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MEMORANDUM

To: Reporters and Editors
Re: IRS report on non-profits' executive compensation
Da: Thursday, March 1, 2007

Sen. Chuck Grassley, ranking member of the Committee on Finance, is conducting a wide-ranging review of non-profit practices to ensure accountability from non-profits to taxpayers and donors, and to protect non-profits from abuse. He made the following comment on a new report from the Internal Revenue Service showing that hundreds of charities failed to adequately disclose executive compensation.

“Public charities are in a social compact. They get very generous tax breaks in exchange for their good works. In exchange, they have to disclose how they’re compensating their executives. It’s amazing how many of them fail to uphold their end of the bargain. The lack of transparency is inexcusable. The IRS found that of its sample of 50 public charities with over \$250,000 in compensation, none had filed required schedules detailing compensation paid to officers or employees. More than 30 percent of the charities the IRS contacted had to amend their returns after being contacted by the IRS. Public disclosure is supposed to be a pillar of accountability in the charitable sector. Unfortunately, that pillar is crumbling.

“The IRS’ chief counsel personally committed to me that the IRS would revisit the guidance and regulations regarding executive compensation after the IRS completed this study. The IRS study and the recent revelations of the champagne lifestyles of certain non-profit executives make it clear that the IRS needs to send clear signals of what’s acceptable for disclosure and compensation at our nation’s charities. Sadly, some individuals running charities view it as an opportunity to do well for themselves as opposed to doing good for those in need. Our charities are too important to allow that to continue. The chief counsel will brief the Finance Committee on the steps he’ll be taking in this area now that the report is completed.”