

A CALL FOR BALANCED AND APPROPRIATE 'CHARITABLE REFORM'

- **A hallmark of American society is our culture of charity and philanthropy. U.S. charitable giving is now some \$250 billion annually – providing support and funding for everything from AIDS research to charter schools, community beautification projects to programs to combat homelessness.**
- **Yet charitable giving, and the thousands of mostly small charities that depend on it, is at great risk should recent proposals by Senate Finance Committee (SFC) staff and the Joint Committee on Taxation (JCT) advance.**
- **The SFC and JCT proposals responded to a handful of abuses identified in the philanthropic community. Yet a recent Gammon & Grange study notes that virtually all the abuses were or could have been found by a review of those entities' tax returns -- which suggests that existing laws are adequate to catch such misdeeds. Indeed, the Internal Revenue Service already receives annual "Form 990s" from most non-profits, detailing officers, revenues and expenditures, and has the power to audit any nonprofit at any time.**
- **What is most needed, therefore, is more funding and support for aggressive enforcement of current laws, and tougher penalties for those who break them.**
- **Instead, proposals now being considered would implement draconian new reporting and regulatory requirements on all U.S. charities. Among the most onerous of these proposals are measures that would –**
 - ✓ Subject private foundations and charities to major documentation requirements every 5 years to keep their charitable status, outsourcing oversight of the process to private accrediting entities as a substitute for IRS oversight;
 - ✓ Allow virtually anyone to have "standing" to file a complaint against a private foundation and charity, effectively empowering someone with an opposing viewpoint or ideology to take legal action against the charity;
 - ✓ Restrict charities' fundraising opportunities by limiting board size, valuing non-cash donations at cost rather than at fair market value, and other means; and
 - ✓ Impose corporate-style liabilities on both charitable boards and trustees of public charities that ignore the nature and objective of charitable giving.
- **At a time when America needs more, not less, philanthropy, these proposals threaten to undermine charitable giving, putting every worthy cause at great and immediate risk.**
- **Of great concern is that these proposals may be 'in play' as Congress works on budget reconciliation. The measures would be germane to a budget measure because they technically may generate some "revenue" to the Treasury, even though they would deprive many, if not most, of America's 1.4 million charities of far greater resources than they could ever add to federal coffers.**

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