

For Immediate Release

Philanthropy Watchdog Group Supports House Bill to Simplify Foundation Taxes

Legislation can help boost grants to nonprofits, NCRP says

Washington, D.C. (12/08/2009) - The [National Committee for Responsive Philanthropy \(NCRP\)](#) urges the House Committee on Ways and Means to adopt quickly [H.R. 4090](#), a bill that simplifies how private foundations calculate taxes on income from investments. NCRP believes that the proposed streamlined tax structure will be an incentive for foundations to increase pay out in grants to nonprofits above the minimum requirement of 5 percent annually.

"This bill couldn't have come at a better time," said [Aaron Dorfman](#), executive director of NCRP. "The variable tax rate we have currently is a bureaucratic nightmare for foundations and discourages higher payout rates. By adopting this bill, Congress will encourage grantmakers to put additional dollars into the hands of nonprofits that serve America's communities at a time when we all have been hit hard by the recession."

H.R. 4090, which is similar to the [bill](#) referred by Senator Charles E. Schumer (N.Y.) to the Senate Finance Committee in March, eliminates the two-tiered excise tax system of 1 to 2 percent rate with a revenue-neutral 1.32 percent rate.

Grantmakers have long contended that the variable tax rate is a disincentive for a foundation to give out more grants in a given year - such as in response to a recession or a natural disaster - because a smaller amount of grants in future years means it will be subject to the higher excise tax rate.

The Council on Foundations and other trade associations for grantmakers are leading the charge for the change in legislation.

"It isn't often that NCRP and the Council on Foundations see eye to eye on legislative issues affecting foundations," said Dorfman. "But I'm pleased that we are in agreement over the clear

public benefit from simplifying the excise tax."

NCRP is concerned, however, that neither the House nor Senate bill addresses the lack of capacity by the IRS to make sure that the country's nonprofits and foundations are complying with the law.

"The IRS is the government's watchdog of the charitable sector," said Dorfman. "But it needs sufficient funding to effectively do its job to curtail abuse and misuse of foundations and charities for personal or political gain."

The excise tax originally was intended to support the work of the Exempt Organizations Division of the Internal Revenue Service, but Congress diverted the funds to the general treasury in the late 90s as part of a massive reorganization of the IRS. This resulted in insufficient funding for the Division to carry out its enforcement and oversight duties. NCRP urges Congress to address this problem as it also considers this simplification of the tax.

The National Committee for Responsive Philanthropy in Washington, D.C. is a national watchdog, research and advocacy organization that promotes philanthropy that serves the public good, is responsive to people and communities with the least wealth and opportunity, and is held accountable to the highest standards of integrity and openness. Visit www.ncrp.org.

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