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Organization Trends

Nonprofits in the Crosshairs

A U. S. Senator Targets Abusive Charities

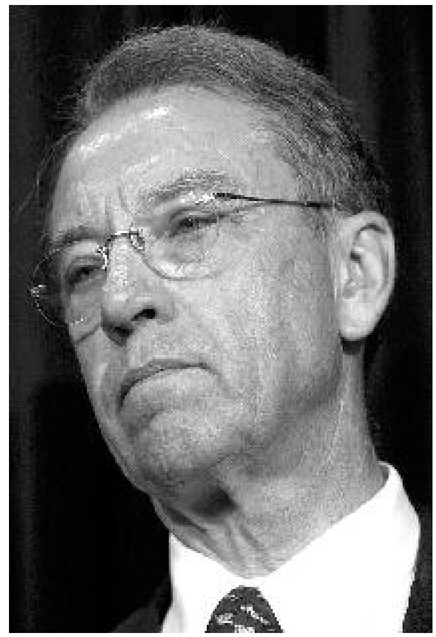
By Robert Huberty

Summary: *Americans support charity more than ever before. But a recent hearing of the Senate Finance Committee reveals that the nonprofit sector has been growing so fast that charity abuses are out of control. It's a serious problem. However, are restrictive new laws the answer?*

It was the start of the Senate Finance Committee's April 5 hearing examining nonprofits and tax policy. To make a point about the abuse of laws governing American charity, committee chairman Senator Charles Grassley (R., IA) posed with the mounted head of a South African springbok, a type of antelope.

Apparently, charity tax laws were letting big game hunters write off the cost of their safaris by giving them hefty tax deductions for donating their mounted trophies to charity. Senator Grassley referred to a story that by strange coincidence appeared in that morning's *Washington Post*. It described 800 stuffed animals that cluttered an old railroad car, part of a "wildlife museum" on the Nebraska-Wyoming border. In 2004 appraisers contacted the museum's officials and a safari hunters' organization. They valued the donated game at $5 million, many times their market value, allowing the hunters to take top dollar deductions while giving the museum a ready source of non-cash gifts for display or sale. "The phoniness of this kind of donation calls out for congressional action," said Grassley.

Grassley called on a parade of witnesses to testify to various charity scams. All made the point that more needed to be done. The leadoff witness, IRS Commissioner Mark Everson, claimed charities were subject to rampant abuse.



Big game hunters write off safaris by donating to charity mounted trophies of prey like the South African springbok. Now Senator Charles Grassley has abusive nonprofits in his own sights. But is he aiming at too broad a target?

- The IRS had found evidence after September 11 that terrorist activities were financed under the cover of charitable giving.
- It was auditing owners of land and historic buildings who were taking illegitimate deductions by donating easements (restrictions on the development of their property) to which they were not entitled.
- Following up on an extraordinary *Washington Post* investigation of the Nature Conservancy (published May 4-6, 2003), the IRS was looking into charities that sold easement properties for less than the price they paid, and then allowed buyers to make up the difference with a second payment designated as a tax-deductible charitable contribution.
- The IRS was also investigating excessive nonprofit salaries, trustee fees and nonprofit loans to insiders. The *Boston Globe* had run a noteworthy series on these abuses in 2003.

Everson said the IRS staff was overwhelmed. The nonprofit sector had almost

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$3 trillion in assets. The agency had declared more than 300,000 new organizations to be tax-exempt since 2000, increasing the IRS master file to 1.8 million tax-exempt entities. 501(c)(3) charities alone had increased from 626,000 in 1995 to 964,000 in 2003. Everson said his agency had too little money and too few auditors to monitor nonprofits effectively.

George Yin, chief of staff of Congress' Joint Committee on Taxation, spoke next. He reviewed his Committee's staff "options" paper to improve tax compliance, published in January. At over 400 pages, the report covered a range of proposals to overcome what the Tax Committee concluded was a $300 billion "tax gap" between what the government was owed and what it was collecting.

But it was the 120-page section on exempt organizations that sent shivers through the nonprofit world. Among other things, it proposed limiting taxpayer deductions for non-cash gifts to the donor's cost, rather than to appraised fair market value. Yin argued that fair market value was too hard to determine, prone to overvaluation and cost the federal government significant tax revenue in excess deductions. He thought putting the squeeze on non-cash giving would generate more gifts of cash and publicly traded stock (and fewer gifts of over-valued stuffed antelope).

Congress had already cut used-car donations, limiting the taxpayer's deduction to the donated vehicle's sale price, rather than to its appraised value. Yin offered other ideas: To limit overvaluation of non-cash gifts of clothing and household items he suggested capping the tax deduction for these items at $500. Here was a proposal sure to distress the Goodwill Industries and Salvation Army officials attending the hearing.

Hey, Look Me Over…Every 5 Years

But the most controversial proposal, at least for conservative donors and policy organizations, was a suggestion that the IRS review the tax-exempt status of private foundations and public charities every five years. Instead of evaluating a nonprofit's initial application for tax-exempt status, then reviewing an annual IRS Form 990 itemizing the group's finances, the Joint Tax Committee paper proposes that the IRS develop an ongoing process of assessment. It says a five-year review of the mission, achievements and planned activities of a nonprofit will help the IRS better evaluate whether a tax exemption—and the donors' tax deduction—is merited.

The paper admits that an already overextended IRS can hardly monitor every charity, but it observes that "the process of submitting a five-year review filing should have a salutary effect on an organization's annual compliance efforts and also would require an organization to articulate and reveal for scrutiny the basis for its continual exemption from tax."

Those are chilling words to conservatives. Coalitions for America, a 501(c)(4) lobby organization, has assembled a group of conservative leaders to protest this and the other ideas floated in the Senate. On April 27 they sent a letter of "deep concern" to Senate majority leader Bill Frist urging him to squelch the Grassley effort by refusing to let his proposals reach the Senate floor. The signers include Coalitions chairman Paul Weyrich, also president of the Free Congress Foundation; Focus on the Family chairman James Dobson; American Conservative Union chairman David Keene; Leadership Institute president Morton Blackwell; Philanthropy Roundtable president Adam Meyerson; and 67 others, including the heads of the Christian Coalition, Family Research Council, Concerned Women for America, American Family Association, Traditional Values Coalition, and the Institute for Justice.

Their letter cautions that the staff proposals placed severe regulatory burdens on charities. Additional filing requirements would especially affect small charities and discourage donors from setting up family foundations; restrictions on non-cash contributions would inhibit giving; and potential charity board members could be frightened away by new legal liabilities.

One proposal seems to them particularly outrageous. The Finance Committee's "discussion draft" paper proposes a way to help the IRS handle the vastly expanded new responsibilities accompanying a five-year review: The IRS could authorize private accrediting agencies to decide whether charities are fulfilling their mission. The paper notes that many states already rely on private agencies to accredit zoos, nonprofit hospitals and universities.

But the Coalitions letter says private accrediting agencies could be politicized and it warns against giving them "arbitrary authority over public charities." Is it too far-fetched to imagine the IRS selecting a Ford Foundation-funded group to decide on the tax status of the Heritage Foundation?

A Parade of Horribles

One major problem facing critics of the Finance Committee's undertaking is the undeniable fact that there are lots of colorful charity swindles. And many charity executives are not like Mother Teresa.

Minnesota Attorney General Mike Hatch spoke for many politically ambitious state attorneys general (like New York's Eliot Spitzer) when he testified to the problems states encounter in monitoring nonprofits. For instance, Hatch described his efforts to supervise Allina Health Systems, a 501(c)(3) public charity with a $2.6 billion budget. Allina controls numerous for-profit companies and nonprofits. According to Hatch, Allina resisted his office's demands for information. He claimed it was guilty of giving its trustees and executives excessive salaries and perks ("They spent over $16,000 on golf, including over $2,000 in golf lessons, $1,700 in spa charges, and $2,400 for a jeep tour.").

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Address:

1513 16th Street, N.W.

Washington, DC 20036-1480

Phone: (202) 483-6900

Long-Distance: (800) 459-3950

E-mail Address:

rbidinotto@capitalresearch.org

Web Site:

http://www.capitalresearch.org

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Hatch noted that it was standard practice for nonprofit hospitals to charge the uninsured working poor far higher rates for medical treatment than they charged persons covered by HMOs, insurance companies or the government. How was this consistent with a nonprofit hospital's mission to serve the needy? Nonprofit hospitals answered that "charity care" was when they billed the government for Medicare and Medicaid reimbursement or cancelled an uninsured patient's bad debt—an answer Hatch found to be outrageous.

Another witness focused on foundation abuses. Attorney Richard Johnson described the troubles at the Maddox Foundation, founded in 1988 by a wealthy Nashville, Tennessee couple who died in a 1998 boating accident. A lawsuit filed by one of two remaining trustees charges that the foundation's president, Ms. Robin Costa (the other trustee) ignored the couple's intentions by cutting gifts to local Nashville church charities they favored. The suit says Costa illegally moved the foundation to Mississippi and mismanaged its assets by having it purchase professional hockey and football teams. According to news reports, the lawsuit has pit Tennessee probate courts that agree with the suit's allegations against a Mississippi court, which finds Costa did no wrong. With $100 million in assets, the Maddox Foundation is now one of Mississippi's largest charitable organizations and many of the state's leaders are loath to see it dragged back to Tennessee. The case is likely to go to a federal court. Attorney Johnson said more transparency and disclosure rules could have prevented the Maddox debacle.

Donor-advised funds and supporting organizations were the topic of witness Jane Gravelle's testimony. Gravelle, a policy specialist at the Congressional Research Service, explained that these nonprofit entities allow donors to take a tax deduction for gifts that don't immediately go to a charity. Like private foundations, both permit the tax-free accumulation of assets. However, unlike private foundations, neither is required to make a minimum payout. The Senate Finance draft document proposed that donor-advised funds be required to make the same 5 percent minimum payout as private foundations.

Gravelle said both types of nonprofit are growing rapidly in numbers and asset size. For instance, the Fidelity Charitable Gift Fund has over 30,000 individual accounts and total assets of $2.4 billion. She speculated that gifts to donor-advised funds could actually hurt charities: By providing an immediate tax deduction for gifts to a fund, donors had an incentive to delay making direct gifts to charities. She also warned that the funds could engage in self-dealing. Her example: a donor who directed his fund to pay him and his family to snorkel the reefs of Cozumel in order to determine the amount of reef damage before he had the fund provide a grant for reef restoration.

Gravelle also testified that, unlike private foundations, donor-advised funds let donors take a deduction on the appraised fair market value of appreciated property and non-cash gifts rather than on their cost basis. Like George Yin, she questioned whether this was good public policy. IRS commissioner Everson made a similar point. The question, he said, was not merely whether some donor deliberately overvalues "Grandma's painting" to take a big tax deduction. The real issue is whether the economy and the charitable sector are distorted—and government tax collectors short-changed—when donors take advantage of the nonprofit sector's imprecise tax rules.

A proposal that the IRS review the tax-exempt status of private foundations and public charities every five years has sent shivers through the nonprofit world.

According to the IRS, overstated deductions in the tax-exempt sector cost the federal government $15 to 18 billion of the $300 billion "tax gap." A federal government hungry for new revenue has its eye on that money. Indeed, some critics of the Grassley initiative suspect that filling government coffers rather than correcting nonprofit abuse is inspiring support for any new nonprofit legislation.

Bipartisan Push-Back

It was clear that Senator Grassley was running the show. When it came time for the senator's colleagues to ask questions they acknowledged his fairness and sincerity. But they were not inclined to agree with his conclusions.

The push-back was bipartisan. West Virginia Democrat John D. Rockefeller IV described the importance of charities to his poor state and recalled his own family's philanthropy. He said Democrats would protect the nonprofit sector against false charges. Vermont's Jim Jeffords warned against attempts to restrict non-cash contributions of land at less than fair market value. Kentucky Republican Jim Bunning wondered what was wrong with using property assessments to determine the value of land gifts. He also suggested that a more detailed IRS Form 990 would be more useful than a five-year review. Pennsylvania Republican Rick Santorum cautioned that any new legislation could put more than one million nonprofits in a straitjacket of prescriptive rules and might have terrible unintended consequences on the lives of the needy.

Santorum is perhaps the senator most troubled by Grassley's drive to reform the laws affecting charity. Like Grassley, he has a keen interest in strengthening America's charities. He is the prime mover behind the CARE (Charity Aid, Recovery and Empowerment) Act to increase incentives for charitable giving and encourage religious charities to participate in government-funded social service programs. Santorum's legislation passed Congress by overwhelming margins in 2003. However, Santorum's prepared statement noted (in oddly accusatory passive voice) that "the bill was chosen as the first bill to not be allowed to go to conference after passage by both chambers and thus prevented from becoming law in the last Congress."

Santorum's clear intent is to increase charitable activity and the CARE Act is his attempt to carry forward the Bush Administration's "faith-based initiative" to promote a "compassionate conservatism." By contrast, the Grassley hearings seem to warn senators that the charitable sector is growing so fast that abuses are out of control. The thrust of the witness testimony: Self-regulation is not enough; the federal government is losing revenue to charity-abusers.

Santorum answers that new laws are unnecessary. What is needed is better law enforcement. There seems to be bipartisan agreement that the IRS needs more money. The Bush Administration wants a 4.3 percent increase in the IRS budget for FY 2006 (to $10.8 billion), and includes a nearly 8 percent increase of $500 million for enforcement (with $14.5 million for the tax exempt area). The IRS also plans to add 77 auditors to the 467 currently detailed to handle nonprofits.

What's Next?

The Grassley hearings were well attended. So many charity officials, lobbyists, nonprofit tax lawyers and accountants turned up that I was forced to watch the hearings on video in an overflow room. Nonprofit groups continue to monitor the Committee's work intently and they are pouring out advice.

Grassley has asked Independent Sector to hold field hearings in more than a dozen cities on what he should be doing. This association of about 500 charities, private foundations and corporate grantmakers, mostly large and liberal, will issue a final report this month.

However, in a preliminary March draft, over 260 organizations endorsed more self-regulation, more explicit disclosure rules and higher penalties for nonprofit abuses. The groups include AARP, the Council on Foundations, Pew Charitable Trusts, Tides Center, Guidestar, Goodwill Industries and the Nature Conservancy. Their report does not endorse the Committee's proposed five-year IRS filing. Nor does it support the scrapping of fair market deductions for non-cash gifts.

Senator Santorum has asked for the Philanthropy Roundtable's analysis of the committee proposals. The Roundtable, a national association of 500 more conservative foundations and family philanthropies, has issued its own response (see www.philanthropyroundtable.org). It also helped form a coalition, the Alliance for Charitable Reform (ACR), which offers detailed objections to the proposals (see www.acreform.com).

ACR rejects limits on fair market deductions for non-cash gifts, the five-year IRS review and public disclosure of all information filed by foundations and charities for IRS review, calling such proposals "pernicious." It opposes using private accreditors to review public charities, and it warns against "Sarbanes-Oxley-type" regulation on board size and trustee compensation and other "one-size-fits-all governance mandates." Says ACR director Sandra Swirski: "It is simply not the place of Congress or the IRS to police so intrusively the internal management and operation of charities."

In an April 4 *Wall Street Journal* op-ed, ACR co-founder Heather Higgins warned that under the Committee's extensive filing and disclosure proposals, "virtually anyone…will have standing to file a complaint—effectively transferring a policing function to any individual with an axe to grind."

What can we expect from the Senate Finance Committee?

Senator Grassley may introduce legislation at the end of June after the committee holds another hearing to consider land and easement issues. The IRS could issue final recommendations. Rep. Bill Thomas, chairman of the House Ways and Means Committee, held his own hearings on the tax-exempt sector in late April.

The legislative sausage factory is starting up. What it will produce is anyone's guess—and nonprofits are holding their collective breath. ***OT***

***Robert Huberty** is Executive Vice President and Director of Research for the Capital Research Center.*

Allegheny Armageddon?

Pennsylvania Loggers Fight Greens Over the Future of National Forests

By Samuel A MacDonald

Summary: *In his important new book,* The Agony of An American Wilderness *(Rowman and Littlefield, 2005), Samuel A. MacDonald examines a pivotal new battlefield that may determine the fate of American environmentalism: the Allegheny National Forest, and the fight there between green groups and loggers.This article is adapted from the book's Introduction.*

"Land of Many Uses"? Not if green groups have their way.

On August 11, 2002, an activist (or activists) affiliated with the Earth Liberation Front (ELF) torched a United States Forest Service research laboratory in Irvine, Pennsylvania, on the outskirts of the Allegheny National Forest. The firebombing did $700,000 damage, but that was just the beginning. A few days later the *Warren Times Observer* received an anonymous e-mail claiming responsibility. Its author(s) promised to burn the facility again if the Forest Service rebuilt it. And for the first time in the group's history, ELF threatened to shoot people who did not heed its call for environmental purity.

This salvo opened a new front in the great American timber war. The most radical form of environmental activism had finally migrated from the California redwoods to the Pennsylvania hardwoods.

The ELF firebombing was only the latest manifestation of the Green movement's growing presence in northwestern Pennsylvania. More peaceable activists have been battling for control of the Allegheny for almost a decade, shocking locals with a series of lawsuits, sit-ins and protests. Major media outlets have largely ignored the growing conflict, perhaps because it challenges much of the conventional wisdom that serves as the basis of standard environmental reporting: It is not in the right place, it involves the wrong kind of forest and it is poses uniquely complex questions about justice, science and humanity's role in nature.

But the Allegheny crisis is more than an eastward expansion of the West Coast's timber wars: it is the harbinger of a new level of radicalism that ultimately will test the limits of the American environmental movement. That's because many of the questions that defined the West Coast timber wars have gone unanswered.

It is a new front in the great American timber war. The most radical form of environmentalism has finally migrated from the California redwoods to the Pennsylvania hardwoods.

What do citizens want from their national forests? Can logging coexist with recreation? How important are non-economic benefits such as aesthetics? These questions address concerns that are fundamental to defining American environmentalism. And the Allegheny National Forest has become the battleground where warring factions of environmentalists and loggers may resolve those questions for all of us—for better or for worse.

The 1990s were heady times for environmentalists. One of their foremost achievements was convincing the average American that there is intrinsic value in "old-growth" forests. Protecting "the last best places on earth," a familiar Sierra Club mantra, became a template for environmental activism—a movement fueled by the controversial, albeit wildly successful, effort to set aside millions of acres for the northern spotted owl. The ongoing controversy surrounding oil drilling in the Arctic National Wildlife Refuge fits the same script: Critics oppose drilling because humanity has never sullied that landscape. As one of the last pristine places, they say, it deserves special protection.

But the battle for the Allegheny Forest stands much of that logic on its head, because environmentalists are not talking about saving a pristine wilderness. They're talking about returning a *developed local economy* to a state of primitivism.

This brings the national environmental debate much closer to home. The Arctic National Wildlife Refuge and the virgin forests of the Pacific Northwest are far removed from the seats of American power. Part of

Activists want to rid the Allegheny Forest of its valuable black cherry trees their presumed value resides in that very remoteness and their supposedly tenuous existence as the last shrinking vestiges of an endangered environmental heritage. By contrast, approximately one-third of all Americans live within a day's drive of the Allegheny. It is less than five hours from Washington, D.C.

Moreover, rather than being one of the "last best places on earth," the Allegheny already looked more like one of the "first worst" by the time anyone considered protecting it. Activists interested in saving western Pennsylvania's old growth are at least a hundred years too late. When the Forest Service began buying the land in the 1920s, observers derided the scarred hillsides as the "Allegheny Brush Heap." Unprecedented industrial exploitation had chased the deer, elk, turkey and almost every other species out of the region. The trees were gone. Even the dirt was washing away.

And then came what many consider to be an unprecedented environmental success story. A century later, those animals are back. They live in a forest so unique that foresters had to invent new term—Allegheny hardwoods—to describe it. That miraculous rebirth has been matched by an equally stunning economic conversion. The trees that grew to replace the original ones, particularly the region's unmatched black cherry, are so valuable that of America's155 national forests, the Allegheny is one of the few with a timber program that consistently turns a profit.

Inset: A Pennsylvania map showing the vast area of the Allegheny National Forest

The forest is currently home to small towns, and more oil and gas wells than all the other national forests combined. A paper mill on the forest's eastern border produced every page of every Harry Potter book ever printed.

Many locals thought that their efforts to balance the Allegheny's undeniable environmental improvement with the material demands of modern society would insulate them from the political upheavals playing out in the Pacific Northwest, home of most America's remaining old-growth forests. They were wrong. In fact, the very nature of their efforts to maintain that balance has made the forest an important tipping point in the battle for the American landscape.

People who view logging as a critical facet of the Allegheny's future are now convinced that the environmental agenda they face is far more radical than the one loggers faced in the Pacific Northwest. On June 8, 1998, the *Pittsburgh Post-Gazette* quoted one of four Earth First! activists arrested during the group's first protest in the Allegheny region: "The Allegheny, because of its prized hardwoods, especially the black cherry, is the biggest timber moneymaker of all our national forests," he said. "If we can stop logging there, we can stop it everywhere."

Even individuals in the "green" camp have to admit that, as a goal, "stopping it everywhere" is entirely different than what activists were seeking in the highly publicized spotted-owl case in the early 1990s. At that time, mainstream environmental groups contended that they sought to stop cutting in areas supposedly critical as owl habitat. Only the most radical activists espoused a "zero-cut" philosophy—agitating to end *all* timber harvesting on federal land, no matter how limited or well-planned.

That changed in 1996 when the Sierra Club membership—buttressed by a string of successful campaigns and encouraged by more ambitious activists in their midst—voted to adopt "zero cut," a total ban on logging, as their overarching goal for national forests. An agenda previously limited to the radical fringe had found a home in America's most prominent environmental organization.

The Sierra Club's embrace of "zero cut" was mirrored across the country. In the Allegheny National Forest region, a group called the Allegheny Defense Project (ADP) began agitating against the forest's timber program in 1994. Consisting largely of two young activists from outside the region and a few local individuals, and backed by a zero-cut Indiana-based umbrella group called Heartwood, ADP activists filed their first anti-logging lawsuit against the Allegheny in 1997.

ADP also received early financial support from the Pittsburgh-based Heinz Endowments in the form of a direct $40,000 grant. More importantly, Heinz made a

Long-time environmentalist Jim Kleissler is the Forest Watch Director of the Allegheny Defense Project

large contribution to the University of Pittsburgh School of Law to establish the Environmental Law Clinic. The head of the clinic agreed to represent the activists on a *pro bono* basis. As a result, the ADP has never paid a penny for the legal services required to file a series of complex cases against the Forest Service.

Zero cut represents a radical new environmentalist demand, and has infused the conflict over national forests with a whole new level of animosity. The timber community, always wary of environmental activism, now have even less incentive to come to the table. Why should loggers give an inch to moderate environmentalists when they know that zero-cut groups will not stop litigating until logging ends altogether? Seeing that the battle is all or nothing, they have dug in their heels. Meanwhile, more moderate activists who had either resisted or abandoned the zero-cut agenda because of its polarizing effects are now stuck negotiating with a logging community that knows the lawsuits will never stop.

That's because the activists do not want to simply save the Allegheny. They want to "restore" it. But restore it to what? At what cost? Why? And is it even possible? Many reputable foresters argue that pollution, an overpopulation of deer and 150 years of human impact

"The Allegheny, because of its prized hardwoods, especially the black cherry, is the biggest moneymaker of all our national forests," said one activist. "If we can stop logging there, we can stop it everywhere."

Heinz has since stopped supporting the ADP and has distanced itself from the Environmental Law Clinic, choosing to support "sustainable forestry" efforts instead of zero cut. But local loggers complain that the damage has already been done—and not only to their own economic fortunes.

Within three years of ADP's initial 1997 lawsuit, the amount of timber sold off the Allegheny plummeted by 95 percent. Mirroring the flare-up over the spotted owl, Allegheny residents suddenly discovered that their forest was home to an "endangered" Indiana bat. Despite the fact that the Indiana bat does not require "old growth" to survive—the forest service tracked the bat and found it feeding on a golf course—its existence led to a total moratorium on logging that lasted six months. Soon the forest's timber program—once the crown jewel of the federal system—was in shambles.

mean that restoring the Allegheny to pre-settlement conditions is not only ill advised, but impossible.

However, politically speaking, the activists are right. If they can stop logging on the Allegheny, they can stop it anywhere. So the future of American environmentalism—and of our national forests—may well be decided in northwestern Pennsylvania. ***OT***

***Samuel A. MacDonald** is a former newspaper reporter and Washington Editor of* Reason *magazine. He was born and raised on the Allegheny National Forest. He researched and wrote* The Agony of An American Wilderness *as a Phillips Foundation Journalism Fellow. The book is available in select bookstores, as well as online at Amazon.com and rowmanlittlefield.com.*

BrieflyNoted

Last month on this page we noted that the radically anti-capitalist **Rainforest Action Network (RAN)** had been pressuring **JP Morgan Chase Bank** to rewrite its lending policies to conform to the group's own environmentalist agenda. RAN had demonstrated at the bank's headquarters and picketed the home of its CEO, **William Harrison**. The **Congress of Racial Equality (CORE)** urged the bank to resist the pressure, saying, "We only hope you won't go wobbly on us." Well, it did. JP Morgan Chase has followed the examples of **Citigroup** and **Bank of America**, capitulating to RAN's demands. Among the concessions: tying power-plant loans to new carbon-dioxide emission standards, plus restricting loans for energy development and logging. **Fraser P. Seitel**, former senior vice president at Chase, criticized the bank for "sleeping with the enemy." In a *New York Post* op-ed on May 13, he wrote that in his day, the bank "refused to support any nonprofit group that rejected what our company stood for and fundamentally opposed capitalism. Subsidizing such groups would be akin, we felt, to 'feeding the hand that bites us,' and that's where we drew the line." Seitel adds, sadly, "Boy, how times have changed..."

Big banks are not the only representatives of corporate America to be appeasing the greens. In May, **GE** CEO **Jeffrey Immelt** announced a new initiative called "Ecomagination" -- a plan to double GE's budget for research into cleaner energy technologies, double revenue from products tapping renewable energy sources such as wind and the sun and reduce greenhouse gas emissions from its factories 1% by 2012. At Immelt's side during the press conference was environmental activist **Jonathan Lash**, head of the **World Resources Institute (WRI)**, who called for government action to address global warming. WRI receives funding from the **GE Foundation**. **Environmental Defense** promptly heralded the announcement, stating, "Corporate America and other American leaders are moving on global warming -- now it's time for Congress to do the same." The group noted that many other companies are also jumping on the green bandwagon. "In recent weeks, the CEOs of **General Electric, Exelon, Duke Energy** and **Xerox** have announced their support for limits to carbon dioxide emissions."

According to a recent issue of *Roll Call,* **Americans United to Protect Social Security** -- the biggest "independent" group opposing President Bush's plan to add private accounts to Social Security -- is having a tough time raising cash from big donors. The group is instead relying mainly on contributions from labor unions "and other liberal interest groups," the journal reported. "There are peaks and valleys in any issue campaign," spokesman Brad Woodhouse said. Notably AWOL on the Social Security front are major backers of soft-money groups such as **America Coming Together** and the **Media Fund**, including billionaire financier **George Soros** and his friend, insurance mogul **Peter Lewis**. The pair "appear to be proceeding cautiously so far this cycle as they strategize about where best to spend their money."

After a 20-month **Internal Revenue Service** audit, **People for the Ethical Treatment of Animals (PETA)** will be allowed to keep its tax-exempt status. The IRS review came in response to complaints by businesses such as **KFC** and **Ringling Bros.**, which have been targets of harrassment campaigns by the animal rights group. **The Foundation to Support Animal Protection**, PETA's supporting organization, also was audited and will keep its tax-exempt status.

This good news slipped by us. Last January, *New York Times* columnist **Nicholas Kristof** denounced the environmentalist-driven war against DDT, which has led to a resurgence of malaria. Surprisingly, when he called **Greenpeace** and the **World Wildlife Fund** for comment, spokespersons admitted DDT should not be banned. "South Africa was right to use DDT," said WWF spokesperson **Richard Liroff**. "In South Africa it prevented tens of thousands of malaria cases and saved lots of lives."Greenpeace spokesperson **Rick Hind** agreed. "If there's nothing else and it's going to save lives, we're all for it. Nobody's dogmatic about it." ***OT***