



**Philanthropy Roundtable
Statement for the Record**

**The Growth of the Tax-Exempt Sector and the Impact
On the American Political Landscape**

Ways and Means Oversight Subcommittee Hearing

December 19, 2023

Philanthropy Roundtable is a community of donors committed to advancing our shared values of liberty, opportunity and personal responsibility through effective charitable giving. Our organization is committed to advancing excellence in philanthropy and safeguarding philanthropic freedom.

The Philanthropy Roundtable believes charitable giving is vital to a flourishing and free society. Giving time and money is how our citizens come together voluntarily to meet the challenges of our nation. The resulting civil society is woven into the very fabric of American history. Since the founding of our nation, Americans have voluntarily joined in free association to fuel social progress, bridge societal gaps and empower individuals to take ownership of their communities. From Andrew Carnegie's libraries to Susan B. Anthony's fight for women's suffrage, philanthropy has been the engine driving transformative change, often upholding our individual liberties against an ever-growing central government.

Voluntary giving and association not only empowers individuals to improve their communities and build opportunities, it provides the most effective solutions for societal challenges. Charities deliver the competition, creativity and accountability lacking in government solutions.

America's robust nonprofit sector, which employs nearly 13 million Americans, should be seen as a testament to the dynamism of our civil society – not a threat to be scrutinized. Each organization within this ecosystem, from rural food banks to global humanitarian initiatives, reflects myriad needs and aspirations of our communities. They fill niches and tackle challenges left unaddressed by traditional government solutions, often delivering innovative, cost-effective approaches demonstrably superior in specific areas like education and poverty reduction.

The Roundtable appreciates the committee's commitment to oversight, and we are vigorous advocates of enforcement within the charitable sector. Bad actors only damage the important work of philanthropic organizations. Laws governing the sector must be enforced.

We also ask the committee to recognize the vital role philanthropy plays in a thriving democracy. A strong nonprofit sector fosters civic engagement, empowers citizens to be active participants in shaping their communities and serves as a necessary check and balance on government power. This vibrant exchange of ideas and actions is the lifeblood of democracy, ensuring it remains responsive to the needs and aspirations of the people it serves. The growth of the nonprofit sector, instead of being suspicious or concerning, should be seen as an unalloyed good. New nonprofits created over recent years include everything from pregnancy support centers to churches and synagogues and substance abuse services.



For example, the past two decades have been punctuated by various and surprising events, and the creation of new nonprofits served to meet the unique challenges of each. From the unprecedented attack of Sept. 11, through the 2008-2009 financial crisis, to the COVID pandemic and resulting economic instability, Americans have been supported by a nimble nonprofit ecosystem. Now, more than ever, we urge you to support Americans as they come together to meet the needs of our communities.

While the sheer scale of the federal government seems exhaustive, it often struggles to capture the nuances and specific needs of diverse communities. Organizations operating in communities are better at addressing the specific needs of the community than a large federal government. Nonprofit organizations are nimble, aggressive and better informed about the needs of the communities they serve than bureaucrats in Washington D.C. A vigorous nonprofit sector benefits individuals, families and communities by providing education, health care, housing and food to those in need, while strengthening the fabric of American society.

Throughout U.S. history, citizens have joined in nonprofit associations to fight for everything from abolition to civil rights. With the continuous and rampant growth of government, it's more important than ever to protect the voice of citizens freely associating for causes they care about. Frequently, these organizations are the best mechanism citizens have to express their freedom of speech and provide a counterbalance to government action.

We understand the committee's concerns about abuse and we would emphasize the current rules against 501(c)(3) organizations participating in political campaigns for officials seeking public office. While 501(c)(4) organizations can participate in political campaigns it must not be the organization's primary activity. Violations of these rules can, and have, resulted in the revocation of tax-exempt status and the imposition of excise taxes, and that should continue to be the case.

Fortunately, where discrete instances of abuse have been found and highlighted by the media, these are rare in the larger scope of the nonprofit sector. A Government Accountability Office (GAO) report of IRS records from 2010 to 2017 found that only 226 cases of nonprofits potentially abusing their tax-exempt status were flagged by IRS data analytics for further review. Of those 226 cases 90 percent were investigated and resulted in no change to the tax-exempt status of the organization. Just 22 organizations faced additional IRS action. That translates to 22 cases of non-compliance over a period of eight years. For reference, there are over 1.8 million tax-exempt organizations registered and operating in the United States.

While abuse of nonprofit status is rare, we caution that policy advocacy is not political activity and should not be viewed as abuse. Robust advocacy on issues of public concern is at the heart of many nonprofit missions and should not be conflated with electioneering activities. This advocacy, especially around matters impacting the communities they serve and the causes they believe in, is a vital part of a healthy democracy and part of what makes America great.

We appreciate the committee's respect for the constitutional right to donor privacy. We applaud the understanding that the right to give anonymously empowers individuals to support causes they believe in, regardless of personal background or potential fear of reprisal. This freedom fosters diversity of thought,



fuels innovation and ensures the wellspring of charitable giving remains unpolluted by undue pressure or external influence.

This is why the Supreme Court of the United States has repeatedly upheld this right, most recently in 2021 case *Americans for Prosperity Foundation v. Bonta*. *NAACP v. Alabama*, decided in 1958, stands as a testament to this principle. When the state demanded the NAACP disclose its membership list, the Supreme Court firmly rejected the attempt, recognizing the chilling effect it would have on dissent and free association. Similarly, *AFPF v. Bonta*, decided in 2021, reaffirmed the right to donor privacy for supporters of nonprofit organizations, upholding the essential protection for charitable giving from California's government overreach. We applaud Chairman Smith and the Oversight subcommittee on their commitment to protect this right.

We hope the committee will view us as a resource for information about the sector as they explore this issue in the future.