

Nonprofit Sector Has Mixed Reactions to Google's For-Profit Charity

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Members of the nonprofit community have had mixed reactions to Google's for-profit charity, which was formed to address the same problems as a nonprofit without the limitations -- or benefits -- that come with section 501(c)(3) exemption.

Google.org, "the philanthropic arm of Google" (according to its Web site (<http://www.google.org>)), combines the work of the Google Foundation (a section 501(c)(3) organization formed by Google with a \$90 million endowment) and the resources of Google proper to focus on several philanthropic efforts, including allaying global poverty, developing more fuel-efficient cars, and improving the environment.

Diana Aviv, president and CEO of Independent Sector, is optimistic about Google.org's decision to operate as a for-profit.

"There is a big difference between for-profit companies and nonprofit organizations," Aviv told Tax Analysts. "Both have essential roles in society, and we need both for a strong economy and healthy communities, but at their core they are ultimately different purposes. I think it's great that Google is going to work in both spheres and harness the good in both."

However, some officials in the nonprofit sector are skeptical about Google.org's decision to operate as a for-profit. One concern that officials raised is that it might further erode the distinction between nonprofit organizations and for-profit companies.

"While Google may have only the best of intentions and the highest ethical standards, the notion that philanthropy can be run, not like a business, but as a business, leads to questions of reporting, accountability, and oversight that are pretty daunting for the philanthropic sector," said Richard Cohen, executive director of the National Committee for Responsive Philanthropy, in an interview with Tax Analysts.

The organization's for-profit status would allow it to lobby Congress without worrying about whether its lobbying efforts exceed the variable "substantial part" limit and to conceal its tax returns from donors.

In an interview with *The New York Times*, Dr. Larry Brilliant, executive director of Google.org, claimed that the for-profit charity was more flexible than its nonprofit peers because it could "make a profit."

But Cohen countered, "That clearly isn't true, and reflects an erroneous perception of nonprofits that they somehow always wallow in red ink."

"There are plenty of nonprofits that are engaging in innovative business models that warrant philanthropic support and investment," Cohen said, "and the fact that they recirculate the income back to the nonprofit for public benefit activities is not a hindrance. The difference [between nonprofit and for-profit philanthropic organizations] is that profit isn't the primary motive, but an instrument for helping the nonprofit meet its public-oriented mission."

Former IRS Exempt Organizations Division Director Marcus Owens of Caplin & Drysdale doesn't entirely buy into Brilliant's statement to the *Times* that Google.org's profits will be recycled back into the charity and won't be siphoned off by its parent company.

"The money is at the beck and call of the board of directors and shareholders," Owens told the

Times

. "It's possible the shareholders of Google might someday object, especially if we go into an economic depression and that money is needed to shore up the company."

According to the *Times*, Google's board recently approved a measure that would direct that \$175 million of an initial \$1 billion be dispersed over the next two years toward projects such as developing hybrid vehicles that get 100 miles per gallon.

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