



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

Opening Statement of Sen. Chuck Grassley Hearing on Charitable Giving, Tuesday, June 22, 2004

Today the Finance Committee considers a very serious matter – ensuring that charities keep their trust with the American people. We will hear testimony today that is troubling. The testimony we will hear will suggest that far too many charities have broken the understood covenant between the taxpayers and nonprofits – that charities are to benefit the public good, not fill the pockets of private individuals. Too many well-meaning charities have fallen prey to the charlatans’ pitch about easy money. Some charities are blinded by their own mission and the need for additional dollars. These charities are willing to sign onto deals that provide dollars to promoters and insiders but only pennies to the charity. It is the taxpayers who are the losers.

In addition to well-meaning charities being led astray, we also have a growing number of individuals who knowingly set up a charity to evade taxes. Finally, we have charities – even big-name charities – that seem to just have the wheels fall off. Often problems at these charities can be traced back to poor governance or failure to abide to best practices. Since becoming chairman of the Finance Committee, I have been active in oversight in many areas, including charities. I have conducted investigations into such organizations as United Way, Red Cross and the Nature Conservancy. I’m please that my oversight has brought about good reforms at these organizations.

However, the Finance Committee is limited in its resources to perform this oversight. It’s clear that we need to look at more general reforms to address recurrent problems in the nonprofit sector. The staff of the Finance Committee, on a bipartisan basis, has produced a discussion draft that serves as a very useful beginning point to consider possible broad reforms. I welcome a dialogue about the best means of achieving the ends I hope we can all agree on – a vibrant and engaged charitable sector that enjoys the confidence of the American people that charitable donations are being used to meet charitable needs. Reforms to that end will benefit all charities – particularly the strong majority of charities that do their job and do it well and play such a vital role in our country. I view these much-needed reforms as a partner to the important efforts by President Bush to encourage charitable giving in the CARE Act -- championed by Senators Santorum and Lieberman. I continue to work to see the CARE Act brought to conference and signed into law.

Just as I’ve worked with the administration on encouraging greater contributions to charities, I hope the administration will work with the Finance Committee to bring real reform in the nonprofit sector.

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Closing Statement of Chairman Grassley

This hearing has been very sobering. It's sad that in a hearing about charities we have to hear about million dollar insider contracts; middlemen who purposely cheat charities to make an extra buck; and the fact that over half of all new tax shelters used a tax-exempt party.

As I mentioned, this hearing is the beginning of a discussion about how to bring reforms to the charitable sector. I think that areas that we particularly need to think about are balancing the requirements that might be placed on charities, particularly smaller charities, and not overwhelming the ability of charities to achieve their important missions. Finding that balance will be the task in the weeks ahead. My hope is that Senator Baucus and I can look to introducing legislative reforms this fall – and even earlier for some provisions. I appreciate the nonprofit sector working with us to find that balance.