

United States Senate Committee on Finance

For Immediate Release

Friday, July 21, 2006

Grassley, Baucus Urge President's Support for Reforms to Boost Charitable Work

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, and Sen. Max Baucus, ranking member, today urged President Bush to support reforms to make sure public charities benefit from donations made to a certain type of charitable organization, called a supporting organization. These charitable structures are vulnerable to abuses that may allow some wealthy donors to benefit more than the charities they are designed to help. Vagueness in the tax law and federal regulations has allowed such arrangements to flourish.

Grassley and Baucus are working to enact legislative changes to make sure charities are the ones that benefit from big charitable donations. They are particularly worried about certain tax structures, such as supporting organizations, that can be easily manipulated to provide real benefits to wealthy donors and very little to public charities. Grassley and Baucus urged the President to support their legislative reforms and have the administration clarify vague regulations to restore charitable benefit to charitable tax breaks. The text of the senators' letter follows.

July 21, 2006

The Honorable George W. Bush
The President of the United States
The White House
Washington, D.C.

Dear Mr. President:

We are writing to you about ensuring that when individuals take a big charitable tax deduction, the money actually goes to benefit charities. We applaud you for your efforts to encourage charitable giving, but as we read in papers continuously across the country with headlines such as "HHS Secretary's Fund Gave Little to Charity," it is not enough to encourage charitable giving. We have to make certain that the money given actually goes to help the community and those in need.

There is no question that working families are disturbed by these types of stories that keep appearing in the papers – about wealthy people who take a big charitable deduction to get a significant tax break yet retain control of the funds, benefit from that control, and little to nothing actually goes to real charities doing important work. By contrast, when families in our hometowns contribute to their favorite charity, be it the church, the Salvation Army or one of the thousands of other charities across the nation doing tremendous work, the check or money is handed over to the charity and it is immediately put to good use.

We ask you to engage in the vital second part of helping charities – ensuring that charitable donations actually go to the charities doing the work. We ask that you publicly express your strong support to include in the pension bill our reforms for charities, especially supporting organizations. In addition, the law regarding supporting organizations is almost completely dictated by Treasury regulations – regulations that have allowed these abuses to occur. These regulations can certainly be revised and reformed to eliminate these abuses and ensure that funds are contributed to public charities at the same rate as required of private foundations. Your IRS Commissioner, Mark Everson, has done a fine job of highlighting these problems but now the rest of your administration needs to pitch in and rewrite these regulations and end the abuse. We ask that you direct Treasury and OMB to make a priority of rewriting these regulations in the next six months.

We look forward to working with you on all your efforts to support charities. With your support, we are confident that we can finally realize your vision from the beginning of your administration of encouraging charitable giving and strengthening our nonprofit communities.

Cordially yours,

Charles E. Grassley
Chairman

Max Baucus
Ranking Member

CC: The Honorable Henry Paulson
Secretary
U.S. Department of the Treasury

The Honorable Mark Everson
Commissioner
Internal Revenue Service

Mr. Eric Solomon
U.S. Department of the Treasury