

Philanthropy watchdog asks Congress to strengthen reporting on nonprofits

By Diane Freda

Daily Tax Report

February 1, 2006

The National Committee for Responsible [sic] Philanthropy said Jan. 30 that proposed lobbying reform legislation should do more to address abuses of foundations and nonprofits.

"These legislative efforts ignore largely untraceable loopholes, which if neglected in this round of lobbying reform, would leave the charitable sector, Congress and K Street ripe for more abuse and illegal behavior," Rick Cohen, executive director of NCRP, said in a news release.

Jack Abramoff pleaded guilty Jan. 3 in federal court in Washington, D.C., to tax evasion and two

other felony counts involving the abuse of the Capital Athletic Foundation, setting off a sweeping push for lobbying reforms.

The charity he founded was used as a tool to funnel money to various interest groups, including Native American tribes, as well as himself, his colleagues, and business partners, and allegedly to prominently ranked lawmakers on Capitol Hill (2 DTR G-11, 1/4/06).

In his roundup of ineffective legislation, Cohen included S. 2128, the Lobbying Transparency and Accountability Act of 2005, sponsored by Sen. John McCain (R-Ariz.), and S. 2180, the Honest Leadership and Open Government Act of 2006, sponsored by Sen. Harry Reid (D-Nev.)

The political abuse of charities' tax-exempt status erodes the public's trust in government as well as the charitable sector--two entities charged with being fiscally responsible and straightforward with public dollars, he said.

Full Disclosure of Donors and Grants

NCRP called on lawmakers to incorporate into any legislation that deals with charitable reform four key points:

Full Disclosure of Donors and Grants. Any foundation or charity established by or connected to members of Congress should be required to disclose the source of its donations as well as a detailed account of expenditures, NCRP said. Under federal law, the names of donors to charities are protected from the public but that rule should not apply to tax-exempt groups founded by or affiliated with lawmakers, the group said.

Tighter Ethics Rules to Govern Lawmakers. Growth in the number of charities that operate as political fronts stems from the 2003 repeal of a rule that barred House members from accepting reimbursement for travel and lodging expenses in connection with charity events, NCRP said. Under the current standards, lawmakers and their families can participate in charity fund-raising events without disclosing how much money they or their charity receive. These standards allow for lobbyists to buy face time and access to the lawmakers, NCRP said.

Increased Dollars for Internal Revenue Service Oversight and Enforcement. Many nonprofit leaders have urged state and federal governments to step up enforcement of tax-exempt law, but too few have done anything to press for more money to be channeled to regulators, NCRP said. Now more than ever the foundation excise tax needs to be used for its original purpose: funding government oversight of the tax exempt sector.

Increased Disclosure. Better disclosure of financial transactions and donor records among different types of nonprofit organizations, NCRP said.

Ethics Policy Needed From Congress

Attorney Joseph Birkenstock, a specialist in political activity law with the firm of Caplin & Drysdale, Washington, D.C., said a more effective application of existing law would address the problems identified in the Abramoff scandals.

"Congress should focus on the problem in front of them, which is lobbying disclosure and compliance with the ethics rules," he told BNA Jan. 31.

There is an argument for more frequent disclosure from lobbyists, but not necessarily all tax-exempt organizations, he said, and the objective should not be to get tax-exempts to file more frequently, but focus on the nature of the transactions between lobbyists and office holders, he said.

"A reform proposal that would require lobbyists to disclose who they met with, when, and what was discussed, would do more good than requiring all nonprofits to file another form, whether they deal with lobbyists or not," he said.

Currently, tax-exempt firms that engage in lobbying have to disclose relatively little on lobbying disclosure forms. They must register the amount they spent and a categorization of the issues on which they lobbied. But they are only required to report gross amounts with their lobbying activities in total.

"One thing Congress can do is police itself with some kind of ethics policy, " Birkenstock said. "If they did a more effective job of that, there would be less need for a thorough rewrite of complicated rules."

[Copyright ©](#) 1998-2002 The Bureau of National Affairs, Inc. All Rights Reserved.