

offshore tax transactions, Grassley clip out of context

Written by Grassley Press
Thursday, 12 July 2012 13:53

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Wednesday, July 11, 2012

Sen. Chuck Grassley of Iowa is receiving media questions about a new video from President Obama's campaign that includes a Grassley clip. The following is a statement from a Grassley spokeswoman:

"The video clip lacks any context and is blatantly misleading. In the clip, Sen. Grassley is talking about tax policy for tax-exempt organizations. The ad is talking about tax policy for other kinds of taxpayers.

"The Grassley clip comes from a March 2010 nomination hearing in the Finance Committee. In his comments and questions, Sen. Grassley was revealing that President Obama's nominee for Treasury Under Secretary of Domestic Finance – Jeffrey Goldstein – was a partner in a firm that engineered offshore accounts for tax-exempt organizations/businesses to avoid Unrelated Business Income Tax (UBIT), even while President Obama had attacked offshore vehicles for avoiding taxes."

Background:

The hearing record is available [here](#). Sen. Grassley's back-and-forth with Jeffrey Goldstein is on pages 13-16 and pages 75-81.

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Sen. Grassley's oversight of UBIT goes back to his reviews of tax-exempt hospitals and other nonprofit oversight. A Finance Committee [hearing](#) in 2007 highlighted how charities avoid taxes with offshore funds. This testimony led to Sen. Grassley's oversight of tax-exempt university endowments. UBIT is designed for tax-exempts that engage in commercial activity. Boys and Girls Club is a good example, as it's used offshore tax havens to shield otherwise taxable income from taxation. Boys and Girls Club is not only tax-exempt but also receives taxpayer funded federal grants.

In August 2011, Sen. Grassley wrote to President Obama asking for his definition of tax loophole (below). The Treasury Department responded, saying it agreed with Sen. Grassley that tax loopholes are unintentional benefits derived by taxpayers who may have found a way to game the system.

For Immediate Release
Tuesday, Oct. 18, 2011

Grassley Urges Attention to Charitable Loophole Subsidized by Taxpayers

WASHINGTON – Sen. Chuck Grassley of Iowa today urged the Administration and congressional colleagues to take action to limit or close a charitable loophole that taxpayers heavily subsidize yet results in financial gains for a few principals and very little money for charities. At a Finance Committee hearing today, Grassley gave the example of the George Kaiser Family Foundation, which is in the news as a key investor in the now-bankrupt Solyndra solar energy company.

Grassley said the George Kaiser Family Foundation converted from a private foundation to a supporting organization about ten years ago, as reported by *The New York Times* in 2005. He said if the organization had remained a private foundation, it likely would not have been able to invest as much as it did in Solyndra or the other private equity or hedge funds in which it invested. It also would have been subject to strong restrictions on self-dealing and excise taxes on its investment income. The donors who contributed \$1 billion in cash and securities, including non-publicly traded securities, over the past three years would have been subject to lower limits for deductibility if it had remained a private foundation.

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“So, with Solyndra, the government didn’t just lose out on its investment through the \$535 million loan guarantee,” Grassley told the Finance Committee. “It also lost out on the tremendous subsidy it provided the George Kaiser Family Foundation through the charitable contribution deduction.”

Grassley urged the Finance Committee leaders, as they schedule tax reform hearings, to schedule a hearing “to examine the standards for tax exemption and the increasingly blurred line between public charities and private foundations.” Grassley also wrote to the Treasury secretary and the IRS commissioner, citing the George Kaiser Family Foundation example and urging them to finish a long-overdue study on appropriate pay-out rates for supporting organizations.

Grassley wrote in his letter, “The study was intended to inform the Treasury as to what was an appropriate pay-out level. The idea was that the pay-out requirement should be no less than what is required of private foundations since these supporting organizations were clearly formed to skirt the private foundation rules. If the Administration is serious about closing loopholes, it should prioritize the completion of the study and the finalization of the pay-out rules for those supporting organizations Congress deemed to be exploiting the tax code. Both of these will be helpful as Congress continues to consider tax reform.”

Grassley is a senior member and former chairman and ranking member of the Finance Committee, with exclusive Senate jurisdiction over tax policy.

Grassley’s statement at the Finance Committee today is available [here](#) .

Grassley’s new letter to the Treasury and IRS is available [here](#) .

Grassley’s staff analysis of the George Kaiser Family Foundation is available [here](#) .

Grassley’s Aug. 11, 2011, letter to President Obama on the definition of tax loopholes is available [here](#) .

Treasury’s Oct. 3, 2011, response is available [here](#) .

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The Grassley-Baucus 2005 letter to Treasury regarding supporting organizations and a related press release are available [here](#) .

-30-