

Public Interest Watch
507 Seward Square, SE
Wash, DC 20003
202. 251.3473
info@publicinterestwatch.org

September 16, 2002

The Honorable Bill Thomas
Chairman, House Ways and Means Committee
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Public Interest Watch (PIW), a nonpartisan watchdog organization, monitors the activities of tax-exempt, nonprofit organizations in an effort to ensure that such organizations are operated for their prescribed public benefit purposes. First and foremost, PIW seeks to ensure that tax-deductible charitable contributions, which in essence represent expenditures of public funds, are used for true charitable activity.

Mr. Chairman, we believe that widespread abuse exists in this area. In particular, we are concerned that a near total lack of enforcement by the Internal Revenue Service has enabled a huge number of organizations to unlawfully fund advocacy activities with tax-deductible contributions by falsely describing their activities to the IRS as “educational.” As a result of this rampant abuse, taxpayers are being forced to spend millions of dollars subsidizing a fast array of social and ideological crusades by both liberal and conservative activists.

PIW requests that Congress investigate and hold hearings on the following specific issues:

- What is the extent of the current problem? How common is it for nonprofits to incorporate as 501(c)3 educational organizations, thereby qualifying to receive tax-deductible contributions, and then operate for non-educational purposes, such as legislative or social advocacy.
- What do taxpayers spend every year in tax expenditures supporting such groups?
- What does the IRS do to prevent such abuse? How many organizations granted tax-exempt status for educational purposes have had their status revoked due to failure to operate exclusively for educational purposes?
- What role have foundations played in encouraging abuses by 501(c)3 educational organizations by knowingly and improperly funding advocacy projects.

Organizations that misuse charitable contributions do injury not only to taxpayers, but to legitimate charities as well, by hijacking a portion of their funding. A demonstration by Congress that it is aware of the abuse taking place and is taking action to crack down on

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it would give nonprofits a strong incentive to respect existing laws requiring that tax-deductible charitable contributions be spent only for public benefit purposes.

Thank you in advance for your hard work and interest in this issue. I look forward to hearing from you.

Sincerely,

Mike Hardiman
Executive Director