

Another look at Leavitt charities

By Robert Gehrke

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Questions about Secretary of Health and Human Services Mike Leavitt's family charitable foundation continue to pile up, with National Public Radio reporting Friday on another tax shelter practice.

The Dixie and Anne Leavitt Foundation funneled donations into a charity, the Southern Utah Foundation, according to NPR's Salt Lake City-based reporter Howard Berkes. The Southern Utah Foundation used the money to provide housing scholarships for students at Southern Utah University in Cedar City.

The Leavitt Foundation and Leavitt Land and Investment contributed \$578,500 to the housing program. Some scholarships, however, were used to rent student housing from Cedar Development Co., another Leavitt family business, according to NPR.

D. Scott Truman, president of the Southern Utah Foundation, told *The Salt Lake Tribune* the money came from the Leavitt Foundation to the Southern Utah Foundation, then directly to Southern Utah University. An IRS Form 990 that shows money flowing directly back to the Leavitt foundation is incorrect, he said.

"There seems to have been some confusion that it went back to Leavitt developments or whatever, but that's not true," Truman said. "We received the donation from the Leavitt foundation and we in turn donated it directly to Southern Utah University. I signed on the checks and the checks were made out to Southern Utah University and they were given to the development office to use for their purpose, and of course when it goes to the development office it goes for scholarships."

Southern Utah University would have to provide detail on the kind of scholarships it funded, Truman said. "You can put two and two together and assume that, yeah, some of the money might have gone back to the Leavitts," he said, but the Southern Utah Foundation sent all of the money to SUU.

Dane Leavitt, who manages the family's charitable foundation, said the crux of the issue is the complex, but entirely legal Type III Supporting Organization. "We believe ours has been handled responsibly and has resulted in legitimate charitable giving."

He said the foundation has provided \$1.2 million in charity to various groups, particularly Southern Utah University and The Church of Jesus Christ of Latter-day Saints.

The arrangement with Southern Utah Foundation was established in 2003 as a way to help SUU in "a time of great need."

"What we had done was legal and provided benefits to 50 students who needed housing benefits each semester," he said. "Essentially, what we have done is provide housing for the university as a charitable act,"

Dane Leavitt acknowledged that as part of the 2003 agreement, the university agreed to obtain the housing through a Leavitt company.

Rhea Tufts told NPR that she resigned as secretary-treasurer from the Southern Utah Foundation in protest of the scholarship arrangement with the Leavitts. She admitted that the tax form showing Southern Utah Foundation monies going directly to the Dixie and Ann Leavitt Foundation was inaccurate. But she listed it that way because she knew the money eventually found its way back to the Leavitts.

"I don't think it was illegal," Tufts told NPR about the scholarship program. "I just don't think it was right."

At least one charity expert also says the Leavitt arrangement may not be illegal, but it is an ethically questionable manipulation of tax law.

"In a way they charity-shopped for an instrument that gave him the maximum charitable deductibility . . . and the lowest possible payout and the ability to play with the funds for noncharitable purposes," Rick Cohen, director of the National Committee for Responsive Philanthropy, told *The Tribune*. "The Leavitt Foundation is not a bank."

A week ago, the *Washington Post* reported that Leavitt's family had established a foundation that reaped millions of dollars in tax deductions but until recently donated little to charity. Some of the money the Leavitt Foundation paid out was actually in the form of a loan to other family businesses and real estate holdings.

"These are the kinds of things that you'd look for a different kind of behavior from the secretary," Cohen told the *Tribune*.

The tax shelter the Leavitt family set up, a Type III Supporting Organization, has its critics. The Internal Revenue Service calls Supporting Organizations one of the "Dirty Dozen" tax scams and House Finance Committee Chairman Charles Grassley, R-Iowa, is leading a crackdown on supporting organizations such as the Leavitts'.

Congressional negotiators reached a tentative agreement Friday night that would impose new regulations to prevent abuses of supporting organizations like the one that the Leavitt family set up.

It would require a significant portion of the foundation assets go to charitable causes and impose taxes on loans to officials in the foundation. There would also be new reporting requirements for supporting organizations.

NPR said Dane Leavitt, Mike Leavitt's brother, implied in response to questions that the family's charitable donations increase when charitable assets are invested in family businesses.

"It appears to me that the whole philosophy behind the Type III Supporting Organization was that, essentially, you utilized the economic ecosystem of a strong business to help foster philanthropy," Leavitt said.

The Tribune was unsuccessful in its attempts to reach Dane Leavitt for comment Friday night.

Mike Leavitt has no direct involvement in the Dixie and Anne Leavitt Foundation, NPR said, but does own shares in Cedar Development.

Tribune reporter Glen Warchol contributed to this story.

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