



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

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Baucus Pushes Charitable Giving Bill Through Senate

CARE Act Legislation Passes 95-5

(Washington, D.C.) U.S. Senate Finance Committee Ranking Member Max Baucus, together with Chairman Grassley and Senators Lieberman and Santorum, passed the Charity Aid Recovery and Empowerment (CARE) Act legislation today. The CARE Act encourages charitable giving and is completely paid for, in part by strengthening the government's enforcement efforts against those who use abusive tax shelters.

The CARE Act creates incentives to encourage donations to charity through enhanced deductions for contributions of food, books and computers. The bill also allows individuals to donate their IRA's directly to charity without tax consequences and permits farmers and ranchers to donate the conservation rights of their property, get a tax break and keep their family farm in the family.

"With our country at war, our economy slowing and folks out of work, this bill is more important than ever," Baucus said. "These charitable organizations are always here to help us, and we need to help them when demands outpace these organization's resources."

Baucus worked with Chairman Grassley in the Finance Committee to put together a strong package of charitable provisions that are paid for by provisions to eliminate the use of abusive tax shelters.

"The Tax Shelter Transparency Act, which was included in the CARE Act to pick up the charitable costs, will lower the boom on those who participate in the use of illegal tax shelters. This bill is a win-win -- It helps charities and restores confidence in corporate America," Baucus added.

Floor Statement of Senator Max Baucus
The CARE Act of 2003
April 9, 2003

Mr. President. Today we are considering a bill designed to help charitable organizations, and help our communities. The **Charity Aid Recovery and Empowerment Act (CARE)**.

President Bush said it well. "In order to fight evil, we must do good. [And] it is the gathering momentum of millions of acts of kindness and compassion which define the true face of America."

At a time when Americans are at war, and our economy is desperately sagging, this bill is more important than ever.

The economy is in worse shape than it has been in over a decade. Too many Americans go to bed hungry every night. Two Million Americans have lost their jobs since 2001. Men, women, and children are increasingly relying on charities to meet their needs. The problem is made worse because states are strapped. States are the number one provider of social services, but presently are experiencing the largest deficits in 40 years.

This is where charities come in. Charities deliver food, water, clothing, and counseling to those in need. They are the "first responders" to these quiet tragedies. Let me give you a few examples from my state of Montana.

Each year, the Montana Food Bank Network serves 1.5 million meals, including meals to almost 200,000 children. Our children can't learn if they are hungry.

There are roughly 30 adult literacy programs in Montana. They serve over 5,000 people. Programs like the Adult Literacy Center in Billings, and the Literacy Volunteers of America in Butte, provide free adult literacy classes to anyone who walks in the door.

Groups like the Blackfoot Challenge provide local, voluntary solutions to important environmental problems, like restoring stream habitat. Montana's economy benefits from tourism. Keeping our streams clean and teeming with fish is good for the economy.

The list goes on. Montanans working in homeless shelters. Churches. Libraries. Schools. Boys and girls clubs. Substance abuse centers. Jails.

Montana is not alone. All across our communities. All across our country. Millions depend upon the generosity of their neighbors and the charitable community. The CARE Act is designed to help these organizations, by creating incentives to

encourage more contributions to charity. Let me briefly describe the main provisions of the bill.

The provision that has received the most attention is the above-the-line deduction for charitable contributions for people who do not itemize their deductions. Let's be honest here. I have concerns about this provision. We've tried this before, and it didn't work well. That's why we eliminated the deduction in 1986.

More specifically, I am concerned that the deduction will not provide much of an incentive for charitable giving, while making the tax code more complicated. Nonetheless, President Bush has made this particular proposal his top priority. In light of that, I am willing to give the proposal a chance.

So we limited the proposal to two years, to give us time to carefully study how it is working.

While the non-itemizer deduction has received most of the attention, there are several other provisions in this bill that have strong bipartisan support and will provide a significant boost to charitable giving.

First, we provide enhanced deductions for contributions of food, books, and computers. In response to growing economic hardship, and the hunger that's gone along with it, we have increased the deduction for contributions of surplus food. In most cases the tax code provides the same tax deduction for food hauled to the landfill as it does for food donated to charities.

Businesses that choose to contribute food instead of throwing it away are faced with the added costs of storing, packaging, and trucking the food to the charity. The enhanced deduction will encourage business, farmers, and ranchers to contribute the food by offsetting these costs associated with donations. This makes it easier for the farmer in Montana to receive a fair deduction for giving food to a local food bank.

We also make it easier for a publisher to donate extra books to a local library, and kids to get access to computers and cutting edge technology.

Second, we expand the IRA rollover exception to allow individuals to donate their IRAs directly to charity without taking a tax hit. Under present law, taxpayers take IRA distributions into income, and then take a corresponding charitable deduction, subject to limits. The provision allows direct giving – streamlining the process and removing the limits that impede giving.

Third, we provide several important new incentives for voluntary conservation. For example, incentives to encourage contributions of conservation easements, which are so important in Montana and throughout the country.

This means that cash poor – land rich farmers can donate the conservation rights of their property, get a tax benefit, and keep the family farm in the family.

While the majority of provisions in this bill encourage giving to charities, there are also provisions that help ensure charities are responsible public citizens. As some of you may have noticed, national newspapers have recently detailed the secretive use of charities by terrorist organizations. This is a serious problem. The large majority of American charities are law abiding and serve an invaluable function.

This legislation gives authority to the IRS to immediately revoke the tax exempt status of charities suspected of aiding terrorist groups. When there is a crisis in confidence with respect to charities – it hurts the honest groups. The charities that have worked hard to further their noble missions.

The Finance Committee bill attempts to cure this by giving watchdogs and donors better tools to monitor the activities of charities. The CARE Act gives state attorneys general more authority to review the IRS filings of tax exempt organizations. In addition, the bill lets donors see more information about communications between charities and the IRS.

These important steps should go a long way to help restore America's confidence in its charities. I have just provided some highlights of the bill. There are a number of other important provisions. All told, this package includes many proposals that enjoy widespread, bipartisan support in the Senate. In fact, many provisions have been approved by the Senate.

With war costs on the horizon, and current budget deficits, it is essential that we pay for this bill. I applaud Chairman Grassley for insisting that these tax cuts be paid for. So, let me turn to the provisions in this bill which cover the cost.

First, we have included a proposal that takes aim at the proliferation of abusive tax shelters.

I, along with Chairman Grassley, introduced the *Tax Shelter Transparency Act* to encourage more timely and accurate disclosure of these abusive transactions. Under the proposal, we provide a disincentive to promoters, advisors and taxpayers by subjecting them to stiff penalties for failing to acknowledge these transactions to the IRS.

The proposal also clarifies a definition of "economic substance." That means, it forces companies to engage in real business planning instead of tax driven hoaxes.

The Joint Committee on Taxation recently released its Enron report. The transactions it reviewed demonstrate the need for strong anti-avoidance rules to combat tax motivated transactions.

These deals might satisfy the technical requirements of the tax code and administrative rules, but they serve little or no other purpose than to generate income tax or financial statement benefit.

It is not right when the majority of taxpayers – such as the hardware store owner in Butte – pay their fair share of taxes while these big corporations twist their way out of paying their own fair share. This is simply wrong.

But it is the right thing to do to use this proposal to pay for tax incentives to benefit the charitable community. It's the right thing to do – and the right time to do it. I urge my colleagues to support this legislation.