

June 8, 2007

The Honorable Henry M. Paulson, Jr.  
Secretary of the Treasury  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

**Re: Recent TIGTA Report and Charities**

Dear Mr. Secretary:

As charities dedicated to improving the human condition and advancing civil society, we are writing to object to the Department of Treasury's continued unfounded allegation that charities are a "significant source of alleged terrorist activities." Most recently, this unproven claim was made in the Treasury Inspector General for Tax Administration's (TIGTA) report of May 21, 2007. Treasury needs to recognize that charities are part of the solution and not part of the problem.

TIGTA accepted allegations of the Office of Foreign Assets Control (OFAC) that charities are a "significant source of alleged terrorist support." The report expresses concern about loss of public confidence in the charitable sector, but it is Treasury's overbroad and unsubstantiated statements that are the primary source of any such loss. The charitable sector has repeatedly objected to these broad accusations; Treasury has continued to publicize its allegations without ever providing evidence of widespread abuse. Instead, in a two-page Annex to its *Anti-Terrorist Financing Guidelines*, Treasury was only able to cite news reports about front organizations, primary non-U.S. groups, or the role of terrorist networks in areas affected by natural disasters. This use of secondary sources implies that Treasury does not have hard evidence of widespread terrorist abuse of charities. This is consistent with what we know about our sector's work – we do not support terrorism. We provide charitable services and conflict resolution training and aid in war zones, which addresses some of the root causes of terrorism.

The charitable sector works tirelessly to ensure that its funds are used for their intended charitable purpose. Daily more than 1 million 501(c)(3) organizations provide charitable services within their communities and throughout the world. Many of these activities act as a counter balance to terrorist influences. If some U.S. charities *are* involved in supporting terrorism, we want this activity stopped, and we want to know the circumstances so that other charities can identify potential dangers within their own organizations. We want those involved to be held accountable, and we want the financial

and institutional resources of the charity to be used for humanitarian purposes, not frozen indefinitely.

The U.S. charitable sector has treated the issue of potential diversion of resources to terrorists very seriously. A working group of over 40 nonprofit organizations and experts published *Principles of International Charity* in March 2005. The Council on Foundations and Independent Sector published manuals for their membership, and many grantmakers are now screening their applicants for potential terrorist connections.

Despite these good faith efforts, Treasury has not heeded our advice to withdraw its misguided *Anti-Terrorist Financing Guidelines*; to create transparent standards for designating organizations as supporters of terrorism; or to establish an independent review process for accused charities. Instead, we find past slanders repeated. This damages Treasury's credibility with the nonprofit sector.

The recommendations in the TIGTA report raise serious questions about the use of terrorist watch lists. The OFAC list has been used by businesses wishing to protect themselves from sanctions in ways that deny innocent Americans jobs, credit and other services because their names are similar to others who are on the list.<sup>1</sup> Expanding this faulty system by requiring the charity regulators in the Internal Revenue Service to use the much larger Terrorist Screening Center list could have similar widespread negative impacts on U.S. charities.

In addition, terrorist watch list checking has proven to be an ineffective method of identifying and addressing terrorist threats. Many U.S. grantmakers check grant applicants against such lists, spending thousands of dollars in the process, without ever having a positive match. The watch list checking approach just creates more problems than it solves.

When it comes to terrorism, the charitable sector is not the problem. We are part of the solution. It is time for Treasury to recognize this fact and cease all broadside accusations against the U.S. charitable sector. We call on you to issue a statement recognizing the importance of U.S. charities, both at home and abroad, and acknowledging that actual instances of terrorist abuse of U.S. charities is very limited.

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<sup>1</sup> *How a Treasury Department Terrorist Watchlist Ensnarers Everyday Consumers*, Lawyers Committee For Civil Rights of the San Francisco Bay Area, March 2007, <http://www.lccr.com/03%202007%20OFAC%20Report.pdf>, and

*Review of Terrorist Screening Center*, U.S. Dept. of Justice Office of the Inspector General Audit Division, Audit Report 05-27, June 2006, <http://www.ombwatch.org/npadv/2005dojtsrpt.pdf>.

Yours truly,

American Civil Liberties Union,  
Director Caroline Fredrickson, Washington Legislative Office

The Fellowship of Reconciliation,  
Mark C. Johnson, Executive Director

Fund for Nonviolence,  
Monica Larenas, Vice President

Global Fund for Women,  
Dale Needles, Vice President

Grantmakers Without Borders,  
John Harvey, Executive Director

Islamic Society of North America,  
Dr. Sayyid M. Syeed, National Director

Kinder USA,  
Dr. Laila Al-Marayati, Chairwoman

Life for Relief and Development,  
Ihsan AlKhatib, Esq. Legal Director

Moriah Fund,  
Mary Ann Stein, President

Muslim Advocates,  
Farhana Khera, Executive Director

Muslim Public Affairs Council,  
Salam Al-Marayati, Executive Director

National Council of Nonprofit Associations,  
Erica Greeley, Deputy Director

OMB Watch,  
Gary Bass, Executive Director