

## **Coburn Amendment 751 — To Require a Report from the Treasury Department on the Abuse of Tax Exempt Status by Charitable Organizations**

On March 31, 2013, the ESPN investigative unit “Outside the Lines,” released the findings of an in-depth look into 115 charitable organizations founded by prominent athletes.

ESPN provides extensive details of the investigation, which revealed “74 percent of the nonprofits fell short of one or more acceptable nonprofit operating standards.”

During a time of fiscal scrutiny and budgetary shortfalls, Congress and the administration should work together to ensure tax benefits intended for charity are not abused as tax havens for the well-to-do.

This amendment would require the Treasury Department to submit to Congress a report regarding charitable organizations taking advantage of the tax-exempt status in the tax code.

### **ESPN’s investigation raised cause for concern regarding the tax filings of many charitable organizations.**

For example, several charitable organizations stopped filing tax returns altogether, while others provided misinformation on their IRS filings. In one instance, a phone number provided to the IRS by professional football player Randy Moss’ charities “...rings to a private residence in Manitoba, where a woman who answered the phone said, over dogs barking in the background, that she’s never heard of Randy Moss.”

In yet another case, the IRS eventually revoked the tax-exempt status of famous Yankees player Alex Rodriguez’s two charities, which had failed to file a tax return since 2006.

In some examples, “Outside the Lines” work found some athlete “charities” had given very little grant money or charitable assistance or had very little cash on hand with which to provide assistance to those they promised.

There is an appearance that some star athletes are using the organizations not only as tax havens, but as a way to pay for lavish spending habits and entertainment activities—all while receiving special tax-exempt status from the federal government.

Los Angeles Lakers basketball star Lamar Odom's cancer research charity has failed to provide "a dime in grant money to any cancer entity in its eight-year history." ESPN explains, "But eight years of tax records reveal that Cathy's Kids never gave any grant money to cancer-related causes and that the charity primarily existed to finance two elite youth basketball travel teams. Of the \$2.2 million raised by the charity, at least 60 percent -- \$1.3 million -- went to those AAU teams."

While middle class families are struggling to make ends meet and pay their share of taxes, it is outrageous well-to-do superstars are evading paying taxes by harboring income in fake charities that benefit few others than the stars themselves.

**This amendment requires Treasury to provide Congress with the following information:**

- (1) The number of charitable organizations and the number that existed ten years ago;
- (2) The number of charitable organizations that have had their tax exempt status revoked each year since 2007;
- (3) The number and nature of allegations of problems made to the Internal Revenue Service with respect to charitable organizations that were founded by prominent athletes, and a description of any actions taken by the Internal Revenue Service in response to any such allegations;
- (4) A description of the challenges to the Internal Revenue Services in overseeing such organizations;
- (5) The number of criminal investigations of charitable organizations conducted by the IRS since 2010; and
- (6) An explanation of any problems the Internal Revenue Service has had with United States Attorneys in prosecuting any criminal violations by charitable organizations.