

Alliance for *Charitable* Reform

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ACR APPLAUDS FUNDING FOR IRS TAX ENFORCEMENT **Existing Laws Sufficient to Deter Abuse**

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Following is a statement from the Alliance for Charitable Reform (ACR) regarding the recent efforts of the Senate Budget Committee to redirect resources to the Internal Revenue Service for enhanced tax enforcement generally:

The Alliance for Charitable Reform (ACR) strongly believes that the recent problems being investigated in the charitable sector by the Senate Finance Committee are, for the most part, enforcement problems, properly addressed by adequate enforcement of existing laws. Accordingly, ACR applauds the recent efforts of Senate Budget Committee Chairman Judd Gregg (R-NH) and Ranking Member Kent Conrad (D-ND) for working to direct appropriate budget resources to the IRS for necessary tax law enforcement. ACR is supportive of such steps (as well as other reforms in the sector) and believes that, by redirecting resources to the IRS commensurate with the growth of the charitable community, the IRS will be able to better enforce current tax laws and deter wrongdoers.

A study (conducted by the law firm Gammon & Grange, P.C.) notes that the vast majority of the SFC-investigated abuses could have been detected by a closer examination of the offending organizations' Form 990's. Clearly, this study and others point to the undeniable fact that the problems in the charitable community are ones of inadequate enforcement of existing laws. ACR strongly believes that the best way to cure enforcement deficiencies is not to write more burdensome and bureaucratic laws that could cripple the charitable community, as has been proposed, but to vigorously enforce existing laws and regulations.

ACR Chairman Dan Peters believes "...if inadequate funding of the IRS enforcement capability is the problem, then solve that problem by dedicating sufficient proceeds from the current excise tax (imposed on private foundations' net investment income) to enforcement, as they were originally intended". The excise tax on private foundations' net investment income collects approximately \$500 million annually. This tax was created in 1969 in order to fund the Exempt Organizations Division of the IRS which currently has an annual budget of only \$50 million. ACR would support responsible measures to reallocate proceeds from this tax to the Exempt Organizations Division of the IRS. ACR stands ready to work with legislators to ensure these reallocated funds are put to their highest and best use.

While ACR has always encouraged sufficient IRS funding for additional enforcement capabilities, ACR emphasizes the importance of quality of enforcement. By allocating additional funds to the IRS, the IRS will be able to better enforce existing tax laws by more closely examining Form 990s, which ACR believes will lead to a better, more efficient charitable sector. Additionally, ACR believes that the best, most effective IRS enforcement is that which properly and objectively identifies and punishes wrongdoers in the charitable sector – not enforcement that unnecessarily burdens legitimate philanthropists and charities.

By allocating additional funds to the IRS, ACR believes the IRS will be better able to perform the requisite oversight and audit function commensurate with the expanding size of the charitable sector, thereby better catching and deterring potential abuse.