

**Background Questions and Answers on Letters to Six Media-oriented Ministries  
from Sen. Chuck Grassley, Ranking Member, Committee on Finance  
Nov. 1, 2007**

**Q1. How did Sen. Grassley choose the six ministries that will receive his letters?**

**A1.** Over the last few years there has been an increasing amount of disturbing news coverage regarding potential abuses by many ministries. Sen. Grassley, via his Finance Committee staff, chose the six ministries based on information provided to his staff by interested third parties, published news reports, and television news stories. Some of the accounts were disturbing because there continues to be a lack of transparency regarding how these ministries spend millions of dollars, and as an industry, billions of dollars that have been exempt from federal tax.

**Q2. What will happen if the ministries don't give Sen. Grassley the information he's seeking?**

**A2.** He expects full cooperation. It's very rare for him as ranking member of the committee, and chairman prior to becoming ranking member, not to get full cooperation with information requests.

**Q3. What will happen if he receives the information he's seeking?**

**A3.** Sen. Grassley's staff will review all of the documentation received and try to determine if there have been any abuses or possible violations of current tax law that should be referred to the appropriate enforcement agency. His committee staff also will consider whether any of the organizations have taken actions that may go against the spirit and intent of the law, and perhaps will consult with outside experts for advice. It's often the case that such investigations yield actions that are perfectly legal but shock the conscience and thereby highlight shortcomings in current law or in the enforcement of that law. But until the information is received and a review takes place, it's premature to say what future actions Sen. Grassley will take.

**Q4. Will the committee have hearings on this topic?**

**A4.** As ranking member, Sen. Grassley performs oversight through many means. Correspondence is the most common and often the most effective way of conducting oversight. Interviews of interested parties and witnesses have been helpful as well. Whether there is merit to having a hearing will depend on how the investigation unfolds and, of course, the consideration of the committee chairman.

**Q5. Will Sen. Grassley or others propose legislation dealing with ministries?**

**A5.** Whether any legislation is necessary will depend on the findings of the investigations and also the ministries' response. Sen. Grassley has been very effective in encouraging non-profit groups to perform significant reforms on their own initiative after

he's brought to light issues of concern. Examples are the Nature Conservancy, Red Cross, United Way, and the Smithsonian. All of these organizations conducted extensive reforms after Sen. Grassley's oversight. (Of note, only one of those involved a hearing, and that was on the Nature Conservancy, after reforms already were in place.)

**Q6. What is Sen. Grassley's goal – to get ministries to comply with the law as it's currently written, or to show members of Congress that ministries can perform in ways that other non-profits can't and maybe should face more transparency, at least?**

**A6.** Both. Sen. Grassley hopes all ministries comply with the current tax law. However, it may be that the law, enforcement of the law, and oversight have not kept up with a rapidly changing field. Based on initial review, the way ministries operate has changed significantly over the last 20 years to 25 years, while the tax laws governing them for the most part have not. Media-oriented ministry, formerly referred to as televangelism, is now a billion-dollar industry that receives little or no oversight by the IRS, the organization responsible for enforcing the tax laws. The IRS' tax-exempt and government entities division has been unable to keep up with the exponential growth of all tax-exempt organizations, including churches and ministries. Since ministries, several of which operate under the auspices of a church, are not required to file Form 990 like other non-profit organizations, taxpayers have no idea how their tax-exempt dollars are being spent. In addition, some ministries refuse to provide donors and other interested parties a detailed accounting of how they spend donations, thereby making it nearly impossible to determine if they are adhering to the tax laws. Across the broad spectrum of media-oriented ministries, it appears that at least several ministers are operating more like corporate CEOs, living in million-dollar mansions and driving \$100,000 cars with very little accountability to donors or to the government. Not only is there a transparency issue, but also there are concerns that several ministries appear to have little or no real board governance. In those cases, the board of directors appears to be comprised of family members and close friends who in some cases receive some type of benefit by being on the board. In addition, some ministries also operate publishing companies, recording studios and a host of for-profit companies for which there is little or no oversight. Sen. Grassley hopes to bring these issues to light not only to Congress, but also to taxpayers as well. That's been his goal for all of his scrutiny of non-profit practices in various fields over the past several years.

**Q7. Does Sen. Grassley anticipate sending more letters – is this a rolling project?**

**A7.** Although Sen. Grassley currently has no plans to send any additional letters, the door is open for additional inquiries as needed. As previously stated, he and his staff have received reports of abuses and possible tax violations by numerous ministries. Typically, once an investigation gets under way, various interested parties send additional material to the committee.

**Q8. Do we know of instances of the federal tax code being violated, skirted, or abused, either covered in the six letters or beyond?**

**A8.** As previously stated, it has been reported to Sen. Grassley that there has been substantial abuse of the tax law by several ministries. There is a broad range of alleged abuses, including excessive executive compensation; excessive parsonage allowances; parsonage allowances for family members; the personal use of assets belonging to the tax-exempt organization; the transfer of assets; and unreported income. It appears that several ministers are treating these ministries as if they are their private companies. However, there are specific tax laws that govern tax-exempt organizations, and Sen. Grassley wants to ensure that ministries are adhering to the laws applicable to them. The federal tax code speaks specifically to the prohibition of private inurement and private benefit. This means that the assets and income of a tax-exempt organization are to be dedicated solely for the benefit of a broad charitable class of beneficiaries -- that is, the public. In other words, there is to be no element of private gain. The thought is clear in a declaration of the IRS Office of the Chief Counsel: "The inurement prohibition serves to prevent anyone in position to do so from siphoning off any of a charity's income or assets for personal use." As mentioned earlier, in addition to clear instances of illegality, Sen. Grassley intends to explore instances in which activities may be allowable under the law but go against commonly used principles of appropriate conduct for tax-exempt groups in exchange for the billions of dollars of tax breaks they receive.