aware of in choosing a tax preparer; and, also whether the IRS is doing all it can to protect taxpayers from unscrupulous tax preparers. I should make it clear that the strong majority of preparers serve their clients well. However, with some 70 million taxpayers taking advantage of paid preparers, it can take only a few bad apples to cause real problems for many Americans.

Finally, we will look at a growing trend, the donation of cars to charities. In 2000, 733,000 people filed a return stating that they had donated a vehicle. Taxpayers claimed the worth of these cars to be \$2.5 billion, and realized \$654 million in tax savings per year. It's good that people are so generous. However, there are two concerns with charitable donations of cars: one, are the charities seeing the lion's share of the benefits from the donation of cars?; and, second, are taxpayers claiming a fair and accurate amount for the value of their car? We want to make certain that Uncle Sam isn't the one being taken for a ride by aggressive valuation. GAO will tell us about a case where the donor claimed a deduction of \$2,400, yet the truck was sold for \$375 and the charity ended up getting only \$31.50. It's a troubling picture.

To help us examine these three issues, we benefit from the testimony of James White and Cathleen Berrick from GAO; Pam Gardiner, the Acting Inspector General for Tax Administration; Dale Hart from the IRS; Nina Olson, the Taxpayer Advocate and Jeffrey Yabuki from H&R Block. Thank you all for time.