

Charity loopholes benefit rich

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"Supporting organization" seems to be a curiously transparent word. It doesn't seem to make any kind of attempt to present itself within any pre-designated context, nor does it imply any self-evident characterization.

A "supporting organization" sounds like something one goes to in order to kick a drug habit. Ironically, supporting organizations are the new drug for America's oldest addiction: greed.

When policemen go to middle school classrooms to talk about drugs they usually have a video to show of some mock-addict teenager in the suburbs looking for his next fix. These videos always include a scene where the teenager sneaks into his/her mother's purse or little brother's piggy bank to get drug money. These scenes are usually supposed to evoke disgust. American middle school children are aware enough to know the notion of stealing from others to benefit one's own addiction is abhorrent.

It is a well-known fact (especially among the wealthy) that one can deflect taxes on much of one's income by donating certain percentages of that income to charity. However, as they always do, the wealthy have managed to find a loophole. In recent years there has been a disturbing trend in the number of people who have "donated" their money to support organizations. Wealthy businessmen donate the necessary sums to these support organizations in order to get their tax breaks. The assumption is these organizations will dispense the money to legitimate charitable organizations.

However, the system is inherently flawed. The members of each organization's respective board control the funds that come into the hands of these supporting organizations. The "donors" directly appoint these members and frequently place themselves at the head of the board. Once money is put into a supporting organization, they deploy a team of lawyers to conjure a legal melee that lasts until the closing of the fiscal year and be forced to actually pay as little as 5 percent of that money to charity. It would seem that wealthy businessmen can not only get their tax breaks, but also they can keep 95 percent of the money they were supposed to donate in the process.

George Kaiser, for instance, an Oklahoma oilman who has shrewdly amassed some \$4 billion, set aside a sum of roughly \$1 billion for charitable giving over the last five years. However, by inserting this money into a supporting organization, Kaiser was able to keep all but \$3.4 million.

Cognitive scientists insist childhood is the period of a person's life when he or she is the most

impressionable. Furthermore, kindergarten is where people are taught how to share. Bearing this mind, it is rather interesting Kaiser insists on finding ways around the legal regulations that compel him to give money to charities in exchange for his tax breaks. Either Kaiser has a terrible memory or cognitive science needs to rethink some of their theories. Obviously not everyone listens to what they were taught in kindergarten.

It is a little ironic (and more than a little distressing) to realize kindergarteners have a more keen understanding of the world around them than the handful of people who hold the majority of America's wealth. Kaiser is a bit of a standing joke for being the only billionaire in Oklahoma who drives used cars and lives in a modest dwelling (even by Oklahoma standards). It seems a little ridiculous that a man with \$4 billion at his fingertips needs to pinch pennies to that extent. Kaiser seems to have developed a psychological dependence on his wealth. In 1999 this led him to jump through the legal loopholes as though he were a trick dog and set up his supporting organization.

The notion of getting tax breaks in exchange for charitable giving was designed to encourage philanthropy. However, billionaires like Kaiser have taken advantage of this system by using supporting organizations, which allow them to receive tax breaks while being able to selfishly covet money at the expense of charities that are working to aid those with nothing. Fueled by his eerie dependence on money, Kaiser's supporting organization is able to safely hold his money - putting money into a supporting group is rather like making an investment into a static bank account. While the money in the organization yields no profitable returns, presumably the money saved by tax breaks will serve as a profit. It is an attractive idea, though a terribly shortsighted one. National foundations and charitable organizations have become understandably nervous at the idea of the wealthy finding an easy way out of charitable giving.

Jeff Krehely, deputy director for the National Committee for Responsive Philanthropy, mentions "it is legal, but it shouldn't be. You're supposed to get the tax breaks because you're providing some public benefits."

Despite this concern the number of wealthy businessmen avoiding both taxes and charitable giving by putting their money into supporting groups has surged from 24,000 to 34,000 in the last 10 years alone. The top 400 of these supporting organizations control some \$77 billion in assets, which is roughly \$70 billion less for charity. Furthermore, in 2001 a quarter of these top 400 support organizations made absolutely no charitable donations at all. While charitable foundations are required to pay out a minimum of 5 percent of their assets each year, no such regulation exists for supporting organizations.

Kaiser is an unwitting spokesperson for the wealthy that make charitable donations solely for tax breaks. The government offers this option because it wants to inspire philanthropy in American society. This option is clearly being exploited and legislation ensuring that supporting groups pay the same percentage of assets annually to charities as charitable foundations is necessary.

Sources:

<http://www.nytimes.com>

