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May 25, 2005

Dear Chairman Grassley and Ranking Member Baucus:

We applaud your resolve to root out any wrongdoers in the charitable sector that are masquerading as philanthropists while abusing their positions for non-charitable purposes.

While we agree that any wrongdoers in this (or any other) sector should be punished, we are very concerned that some of these proposals would have the unintended consequence of overburdening small organizations and/or creating disincentives to contribute to legitimate charitable activity at a time when we are asking more of this community, not less.

As the Committee process unfolds, we hope you will take the following into consideration:

1. **The Internal Revenue Service (IRS) should enforce existing laws against abuses.** It is evident that the IRS has ample power and authority under current law to curb abuses in the charitable sector. Much of the testimony regarding 'charitable abuses' described actions that are already illegal and which were gleaned from reviewing filings by the charities with the IRS through existing Form 990s and other required IRS forms and filings. Before Congress considers sweeping new requirements, the IRS should be held accountable for enforcing the laws already on the books and simplifying filing and disclosures, not making them ever more complex. Indeed, at your April 5th hearing on charitable reform proposals, the IRS Commissioner testified that the IRS is very near eliminating the abuses by certain credit counseling agencies because of the focused and efficient use of IRS resources in this area. Clearly, no 'new laws' were needed for the IRS to resolve those problems; rather, all that was required was the will to act and to devote resources already available to the IRS.
2. **The impact on small philanthropic organizations must be more fully considered.** At the hearing, witnesses were repeatedly unable to articulate studies, analyses, or reports to quantify the costs and/or burdens on smaller organizations of the charitable reform proposals being put forth, or the possible impact of those additional costs and regulatory burdens on the charities. This analysis is critical given that most of our nation's charitable organizations are small. Of the nation's 65,000 private foundations, most have assets under \$50 million. Of the nation's 1.8 million charities, 94% have annual revenue under \$1 million. Clearly, more data and study are needed before going forward with any proposals that will impact these vulnerable organizations.
3. **The impact on charitable contributions must be more fully vetted.** Because of the heavy reliance we place on the charitable and philanthropic sector to meet the social and

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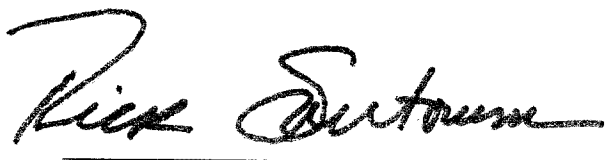
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public needs of our country, we must proceed cautiously to insure that we do nothing to discourage legitimate charitable giving or to diminish the resources of charitable organizations. The IRS has recently begun to examine several of the areas that you have raised but we do not yet have sufficient information about their findings to warrant some of the pending proposals. For example, the proposed \$500 cap for contributions of clothing and household items appears to be arbitrary and ignores "real world" consequences for legitimate charities with effective programs-- such as drug treatment and job training -- helping the poor partially or fully funded by in kind contributions. The proposed limitation to basis for contributions of land also would unnecessarily result in a significant undermining of the charitable incentive.

4. **"One size fits all" is not a workable approach.** Congress should not impose a 'one size fits all' regulatory regime on the charitable sector. One of the beauties of the uniquely American philanthropic community is the entrepreneurship, creativity, and ingenuity of our people to develop ideas, community solutions, and caring networks apart from government. Mandates from Washington, on everything from board size to specific governance procedures, are inconsistent with the entrepreneurial spirit that spawned and has been encouraging the charitable sector for generations.
5. **Families should be encouraged to be philanthropic.** Families can be critical to the creation of new engines of charitable giving; donors either trust members of their family to share their vision and implement it, or see their family foundation as a vehicle for inculcating in their heirs a binding charitable ethic. Reforms that have an anti-family bias are particularly troubling because they dilute the notion of original donor intent and move potential contributors away from philanthropy.

We look forward to working closely with you in the weeks and months ahead on this very important issue. We would ask you to be mindful of the important role that America's charitable community plays. But for the efforts of America's charities and private foundations, many of our most vulnerable citizens would suffer greatly. We hope you will take these concerns into consideration before taking further action on these proposals. The very last thing we want to do, as you no doubt agree, is to discourage the philanthropic spirit that is the heart and soul of America.

Sincerely,





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