

Alliance for *Charitable* Reform

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Oppose Charitable “Reforms” in the Senate Tax Bill, S. 2020

Specifically, ACR asks Members to oppose the following provisions in S. 2020:

OPPOSE Increasing the Excise Tax on Private Foundations’ Net Investment Income

- Current law imposes an excise tax on the net investment income of a private foundation. This tax was originally enacted to fund the Exempt Organizations Division of the IRS. The two-percent tax generates approximately \$400-500 million annually; yet, the budget of the Exempt Organizations Division is a mere fraction of that total.
- The Senate bill expands the current definition of “capital gain net income” to include gains from the disposition of all assets which produce investment income (e.g. interest, rents, and dividends); in effect, overturning the long-standing court decision (Zemurray Foundation v. U.S., Fifth Circuit, 1982) to keep exempt-use assets TAX EXEMPT.
- In 2004, the House overwhelmingly passed H.R. 7 (the CARE Act) which contained a provision that significantly scaled back the excise tax on foundations. This Senate provision does the exact opposite.
- The Senate provision creates an enormous disincentive for private foundations to continue serving their communities. Under this provision, there would be no incentive for these organizations to offer below-market rent to other non-profits rather than other commercial interests. Subjecting these exempt assets to tax removes money from an already limited pool of assets available for charities to serve those in need.

OPPOSE Prohibiting Grants from Private Foundations to Supporting Organizations

- Under current law, private foundations are permitted to make grants to supporting organizations.
- The Senate bill eliminates the ability of private foundations to make grants to ALL supporting organizations, including university foundations and police and fire department benevolent organizations aiding families of those lost or disabled in the line of duty.
- Many of these invaluable organizations are wholly sustained by grants from private foundations. Without proper study and consideration, it is premature to so severely limit their fundraising ability.

Please encourage conferees to oppose these charitable “reforms” included the Senate Tax Bill, S. 2020.