



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

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Statement of U.S. Senator Max Baucus

Charity Oversight and Reform: Keeping Bad Things from Happening to Good Charities

“This is an important hearing. Charities play a vital role in our country. With many individuals still bearing the brunt of this economic downturn, and the unemployment rate still very high, America relies on its charities for help. And our charities have not let us down.

Charities rushed to the aid of those who were harmed by September 11, providing comfort, counseling and financial assistance. Charities play a pivotal role aiding victims of natural disasters that have paralyzed parts of the country during the past few years — the western fires come to mind. Charities helped rebuild homes, and repair national parks.

While these efforts show up on the front page of the paper, the quiet work of so many goes unnoticed:

- the after-school program that keeps a teenager on the path to college,
- the soup kitchen that feeds a senior citizen whom society has left behind,
- and the conservation group that preserves a remote stream so that our grandchildren may enjoy nature too.

In my home state of Montana, organizations like the YWCA in Billings provide support to over 300 victims of sexual assault every year. The Montana Boys and Girls Clubs provide after-school outlets for over 10,000 children. And the Montana Food Bank Network serves more than 1.5 million meals every year. The list goes on.

But while many charities are focused on doing good works and preserving the public trust, there have been a number of high-profile examples of problems in this expanding sector:

- inflated salaries paid to trustees and charity executives,
- insider deals with insufficient transparency,
- charities engaging in abusive tax shelters,
- and charities serving as conduits to finance terrorist activities and operations.

This proliferation of sloppy, unethical, and criminal behavior is unacceptable. It has led to a crisis in confidence. It has hurt fundraising by legitimate charities. And it overshadows the good work done by the majority of civic minded groups. Like the recent corporate scandals, these events make Americans second-guess their faith in bedrock institutions.

Today, we are privileged to hear from a host of witnesses who are committed to addressing this crisis in confidence. The individuals who are set to testify today come to the table with insights built on years of experience in charities and public policy.

Our first panel includes two highly-regarded state officials, Mr. Josephson and Mr. Pacella, and Commissioner of the Internal Revenue Service (IRS), Mark Everson. His organization grants tax exempt status to almost 100,000 organizations every year, and is responsible for ensuring compliance with the federal tax laws.

Two years ago, Senator Grassley and I had the General Accounting Office (GAO) look into how the IRS could better perform oversight on the charitable sector. GAO's report included important recommendations on the collection of information from charities, and well-thought-out suggestions on improving coordination between the IRS and state charity officials.

I am concerned that too little has been done to increase the level of cooperation between the federal government and states in this area. I look forward to hearing from this panel on the progress that has been made on this front.

Our second panel includes witnesses who will tell first-hand accounts of abusive tactics and tax shelter involvement by some in the charitable sector. Two of our witnesses on this panel are whistleblowers who fear reprisal if their identities are made public. I appreciate their willingness to come forward and testify today.

One witness will discuss the ongoing problems in the car donation area. As previously highlighted by a GAO report that Senator Grassley and I requested, this practice has been rife with abuse. Often charities receive pennies on the dollar for donated cars that have fetched thousands of dollars in tax deductions. This witness's testimony will shed light on the fraud perpetrated by car auctioneers and brokers who feed on innocent charities. A second witness will detail a scam that involves cheating American taxpayers to the tune of millions of dollars a year with a down-payment assistance charity.

I also look forward to hearing from Ms. MacNab and Mr. Adkisson, who will discuss other abuses. This panel should serve as a wake-up call on how some charities are being used for unethical and potentially criminal activities.

Finally, our third panel will address how we should fix these problems. I want to make special mention of my friend, Rock Ringling, the Managing Director of the Montana Land Reliance. Rock runs a tight ship. The Land Reliance serves as a model for other land conservation groups across the country. Rock will offer suggestions on best practices in the land donation area.

I am eager to hear from the rest of the witnesses on this panel about what we should do to keep the bad guys out of charities, without hurting the good charities in the process. I look forward to your testimony and thank you for coming today.”

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