

**SUPPORT OUR NATION'S CHARITIES
REPEAL THE EXCISE TAX ON PRIVATE FOUNDATIONS**

Dear Colleague:

Under current law, non-profit private foundations generally must pay a 2 percent excise tax on their net investment income. This requirement was originally enacted in the Tax Reform Act of 1969 as a way to offset the cost of government audits of these organizations. However, since 1990, the number of IRS audits on private foundations has decreased from 1200 to 191. Yet, excise collections have grown from \$204.3 million in 1990 to \$499.6 million in 1999.

In addition, private foundations are bound by a 5 percent distribution rule. Foundations must make annual qualifying distributions for charitable purposes equal to roughly 5 percent of the fair market value of the foundation's net investment assets. The required 2 percent excise tax ñ payable to the IRS ñ actually counts as a credit to the 5 percent distribution rule. So, we have private foundations making \$500 million in charitable grants to the federal government.

I have introduced HR 804, a bill that will repeal the 2 percent excise tax on private foundations. These foundations have touched the lives of every American - from access to public libraries, development of the polio vaccine, and even leading in the creation of Emergency 911. Imagine how much assistance \$500 million could have provided to the nation's charities.

Former President Clinton proposed a reduction in this excise tax in his FY2001 budget. The Treasury Department noted, "lowering the excise tax rate for all foundations would make additional funds available for charitable purposes." Common sense dictates that the elimination of this tax would spur additional charitable giving.

If you would like to cosponsor HR 804, please contact Alan Hill at 225-5744.

Sincerely,

Cliff Stearns
United States Representative