

E. Referrals to Other Committees

1. Possible Misuse of Tax Exempt Organizations

In the course of its investigation, this Committee uncovered numerous instances of nonprofit organizations that appeared to be involved in activities unrelated to their mission as described to the Internal Revenue Service. In addition, the Committee observed that a number of nonprofit organizations were used as instruments to channel money from one entity to another in an effort to obscure the source of funds, the eventual use of funds, and to evade tax liability on funds. Finally, the Committee also observed tax exempt organizations apparently serving as or being used as extensions of for-profit lobbying operations.

Recognizing that oversight of nonprofit organizations under the Internal Revenue Code is not within the jurisdiction of the Senate Committee on Indian Affairs, the Committee, at the request of the Senate Committee on Finance, transmitted a number of relevant documents pertaining to this issue to the Senate Committee on Finance on February 9, 2006. Those documents are included in this Report in the supporting documents following the text of the Report.

The Committee believes that the evidence it uncovered raises serious issues involving nonprofit organizations, not only with regard to compliance with existing federal revenue laws, but also with regard to whether existing federal revenue laws should be altered to prevent or discourage such activity. The Committee therefore recommends that the Senate Committee on Finance investigate, hold hearings, and report to the Senate on its findings and recommendations on these issues.