



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Grassley Wins Committee Approval of Non-Profit Improvements, Including Double Fines,
Penalties for Non-profit Groups Engaged in Inappropriate Political Activity

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today won Finance Committee approval of several reforms to improve the transparency and governance of tax-exempt groups, including his proposal to double the fines and penalties for non-profit groups engaged in inappropriate political activity.

“We’ve heard a lot about inappropriate activity by non-profit groups connected to Jack Abramoff,” Grassley said. “The problem is much bigger than Jack Abramoff. We’re seeing more and more charities used in the best interests of lobbyists and special interests, not the public. Some people are exploiting vagueness in the laws or a lack of enforcement to enrich themselves rather than serve the public. It’s unseemly for tax-exempt groups to function this way. It’s also unfair to the taxpayers who subsidize that behavior. That’s why I continue to try to tighten the laws governing tax-exempt groups and encourage the IRS to step up enforcement of the existing laws and go after bad actors.”

Grassley today won unanimous, voice vote approval of several non-profit reforms via a tax administration bill he put forth before the Finance Committee. In addition to the political activity provision, the non-profit reforms include greater disclosure by non-profits to the public about their activities. These reforms include requiring electronic filing of non-profits’ tax returns, for ease of IRS processing and review, and requiring organizations that do not have to file tax returns at all to provide the IRS with general information every three years. (For more detail, see JCX-28-06: Description Of The Chairman's Modification To The Provisions Of S. 1321, The "Telephone Excise Tax Repeal Act Of 2005" And S. 832, The "Taxpayer Protection And Assistance Act Of 2005," <http://www.house.gov/jct/x-28-06.pdf>.)

Grassley has been conducting a broad look at abuse of tax-exempt groups, enacting reforms as they become necessary. On the politically connected charities front, his committee staff has been reviewing the documents on charities connected to Jack Abramoff given to the Finance Committee from the Indians Affairs Committee. In addition, he is looking at problems raised by the charitable foundations of Fannie Mae and Freddie Mac and a group called the Association of Community Organizations for Reform Now (ACORN), which some allege sets up non-profit groups to receive federal grants and engage in political activity.

On June 1, Grassley asked the IRS to describe plans to step up enforcement in the various

areas of concern in the tax-exempt arena. He expects a response in the next several days that will help him determine next steps in this area. He also is pursuing the enactment of a package of charitable giving incentives and governance improvements included in the Senate-passed tax relief bill earlier this year but dropped in a House-Senate conference committee with the understanding that it will be considered as soon as possible in the next logical vehicle, possibly the pension reform conference committee agreement.