

## **Charities Are Silent on Loss of Estate Tax**

By Stephanie Strom, The New York Times  
April 24, 2005

Charities stand to lose roughly \$10 billion a year if the federal estate tax is repealed permanently, according to a study conducted by the Brookings Institution and the Urban Institute. That is roughly the equivalent of all the grants made by the country's 82 largest foundations in 2003.

But while nonprofit groups have spent hundreds of thousands of dollars over the last year lobbying Congress against imposing tougher regulations on them, on this issue they have been silent.

"I'm thinking to myself, here I am running around wrangling over boards and travel policies and whether organizations should be required to do audits and the sector is on the verge of losing something like \$10 billion or \$15 billion," said Diana Aviv, president of the Independent Sector, a large trade association representing charities and foundations. "Talk about misplaced priorities."

But every time Ms. Aviv opens her mouth about the matter, many of the charities she represents tell her to shut it.

"About two weeks ago, when we sent out an alert on this, I got some very, very vociferous disagreement from large organizations on the charity side and foundations," Ms. Aviv said. "People went out of their way to tell me that while they liked my leadership, on this issue I was just dead wrong."

The reason? No one wants to alienate the wealthy donors and board members who would benefit from a repeal.

"It's not difficult to see why organizations are keeping quiet about this potential estate tax cut," said James S. Tisch, president and chief executive of the Loews Corporation and a major donor to Jewish and other causes. "It's because they don't want to make their donors irate. You only have to make one or two irate to have a real problem."

So it goes in the world of philanthropy, which relies on the generosity of the wealthy but also on a tax code that creates incentives for giving. The estate tax includes unlimited deductions for charitable giving as a way of helping shield families from inheritance taxes. Eliminating the tax would also eliminate the need for the tax shelter.

After Congress began a temporary and gradual rollback of the tax early in President Bush's first term, there was a \$2.8 billion decline in bequests to philanthropies from 2002 to 2003. Critics point to that drop as evidence of the impact that repeal would have on giving. "It was the first

decline in bequests since 1998," said Jeff Krehely, deputy director of the National Committee for Responsive Philanthropy.

Last week, the House voted, as it has done in each of the last three years, to repeal the tax permanently. Democrats in the Senate have blocked full repeal in the past with the threat of a filibuster, but this year there is talk of a compromise.

Repeal would reduce federal tax revenue roughly \$29 billion a year, according to Congress's Joint Committee on Taxation. Some say the lost revenue would also hurt charities by making it less likely that the government would have the money to give them federal contracts.

Mr. Tisch provides an example of why most organizations are staying silent. In 2003, a charity he supported - the Jewish Council for Public Affairs - included a paragraph in a newsletter that was critical of a tax-cut package then under consideration. "Analysis of the plan suggests that the wealthiest Americans would receive substantial gains from this plan, while middle- and lower-income families will benefit little," the organization said.

Mr. Tisch fired off a tart e-mail message to Hannah Rosenthal, then the council's executive director, chiding her for including a discussion about tax issues in the newsletter.

"Last time I looked, that was not really a Jewish issue - and I believe that many of our donors would not be too pleased to see our communal dollars being spent advocating either for or against tax proposals," Mr. Tisch wrote. "After all, it seems that the J.C.P.A. brings little in the way of expertise to the debate on taxes."

Mr. Tisch says his objection had nothing to do with how his own family, with wealth estimated in the billions of dollars, might have benefited from the tax cuts. "This is more of a principled item for me," he said. "It has to do with all sorts of different issues, tax being one of them. Taxes are an issue I don't think these organizations should go near."

Even when they believe that the tax in question directly affects them? "No," Mr. Tisch said.

Not all wealthy donors support repeal. William H. Gates Sr., the father of Bill Gates, has spoken out against repeal, as have Warren E. Buffet, Steven C. Rockefeller, George Soros and Agnes Gund.

"It's an issue of fundamental fairness in this society," said Lance E. Lindblom, president and chief executive of the Nathan Cummings Foundation, which financed a study by the Brookings Institution on the effects that permanent repeal of the estate tax would have on charity. "Our laws, our institutions, our government, our businesses are what give us the opportunities we have. It's not just the individual's efforts that have produced the wealth in question, and so there is a responsibility to return some of it."

Mr. Lindblom's is a lonely voice among foundation leaders. The Council on Foundations, which represents more than 2,000 grant-making groups, has taken no position on the estate tax repeal - even though its president and chief executive, Dorothy S. Ridings, said she figured it would

slow the formation of new foundations, if not the growth of foundation assets.

Ms. Ridings said the council began discussing what its response to changes in the estate tax would be in 2001. "I heard literally from hundreds of members," she said. "We talked about it at our annual conference and we spent most of our board retreat talking about this issue. The overwhelming position of the board was that it does not fit our definition for taking a position because its major impact is not on philanthropy."

She said, however, that internal politics had perhaps as much to do with the council's silence on the matter as anything, saying, "In a membership organization, even if you want to be a leader on an issue, if your members are all over the lot, it's difficult to do anything, and this is definitely one of those situations."