



*A higher standard.
A higher purpose.*

Evangelical Council for Financial Accountability

440 West Jubal Early Drive, Suite 130 • Winchester, VA 22601

November 5, 2010

The Honorable Charles E. Grassley
United States Senate
135 Hart Senate Office Building
Washington, DC 20510-1501

Dear Senator Grassley:

Recently, I met with Theresa Pattara and we had an excellent discussion on a wide range of church and other nonprofit issues. We appreciate the excellent work that Theresa is providing to the Senate Finance Committee.

During our meeting, I learned that you did not receive the original copy that I sent you on April 21, 2009 or the letter I sent to you on July 18, 2009 in response to your letter of June 8, 2009. I apologize for not emailing copies of these letters to your office to avoid the possible delivery issues.

Enclosed are the series of letters in our communication. They are simply provided for your files. No response to the July 18, 2009 letter is necessary.

Thank you for your continuing support of nonprofit organizations and for your desire to see that nonprofit resources are appropriately used.

Sincerely,

Dan Busby
President

DB:sb
Enclosures



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Evangelical Council for Financial Accountability

440 West Jubal Early Drive, Suite 130 • Winchester, VA 22601

April 21, 2009

The Honorable Charles Grassley
United States Senate
135 Hart Senate Office Building
Washington, DC 20510-1501

Dear Senator Grassley,

You were very generous with your time as you met with our entire board in your office a few weeks ago. We appreciate this very much! Thanks also for standing for churches and charities against the proposal to limit the charitable contribution deduction. Any steps which would result in a reduction of charitable giving seem to be counterproductive especially in the current economic environment.

While attending the 26th Annual Georgetown Law Conference earlier this month, *Representing and Managing Tax-Exempt Organizations* in Washington, D.C., Michael Batts, ECFA's board chair, and I listened intently as Theresa Pattara described the possibility of requiring all churches to annually file a Form 990 or Form 990-N with the Internal Revenue Service (she took personal responsibility for her comments).

This is the first time we knew that such a dramatic reporting change for churches (exempted from filing Form 990 under Section 6033 of the tax code) was even being studied. The Supreme Court has ruled that the First Amendment protection against the establishment of religion protects against "excessive entanglement" between church and state. In our view, churches, in general, would view annual filing with the IRS to be governmental intrusion into the most intimate recesses of church administration, including compensation practices.

Requiring churches to make an annual Form-990 type filing with the IRS seems to entail revising church law which exempts churches from the requirement to apply to the IRS for tax exemption under 501(c)(3) of the tax code. Requiring churches to file annual forms with the IRS is tantamount to requiring them to apply for tax-exempt status.

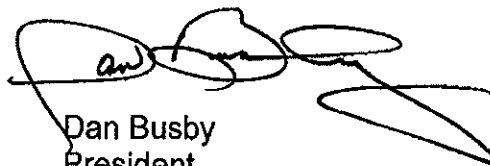
Senator, you often champion the cause of transparency and sunlight—concepts with which ECFA generally agrees. However, efforts to require annual church reporting to the IRS—even with only large churches required to complete Form 990 and smaller churches required to complete Form 990-N—or to more narrowly define a “church” (as has been whispered on the Hill) is not a positive path for Congress or churches.

The reception by the church of the Social Security amendments of 1983 (Social Security Act Amendments of 1983) may be a good analogy. These amendments attempted to shore up Social Security by expanding covered employers to include charities (including churches). The response was predictable—countless pastors threatened civil disobedience to what they perceived to be a “tax” on churches (the employer’s share of FICA coverage). Congress was forced to carve out an exemption for churches (Form 8274). In our view, the response of the church to the issues referenced in this letter would be even more incendiary.

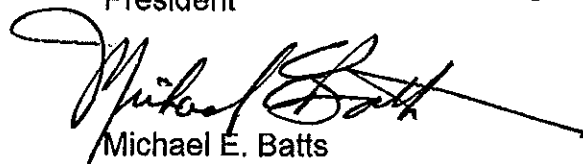
Ms. Pattara’s comments on the Form 990 filing have already appeared in media reports relating to the Georgetown conference (see attached copy). It is undoubtedly a matter of time until we are asked to comment on the concept. Since we wish our responses to be accurate, would you share with us your position on this issue?

Thanks again for all you do to support the important work of churches and charities across America!

Sincerely,



Dan Busby
President



Michael E. Batts
Board Chair

DB:ks

Senators May Ask Colleges to Explain Tuition Rates by Chuck O'Toole

Date: Apr. 6, 2009

Summary by ~~taxanalysts~~

Senate taxwriters are considering whether colleges and universities should explain to the IRS how they set tuition rates, a Senate Finance Committee aide said April 6 at the Georgetown University Law Center Continuing Legal Education department's 26th annual program on tax-exempt organizations.

Full Text Published by ~~taxanalysts~~

Senate taxwriters are weighing whether colleges and universities should explain to the IRS how they set tuition rates, a Senate Finance Committee aide said April 6 at the Georgetown University Law Center Continuing Legal Education department's 26th annual program on tax-exempt organizations.

Schools would likely have to provide the explanation on Form 990, "Return of Organization Exempt from Income Tax," according to Theresa Pattara, tax counsel for the Finance Committee minority staff. Policymakers have not formulated specific questions on the topic, but they are looking for ways to make tuition charges more transparent.

"The practice of tuition-setting is so diverse and so different from college to college," Pattara said. She noted that Congress has continued to increase federal subsidies for higher education and suggested that lawmakers would benefit from a better understanding of tuition-setting as they fashion those policies. (For coverage of recent legislation that is designed to help make college more affordable, see *Doc 2009-2267* or *2009 EOTT 20-2*.)

According to Pattara, Senate taxwriters are mindful of the wide range of programs that universities fund with their endowments and are not interested in forcing universities to use a specific portion of their endowments for undergraduate tuition.

Pattara emphasized that she spoke on her own behalf and further stressed that the ideas she mentioned are still in the discussion phase.

Staffers are also considering requiring churches to report income on Form 990 or its variations, she said, but cautioned again that this was merely one among "a plethora of ideas" that have not yet been approved by her boss, Finance Committee ranking minority member Chuck Grassley, R-Iowa.

Policymakers are also seriously considering proposed legislation (S. 676) by Finance Committee member Charles E. Schumer, D-N.Y., that would simplify the private foundation investment income excise tax. (For prior coverage of S. 676, see *Doc 2009-6672* or *2009*

EOTT 55-2 (1.)

Change needs to happen in the context of a wide-ranging overhaul of the rules governing private foundations, Pattara said.

 Comment on this story

Tax Analysts Information

Code Section: Section 501 -- Tax-Exempt Organizations; Section 509 -- Private Foundations;
Section 501(c)(3) -- Charities

Subject Area: Exempt organizations

Author: O'Toole, Chuck

Institutional Author: Tax Analysts

Tax Analysts Document Number: Doc 2009-7902

Tax Analysts Electronic Citation: 2009 EOTT 63-5

☐ Use this link to bookmark or link to this document

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- ☐ 135 HART SENATE OFFICE BUILDING
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- ☐ 721 FEDERAL BUILDING
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DES MOINES, IA 50309-2140
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United States Senate

CHARLES E. GRASSLEY

WASHINGTON, DC 20510-1501

June 8, 2009

REPLY TO:

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Dan Busby, President
Michael Batts, Board Chair
Evangelical Council For Financial Accountability
440 West Jubal Early Drive, #130
Winchester, Virginia 22601

RECEIVED

JUN 15 2009

Dear Dan and Michael:

Thank you for your letter dated April 12, 2009, in which you ask for my position on requiring churches to file annual information returns with the Internal Revenue Service ("IRS"). As you note, Theresa Pattara of my Finance Committee staff has indicated in public speeches that she and others on my staff are considering this as part of a package of potential options they will be recommending to combat abuses of tax-exempt status by churches and religious organizations.

Before I address your question, however, I would like to commend you on your work with Joyce Meyer Ministries and Oral Roberts University. Evangelical Council for Financial Accountability ("ECFA") accreditation is like a Good Housekeeping Seal of Approval and serves a very important goal of ensuring some accountability and transparency in the absence of IRS filing requirements.

Theresa has informed me that an annual reporting requirement is one of several proposals that she and others on my staff are researching and that they will brief me when their research is complete. Since their work is still in progress, I feel that I should reserve my judgment on any of the proposals under consideration, including an annual reporting requirement, until they have finished their work. I recognize that some perceive an annual reporting requirement to be infringement of first amendment rights and I do not take such infringement lightly. Rest assured that I would not enact any legislation impacting churches without significant discussion and debate.

I understand that the ECFA funded and participated in the work of the Panel on the Nonprofit Sector ("Panel"). The Panel's work was extremely successful in educating Congress about what issues were ripe for legislation and what issues needed further study. If and when my staff's proposals regarding tax reforms for churches are released publicly, I would expect them to conduct roundtables and otherwise discuss such proposals with as many people as possible. I will also work with Chairman Baucus to conduct hearings if necessary. I hope that the ECFA will be active participants in any discussions that may take place.

In the meantime, as you continue to think about the issue of annual information reporting for churches, I ask you to consider the statement of ECFA's then Board Chair, Gordon D. Loux at a

RANKING MEMBER,
FINANCE

Committee Assignments:

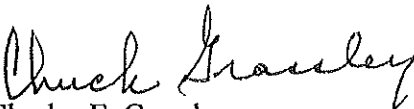
BUDGET
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Co-CHAIRMAN,
INTERNATIONAL NARCOTICS
CONTROL CAUCUS

1987 hearing of the House Ways & Means, Subcommittee on Oversight, on abuses by televangelists. Mr. Loux stated the following: "We would feel that the IRS form 990 is a minimal requirement that ought to be met by those that are operating in the public service". Since the abuses by Jim and Tammy Faye Bakker are similar to the abuses I am seeing by some of the ministries today, I would like to understand why ECFA's position appears to have changed since 1987.

I have a deep appreciation for ECFA's leadership in setting standards for accountability and transparency for churches and religious organizations. I look forward to your response as well as continuing to work together on strengthening this sector. Please do not hesitate to contact Theresa at (202) 224-4515 if you have any questions.

Sincerely,


Charles E. Grassley
United States Senator

CEG/cc

Read & signed by CEG



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A higher purpose.*

Evangelical Council for Financial Accountability

440 West Jubal Early Drive, Suite 130 • Winchester, VA 22601

July 18, 2009

The Honorable Charles E. Grassley
United States Senate
135 Hart Senate Office Building
Washington, DC 20510-1501

Dear Senator Grassley:

Thank you very much for your letter of June 8, 2009 in response to the April 12, 2009 letter. We appreciate your words of encouragement related to our continuing work in the arena of Christ-centered organizations. Today, I am speaking at a national conference in Long Beach, California to business administrators of many of the largest churches in the U.S. My message to them is adherence to the Federal Tax Code and operating with integrity far beyond what the law requires.

We very much appreciate your willingness to provide forums for discussion on any proposed legislation of significant interest to churches. With a number of denominations as ECFA members, in addition to many large churches, ECFA relates to tens of thousands of churches in the U.S. (and millions of church members) who have an intense interest in potential legislation impacting churches. ECFA will be very pleased to participate in roundtables and other opportunities for discussion on these important issues.

I appreciate you highlighting the statement made by Mr. Gordon D. Loux, former chair of ECFA's board, during the 1987 House Subcommittee on Oversight Hearing. I provided a copy of the Hearing transcript to Mr. Loux and asked for his interpretation of his response to the following question by Chairman J. J. Pickle: "There is a need, then, for the Government through the Tax Code to at least look at the tax aspect by saying are you in compliance or are you not?" Mr. Loux's understanding of his response was simply to affirm the need for organizations, already required by law to file the Form 990, to comply with Federal law as a starting point, or as he said as "a minimal requirement."

Mr. Loux confirmed that during his tenure on ECFA's board, ECFA never took a position suggesting that churches should file the Form 990 either on a voluntary or mandatory basis. I have communicated with all the former presidents of ECFA, who are still living, and they confirm that ECFA has never taken such a position with respect to churches filing the Form 990.

Further, a review of ECFA's board minutes during its 30-year history does not reveal a position ever being taken on this issue.

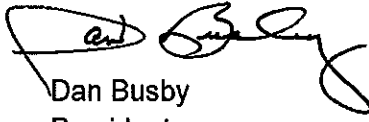
ECFA strongly supports your desire that nonprofit organizations, including churches, obey the law. ECFA's standards require our members to comply with Federal, State, and other laws as a starting point in demonstrating transparency and accountability. The IRS is empowered under existing law to investigate churches where it has reason to believe that federal law has been violated, including the six television ministries under investigation by your office.

ECFA is not aware of any evidence of common or significant tax law violations by the vast majority of churches in America. I can personally attest to the consistent improvement in church compliance with tax law over the last 30 years. During this time period I have made speaking presentations to thousands of ministers and church administrators and dialoged with many of these individuals in relation to hundreds of my articles and 40 book volumes published on church, minister, and nonprofit tax and finance topics. It is clear to me that nearly all ministers and churches desire to comply with the law.

In summary, ECFA does not believe there is a substantive basis to consider legislation that would require additional information reporting by churches.

We appreciate the continuing opportunity we have to dialogue with you and your staff and we look forward to communicating with you on these important issues on an ongoing basis.

Sincerely,



Dan Busby
President