



# Committee On Finance

Max Baucus, Chairman

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## STATEMENT OF CHAIRMAN MAX BAUCUS SENATE FINANCE COMMITTEE MARKUP ON TAX INCENTIVES TO ENCOURAGE CHARITABLE GIVING

We are meeting today to consider how we can help our charities to help our communities. At a time when all Americans have come together to support the war against terrorism, this is more important than ever. 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."

We all remember what happened after September 11<sup>th</sup>. Charities delivered food, water, clothing, and counseling. And, every day thereafter, charities worked to provide even broader assistance to those affected by the tragedies in New York, Northern Virginia and Pennsylvania. The same kind of work goes on every day, all across the country. In response not only to attacks and natural disasters, but also to the quiet tragedies. Let me give you a few examples from my state of Montana.

There are roughly 30 adult literacy programs in Montana. They serve over 5,000 people. The Montana Food Bank Network. Each year, the Network serves 1.5 million meals, including meals to almost 200,000 children. Groups like the Blackfoot Challenge provide local, voluntary solutions to important environmental problems, like restoring stream habitat. The list goes on.

Folks working in shelters, churches, libraries, scout troops, schools, boys and girls clubs, substance abuse centers, and jails all across our communities, all across our country. This bill is designed to help these folks, by creating a few more 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 don't itemize their deductions. But 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 won't provide much incentive for charitable giving and will make the tax code more complicated. Nonetheless, President Bush has made this particular proposal his top priority. In light of that, we should give the proposal a chance.

At the same time, we limit the proposal to two years, so that we can carefully study how well 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. We provide enhanced deductions for contributions of food, books, and computers. As a result, for example, we make it easier for a farmer to receive a fair deduction for giving food to a local food bank, and for a publisher to donate extra books to a local library. We expand the IRA rollover exceptions to allow individuals to donate their IRAs to charity without taking a tax hit, and we provide several important new incentives for voluntary conservation, such as by contributions of conservation easements, which are so important in Montana and throughout the country. These are highlights. There are several other important provisions. All told, this package includes many proposals sponsored by members of the Committee and previously supported by the Senate.

We also have consulted closely with the Administration and with the lead sponsors of the main Senate bill, Senators Lieberman and Santorum. That covers the charitable provisions of the bill. Let me turn to the other provisions. To cover the cost of our mark, we have included two proposals Senator Grassley and I introduced earlier this year.

The first proposal goes after the proliferation of abusive tax shelters. I introduced the *Tax Shelter Transparency Act* with Senator Grassley to encourage more timely and accurate disclosure of these abusive transactions. Under the proposal, promoters, advisors and taxpayers would be subject to stiff penalties for failing to acknowledge these transactions to the IRS. The mark also includes our legislation to address the growing practice of corporate inversions.

Many American companies have engaged in – or are thinking about – relocating their corporate headquarters in tax haven countries as a tax dodge. The *Reversing the Expatriation of Profits Offshore Act* – or REPO Act – eliminates the loophole in the tax code that lets a corporation, with nothing more than a file folder or post office box in a tax haven country, escape millions in U.S. taxes. It isn't right when the majority of taxpayers – the hardware store owners 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 these proposals 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'd like to conclude by thanking my good friend, Senator Grassley, for his help in putting this compromise, bipartisan legislation together. I look forward to working with him, and members on the Committee, to see it enacted into law.