

HHS Secretary Defends Family Charity

By Kevin Freking
Associated Press
07.21.2006

Health and Human Services Secretary Mike Leavitt on Friday defended his family's charitable giving, as two senators called for tighter regulation of private foundations.

The *Washington Post* reported Friday that Leavitt and his relatives have claimed million of dollars in tax deductions through a charitable foundation that until recently paid out little in actual charity.

Leavitt's spokeswoman, Christina Pearson, said the foundation's activities are "totally legal and proper."

In a statement, Leavitt said, "My family and I are grateful that we have the resources to give back to our community, and the Dixie and Anne Leavitt Foundation has already contributed nearly \$1.5 million to charity and will continue to make generous contributions in the years to come."

The Internal Revenue Service has called the tax structure used to create the Leavitt family's foundation, a Type III supporting organization, one of its "Dirty Dozen" tax scams.

Sens. Charles Grassley, R-Iowa, and Max Baucus, D-Mont., have in recent years called for tighter regulation of such organizations. They responded to the report about the Leavitt foundation by renewing that quest.

"There is no question that working families are disturbed by these types of stories that keep appearing in the papers about wealthy people who take a big charitable deduction to get a significant tax break yet retain control of the funds, benefit from that control, and little to nothing actually goes to real charities doing important work," the lawmakers wrote in a letter to President Bush.

They asked that Treasury regulations be rewritten to prevent fraud and abuse. They did not say Leavitt's foundation committed any wrongdoing foundation.

The Post reported that the Leavitt family used nearly \$9 million in assets to set up a charitable foundation in 2000. But unlike standard private foundations, it is not required to give away at least 5 percent of assets to charitable causes.

While Mike Leavitt alone has claimed about \$1.2 million in tax write-offs since 2000, the foundation gave away only \$49,000 in 2002 and \$52,000 the next year, the Post reported.

"They're basically sitting on all this money, getting a charitable write-off and doing nothing with it," said Rick Cohen, executive director of the National Committee for Responsive Philanthropy. Cohen reviewed the foundation's records and tax returns at the Post's request.

But Dane Leavitt, a brother to the secretary, said in an interview Friday that the foundation's donations have risen substantially in the last 18 months - \$567,185 last year and \$691,221 through June 30 of this year. The increased donations were made possible through the sale of an irrigation company that generated substantially more income for the foundation, and the donations now exceed 6 percent of assets.

"Had we sold the water stock prematurely, it would have had a significant muting effect on the long-term good that could be done," Leavitt said.

The three organizations that received the majority of the recent donations are the Church of Jesus Christ of Latter-day Saints, Southern Utah University and the Southern Utah Foundation, a charitable organization that contributes to many causes, Dane Leavitt said.

The Internal Revenue Service describes Type III supporting organizations as public charities that support one or more other tax-exempt organizations. The classification is important because it is a means by which a charity can avoid much more restrictive regulation. The key feature of a supporting organization is a strong relationship with the organization it supports.

The IRS said last year that such organizations can lead to abuse when taxpayers obtain tax deductions without transferring a commensurate benefit to charity.

Copyright 2006 Associated Press. All rights reserved.