



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

Thursday, Jan. 30, 2003

Grassley Re-introduces Charitable Giving Tax Incentives

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today re-introduced legislation establishing a series of tax breaks to encourage Americans to donate to charities. The legislation also includes Grassley’s “sunshine” provisions to promote greater accountability from charities to their donors.

Grassley said he plans to schedule committee consideration of the legislation next Wednesday.

“Charities have a lot of needs, and many Americans have a lot to give,” Grassley said. “It makes perfect sense to make sure the tax code eases the flow of generosity from taxpayers to worthy causes. Those causes are infinite. Tax policy should reflect that.”

Grassley introduced the tax section of the CARE Act – the broad bill that helps the President establish his faith-based initiative – as an independent bill. Co-sponsoring the bill are Sen. Max Baucus, ranking member of the Finance Committee, and Sens. Rick Santorum and Joe Lieberman, the sponsors of the CARE Act.

Last year, the Finance Committee approved legislation establishing tax incentives for charitable giving, but the Senate’s Democratic leadership at the time didn’t schedule full Senate consideration of the bill, which died when Congress adjourned.

This year’s bill is very similar to last year’s version, Grassley said. It includes broad charitable giving incentives and Grassley’s “sunshine provisions” stemming from his investigation of various charities’ accountability to their donors. The charitable giving incentives are:

- ▶ a deduction for a portion of charitable contributions to be allowed to individuals who do not itemize deductions;
- ▶ tax-free distributions from individual retirement accounts for charitable purposes (this was of particular interest to Dr. Mary Sue Coleman, who as president of the University of Iowa testified before the committee about this in 2001);
- ▶ a charitable deduction for contributions of food inventories;
- ▶ a charitable deduction for contributions of book inventories;
- ▶ an expansion of a charitable contribution allowed for scientific property used for research and for computer technology and equipment used for educational purposes;

- ▶ modifications to encourage contributions of capital gain real property made for conservation purposes;
- ▶ an exclusion of 25 percent of the gain on sales or exchanges of land or water interests to eligible entities for conservation purposes;
- ▶ a tax exclusion for cost-sharing payments under the Partners for Fish and Wildlife Program;
- ▶ an adjustment to the basis of S corporation stock for certain charitable contributions;
- ▶ an enhanced deduction for charitable contribution of literary, musical, artistic and scholarly compositions;
- ▶ and mileage reimbursements to charitable volunteers excluded from gross income.

The “sunshine” provisions are:

- ▶ disclosure of IRS determinations regarding charities;
- ▶ disclosure of the Internet Web site and name under which the organization does business;
- ▶ the simplification of private foundations’ reporting of capital transactions to the IRS;
- ▶ the disclosure that the IRS Form 990, which charities file each year to describe their financial activities, is publicly available;
- ▶ disclosure to state officials – who usually are the ones to prosecute fraudulent charities – of proposed IRS actions related to charities to aid state prosecution;
- ▶ an expansion of penalties to preparers of Form 990;
- ▶ a notification requirement for entities not currently required to file;
- ▶ and a suspension of tax-exempt status of terrorist organizations.

Grassley said he intends to add two pieces of legislation to offset the cost of the charitable incentives when the Finance Committee considers the legislation. He plans to add his legislation reining in corporate expatriations and legislation he and Baucus advanced last year to police abusive tax shelters. Both the corporate expatriations bill and the tax shelters bill passed the committee last year but fell victim to gridlock under the Senate’s old Democratic leadership.

“I’m starting the year with charitable giving legislation for two reasons,” Grassley said. “One, our society needs this. In a lot of areas, charities offer services a lot more effectively and efficiently than the federal government ever could. We need charities in place for hard times, like responding to floods, national tragedies and weak economies. Two, this bill had bipartisan support in committee last year. The support is still strong. It’s time to try again.”