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# Congress of the United States

## U.S. House of Representatives

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February 24, 2006

The Honorable Charles Grassley  
Chairman  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington, D.C. 20510

The Honorable Max Baucus  
Ranking Member  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington, D.C. 20510

The Honorable Bill Thomas  
Chairman  
Committee on Ways and Means  
United States House of Representatives  
1102 Longworth House Office Building  
Washington, D.C. 20515

Dear Sirs,

Increasingly, I am being contacted by organizations concerned over aspects of some of the provisions in the Senate tax reconciliation bill. These provisions would make the most significant changes to the rules governing charitable organizations since the enactment of the 1969 Tax Reform Act.

I believe that this is an area where we have common goals. We all want to curb abuses in the non-profit sector and I commend the Senate Finance Committee for bringing attention to areas where abuses may have occurred. However, we do not want to harm legitimate charitable efforts, and we recognize that legislative changes in this area must be carefully and precisely designed.

I am particularly concerned that the Senate provisions relating to donor-advised funds and supporting organizations could have a direct and damaging impact on the ability of charitable organizations to finance charitable activities overseas. The definition of donor-advised fund is quite broad and, therefore, the prohibition of using donor-advised funds for foreign charitable activities could have a

The Honorable Charles Grassley  
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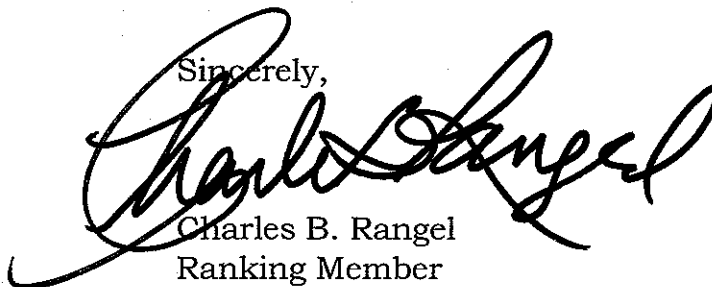
broad impact. Also, I do not understand why we would upset the longstanding rules that permit the use of supporting organizations to finance charitable activities overseas. As the tax section of the American Bar Association noted, "we have not seen any evidence or even heard allegations that such supporting organizations have been subject to any particular abuse."

It appears that the provisions relating to donor-advised funds and supporting organizations are the most problematic aspects of the Senate bill. However, concerns also have been raised that other aspects of the Senate bill are overly broad and have implications outside of the narrow abuses at which they were targeted.

I am not in a position to judge whether all of these concerns are well founded because of the lack of any record or Congressional hearings on the substance of what passed the Senate. I believe that that is also true of most other Members of Congress. In my view, enacting major charitable reform legislation under the pressures and time constraints that exist with respect to the tax reconciliation bill creates a substantial risk of problems and unanticipated consequences.

Therefore, I believe that the most effective way to accomplish the goals of the Senate provisions is to consider charitable reform legislation separately. As I noted, there is no difference in our goals. Also, the reform proposals have relatively minor revenue consequences and, thus, there is no reason we cannot be successful in formulating separate legislation in this area.

Sincerely,

A large, stylized handwritten signature in black ink, which appears to read "Charles B. Rangel". The signature is written in a cursive, flowing style with some loops and flourishes.

Charles B. Rangel  
Ranking Member