

## **Editorial: Time to take a hammer to piggy banks for rich**

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Sometimes it requires a high-profile confrontation with the law to demonstrate a weakness in that law.

So it is with Health and Human Services Secretary Mike Leavitt, whose family has taken advantage of a section of the federal tax code in a way that is perfectly legal but also very unseemly.

The Washington Post reported the Leavitts established a specific type of foundation known as a Type III supporting organization. Private foundations are normally required to distribute at least 5 percent of their assets to charitable causes on an annual basis. But a different set of rules governs Type III supporting organizations.

The Leavitt foundation distributed less than 1 percent of its assets to charitable causes in 2002 and 2003. But it did make a sizable loan to Leavitt Land and Investment Inc.

And it did so while members of the Leavitt family received large tax deductions for charitable contributions to their foundation.

The Post quotes Rick Cohen, executive director of the National Committee for Responsive Philanthropy, as saying, "The Leavitts are using the foundation as a personal piggy bank, and that's not what the public - or Congress - ought to tolerate."

The Internal Revenue Service says the Type III supporting organization is one the nation's top tax scams. And some members of Congress, including Sens. Charles Grassley, R-Iowa, and Max Baucus, D-Mont., have worked for years to reform the tax code to prevent this kind of abuse.

Without a high-profile case to highlight this legal form of tax avoidance, their efforts were unsuccessful. Now that the Leavitt case has brought this scheme to public attention, Congress should close the loophole.

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