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**The Honorable
John W. Gardner (1912-2002)**
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February 27, 2006

The Honorable Charles E. Grassley
Chairman
Senate Committee on Finance
Washington, DC 20510

The Honorable Max S. Baucus
Ranking Member
Senate Committee on Finance
Washington, DC 20510

The Honorable William M. Thomas
Chairman
House Committee on Ways and Means
Washington, DC 20515

The Honorable Charles B. Rangel
Ranking Member
House Committee on Ways and Means
Washington, DC 20515

Dear Chairmen Grassley and Thomas, and Ranking Members Baucus and Rangel:

Independent Sector and the undersigned organizations are writing to express our support for the charitable giving tax incentives and many of the reforms included in the Tax Relief Act of 2005 (H.R. 4297) as passed by the Senate on February 2, 2006.

The charitable giving tax incentives provided in the bill will help to spur increased charitable giving at a time when the resources of charitable organizations are stretched thin by compelling community needs. The IRA rollover provision, which will permit older Americans to make charitable contributions from their retirement accounts without suffering adverse tax consequences, is expected to add billions of dollars to support the vital work of charitable organizations across the country.

The proposal to allow all taxpayers, including the over 86 million Americans who do not currently itemize tax deductions, to claim a tax deduction for their total charitable contributions above a floor of \$210 for single taxpayers (\$420 for joint filers) could increase both the number of donors and the total dollars contributed to charitable organizations. While we would prefer that all taxpayers be allowed to claim tax deductions for the full amount of their charitable contributions, the two-year limit on this provision will provide charities an opportunity to test this new provision and advise Congress on the most appropriate forms for its continuation.

Many of the reforms included in the bill reflect the recommendations of the Panel on the Nonprofit Sector, a broad effort undertaken by the charitable community this past year to improve the transparency and accountability of charitable organizations. These reforms will help to improve government oversight and prevent abuses by individuals who would exploit charitable organizations for personal gain. There are, however, five specific provisions which we urge you to amend or drop from the bill in conference. These are:

1. Treatment of Unrelated Business Income (Section 206(c)): The requirement that organizations with assets or revenues of \$10 million or more and unrelated business income liability have their reports of unrelated business income certified by an outside auditor or counsel will impose a costly procedure on charitable organizations without achieving the goal of improved reporting of such liability. **The certification requirement should be dropped from the bill.**
2. Treatment of Payments to Sponsoring Organizations by Donor Advised Funds (Section 231, proposed section 4967(e)(2)(B)): The boards of Sponsoring Organizations are in the best position to make responsible decisions about the application of payments from their Donor Advised Funds to achieve the organization's overall charitable purposes. **The stipulation that payments to sponsoring organizations will not count as qualifying distributions unless they are "designated for use in connection with a charitable purpose" should be dropped from the bill.**
3. Restrictions on Gifts to Organizations by Donor Advised Funds (Section 231, proposed section 4967(e)(1)(A)): The bill's current requirements for grants made by Sponsoring Organizations of Donor Advised Funds are more severe than the requirements for private foundations, and will be extremely harmful to funding of critical humanitarian work outside the United States as well as important charitable activities carried out in the U.S. by other types of nonprofit organizations . **This provision should be amended to allow Sponsors of Donor Advised Funds to exercise expenditure responsibility when making grants for charitable purposes to organizations that are not organized as public charities.**
4. Excess Benefit Transactions of Supporting Organizations (Section 243): Supporting organizations, like the public charities they were created to support, are subject to the prohibitions on excess benefit transactions outlined in IRC Section 4958. Subjecting supporting organizations to the self-dealing rules applicable to private foundations will significantly impair their ability to provide funding to the charities they support. **This provision should be dropped from the bill.**
5. Treatment of Amounts Paid to Supporting Organizations by Private Foundations (Section 245): The bill's prohibition on applying grants to any supporting organization towards the minimum payout requirements of a private foundation will severely limit funds available to both public and private educational institutions, health care facilities, arts and cultural organizations, and other charitable service organizations. **This prohibition should be dropped from the bill.**

We urge you to delete these harmful provisions from the Tax Relief Act of 2005 during your conference proceedings, and to include the other incentives and reforms that will provide significant benefits to the important work of charitable organizations and support strong ethical conduct within the charitable community.

Sincerely,

Adirondack Community Trust
Alliance for Children and Families
American Association of Homes and Services for the Aging
American Association of Museums
American Cancer Society
American Diabetes Association
American Foundation for AIDS Research (amfAR)
American Foundation for the Blind
American Health Quality Association
American Heart Association
American Hospital Association

American Network of Community Options and Resources
American Society of Association Executives
Association of Christian Schools International
Association of Jewish Aging Services of North America
Big Brothers Big Sisters of America
California Association of Nonprofits
Campfire USA
CDC Foundation
Charities Support Foundation, Inc.
Christian Community Foundation, Inc.
Colorado Nonprofit Association
Community Clinics Initiative
Council for Health and Human Service Ministries of the United Church of Christ
Council of Michigan Foundations
Denver Enterprise Center
Donors Forum of Chicago
Family Services Center, Inc.
Florida Lions Conklin Centers for the Blind
Friedlander Family Fund
Funeral Consumers Alliance
George Gund Foundation
Georgia Center for Non-Profits
Girls Incorporated
Greater Cleveland Community Shares
Groundsprings.com
Habitat for Humanity International
Honored to Serve, Inc.
Hospice and Palliative Nurses Foundation
Hudson-Webber Foundation
Humboldt Area Foundation
Independent Sector
International Association of Jewish Vocational Services
Land Trust Alliance
Leukemia & Lymphoma Society
Lucent Technologies Foundation
Lutheran Services in America
March of Dimes
McLean Foundation
Metro Home Health Care Services, Inc
Michigan Non-Profit Association
N.C. Center *for* Nonprofits
National 4-H Council
National Council for International Visitors
National Foundation, Inc.
National Health Council
National Multiple Sclerosis Society
New Hampshire Association for the Blind
New York Community Trust
New York Regional Association of Grantmakers
Nonprofit Coordinating Committee of New York
OgdenPost Consulting Group, LLC
Outreach International

Pasadena Community Foundation
Peninsula Community Foundation
Pennsylvania Association of Nonprofit Organizations
Points of Light Foundation
Progressive Animal Welfare Society, Inc.
Relative Caregiver Foundation
Salvation Army, United States
Sensory Access Foundation
Tabitha Health Care Services, Inc.
Thaler/Howell Foundation
The Arc of the United States
The Columbus Foundation
The Community Foundation of Louisville
The Pittsburgh Foundation
Tides Center
Tides Foundation
Tides Shared Spaces
UJA-Federation of New York
United Cerebral Palsy
United Way of America
VHA Inc.
YMCA of the USA
Youth Service America
YWCA USA

List of supporting organizations as of March 15, 2006