

COMMISSION ON ACCOUNTABILITY & POLICY FOR RELIGIOUS ORGANIZATIONS SUBMITS REPORT TO SEN. CHARLES GRASSLEY

Report Represents Collective Recommendations of Leaders from Virtually Every Major Faith Group in America, the Broader Non-profit Sector and Legal Experts to Enhance Accountability for Religious and Other Non-profit Organizations

Commission Will Address Political Expression of Religious and Other Non-profit Organizations in Second Report, to be Submitted in 2013

Washington, Dec. 4, 2012—The Commission on Accountability and Policy for Religious Organizations (“Commission”) today presented a 91-page report to Sen. Charles Grassley (R-IA) addressing non-profit tax and regulatory issues related to clergy, congregations and other non-profit organizations. Leaders from multiple faith groups, including mainline and evangelical Protestant, Catholic, Jewish, Muslim, Hindu and Seventh Day Adventist leaders joined legal experts and leaders from the broader non-profit sector in providing the comprehensive study of national tax policy relating to religious and other non-profit organizations.

In January 2011, following a three-year inquiry into the financial practices of six Christian media ministries, Grassley’s staff issued a 61-page report raising a number of questions about tax and policy issues for religious and other non-profit organizations. Grassley asked ECFA to coordinate a national effort to provide input on the accountability and tax policy questions raised by his staff and other relevant issues. ECFA then created the Commission (www.religiouspolicycommission.org) including panels of legal experts, religious sector representatives and non-profit sector representatives that held meetings, considered public input and shared ideas and position papers on the topics collaboratively.

Grassley specifically asked for ECFA’s help to facilitate discussion on whether these issues can be addressed without legislation, writing, *“I believe that legislation should be the last resort. However, ideas for reform often inspire informed and thoughtful discussions which, in turn, lead to self-correction and eliminate the need for legislation.”*

The Commission’s report offers 43 specific recommendations and responses to the Grassley staff report that it believes will enhance accountability by religious and other non-profit organizations while avoiding excessive legislation or regulation that would be harmful or burdensome to them.

The recommendations are provided along nine topical lines:

- Executive compensation and excess benefit transactions
- Clergy housing exclusion
- Churches, accountability and donor engagement
- IRS advisory committee for religious organizations
- Independent accreditation and ECFA’s model
- Religious organizations and third-party oversight
- Examinations of church leaders
- “Love” offerings
- Public disclosure of highly sensitive information

Commission Chairman Michael Batts writes in the report, *“We cannot allow the behavior of a few outliers in the religious and nonprofit sector to threaten the freedoms of those who are not the problem—those who are doing the good work. Federal policy should continue to encourage the public to financially support such organizations and it should not burden them with harsh or excessive legislation or regulation.”*

The report strongly encourages:

- More effective administration of existing law
- Improved guidance and education about the law
- Proactive and verifiable demonstration by non-profits of their commitment to financial integrity
- A higher level of donor engagement in the giving process

The Commission notes that federal laws (and penalties) are already in place, prohibiting, for example, excessive compensation and benefits for non-profit leaders, and that these laws should be effectively enforced. The Commission further recommends clearer published guidance and forms from the IRS and Treasury Department addressing key areas of existing laws followed by an education effort about the law and the penalties for noncompliance. Additionally, the Commission noted that the IRS needs to rectify a current technical issue involving the IRS's restructuring, which caused a federal court to rule that the IRS was not properly handling inquiries of churches.

Commission Chairman Batts said, "*While we do not believe more restrictive laws are needed, we do believe there are ways to improve compliance and we are committed to aiding this process within the religious and broader non-profit community.*" The Commission also calls on religious and other non-profit organizations to adopt robust policies and practices in the areas of executive compensation and related-party transactions—and to make those policies available to donors.

The Commission further urges non-profit organizations to demonstrate verifiable commitment to financial integrity and accountability. Finally, it recommends a concerted effort to inform donors about the importance of knowing the organizations they support. "*Robust and appropriate engagement by donors would likely have a very significant impact on the practices of 'outlier' organizations that would otherwise have little interest in self-regulation.*"

In an area of particular interest to many religious, non-profit organizations, the Commission addressed an issue not dealt with in Grassley's initial report: public disclosure by the IRS of highly sensitive information in an organization's Form 990 tax filing or Form 1023. There are many cases where such disclosure exposes people or organizations to considerable risk and the Commission recommends that the IRS modify these forms to permit the filing organization to identify sensitive information that should be redacted from public disclosure, and that Congress adopt legislation prohibiting public disclosure by the IRS of such information in Forms 1023 and 990. This issue affects organizations working in sensitive areas of the world or engaged in sensitive social outreach such as operating shelters for victims of domestic violence.

In 2013, the Commission will present a second report to Grassley, this one dealing exclusively with the subject of appropriate political expression by churches and other non-profit organizations.

For complete copies of the Commission's report, visit www.religiouspolicycommission.org.

The Commission named its 14 members in April 2011 and its 66 panel members in September last year. These 80 commission and panel participants include leaders from virtually every major faith group in America, prominent attorneys with expertise in exempt organization and constitutional law, and other prominent leaders from across the U.S. non-profit sector. All members served without compensation.

ECFA, founded in 1979, provides accreditation to leading Christian non-profit organizations that faithfully demonstrate compliance with the ECFA standards pertaining to financial accountability, fundraising and board governance. For more information about ECFA, including information about accreditation and a listing of ECFA-accredited members, visit ECFA.org or call 800.323.9473. Dan Busby is president of ECFA.