



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Statement of Sen. Chuck Grassley
News Conference with the Panel on the Nonprofit Sector
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Charities have always been a vital part of the fabric of this country. The ties of charities -- of neighbor helping neighbor, improving the local community and reaching out to those in need -- are a bedrock of our nation. Since the founding, observers have commented about this unique American character of supporting charities and associations. But if we are going to maintain the nonprofit sector as a pillar of our society, we must do so with our eyes open. While the light of charities has done much to brighten our world, it has also attracted those who want to bend or break the favorable tax rules that encourage charitable giving and the formation of charities.

The IRS commissioner reported yesterday the annual "Dirty Dozen" -- the worst tax scams. Two of those were abuses of charitable organizations and deductions. That must stop. Just as I have fought, and continue to fight, corporate tax shelters and corporate tax cheats, we must similarly address problems in the area of charitable giving and governance. The President has proposed the CARE Act, which proposes billions in new tax cuts to encourage charitable donations. I support the President's efforts in this area. However, I'm pleased that his budget also begins to recognize that there is need for reform as well in the nonprofit sector. I see this issue as similar to my fight to reform defense spending in the mid-80s. I opposed increases in defense spending, and successfully froze the defense budget, because we were not getting enough "bang for our buck." The same is true here with billions proposed to encourage charitable giving. Those proposals must be accompanied with serious reforms in both charitable governance and giving.

When a husband and wife stretch their budget to write a check to help someone who is in even greater need, they have a right to have confidence that the money is going to be spent wisely and effectively. As chairman of the Finance Committee, I recognize that the charities are different and that we must keep in mind particularly the burden placed on small charities. That is why I've felt it important to reach out broadly and benefit from the views of interested parties.

Certainly, the Panel on the Nonprofit Sector is critical to this effort. The interim report today and the final report will weigh on the thinking of the Finance Committee. The Finance Committee has also benefitted from the recent thoughtful analysis of the nonpartisan Joint Committee on Taxation and has asked for the views of both the IRS as well as state officials. All these will be of great benefit as we look at drafting the CARE Act and the accompanying reforms of charitable governance and donations. My hope is to have a hearing on this matter this spring and to move the CARE Act this spring as well.

Let me close by saying a few words directly about the work of the Panel on the Nonprofit Sector convened by the Independent Sector. First, let me say how appreciative I am of the

tremendous amount of time and energy put forward by the charitable sector in response to the Finance Committee's request for response to proposals for reform. The number and quality of participants of the panel is humbling, including several of my former colleagues here in the Congress. As the leaders of the panel are here, I want to personally thank Diana Aviv, Paul Brest and Cass Wheeler and to please pass on my thanks to the many, many others.

I know that Senator Baucus joins me in his thanks and appreciation, and I'm sorry he cannot be with us here today. However, this remains – as it always has been -- a strong bipartisan effort in the Senate Finance Committee to bring reform to charitable governance and charitable giving. I'm very pleased that the interim report brings agreement from leaders of the charitable community that there is a need for such reform. From working and doing oversight and reform for years in Washington, I've found that often the toughest part is just getting people to agree that there is a problem. Once you have agreement on the problem, it is easier to work within a common framework for solutions. I look forward to working with you all in the days ahead on this important effort.

The interim report is posted at <http://www.nonprofitpanel.org/interim/>.