



OPINION: THE LATEST TAX DODGERS? CHARITIES - INSIDE SOURCES

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Many Americans were recently taking stock of their finances and considering their charitable contributions as tax day 2023 approached. If you're like most Americans, you want to make a difference in the world and assume that your charitable donations are going to worthy causes. But what if I told you that some of the charities you're giving to use offshore accounts in the Caribbean to avoid taxes and divert donations away from their missions?

Some so-called "charitable" organizations are more concerned with lining their pockets than helping those in need. And they're doing it by stashing cash in tax havens where they don't have to pay their fair share.

Worse, they have the nerve to beg you for even more money while they do it.

The Humane Society of the United States (HSUS) and the American Society for the Prevention of Cruelty to Animals (ASPCA) are two of the largest animal welfare organizations in the country, with hundreds of millions of dollars in donations pouring in every year.

We've all seen the [commercials](#) featuring Sarah McLachlan singing with images of suffering pets in the background. The ASPCA's revenue has [tripled](#) since the debut of those commercials, going from \$85 million in 2007 to nearly \$280 million in 2019.

These organizations have long touted their mission to "protect" animals. And they constantly beg for donations on social media and through direct mail. But your donation may wind up in a tax shelter instead of a pet shelter.

According to their most recent tax filings, HSUS has \$60 million in offshore accounts in the Caribbean, while the ASPCA has \$11 million. The same returns show that only about 1 percent of HSUS's budget, and 2 percent of the ASPCA's, are given as cash grants to community pet shelters. (Despite their names, HSUS and ASPCA are not affiliated with local humane societies or SPCAs.)

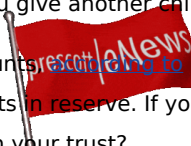
To add insult to injury, both groups are sitting on hundreds of millions in assets. While they beg for "urgent" donations to "save" pets, your donation would be better off with an animal charity that doesn't sit on a mountain of cash.

Animal charities are far from the only culprits.

Father Flanagan's Fund for Needy Children sends direct-mail fundraising letters that say "your gifts help us save children, heal families." Meanwhile, according to [a recent tax return](#), your donation is likely contributing to the organization's \$73.3 million stored in the Caribbean and \$40.2 million in Europe. So much for the "needy children."

New York-based Smile Train raises money to help children with cleft palates. It solicits donations with language such as, "Just ONE MORE

GIFT can completely transform a child's life" and "Will you give another child a second chance at life?"

Yet Smile Train has \$6.5 million stashed in offshore accounts,  its latest tax return. The group also [earns a "D" grade](#) from CharityWatch partly due to having a high amount of assets in reserve. If you're a donor whose money got sent abroad, a better question might be: Does this charity deserve a second chance with your trust?

Why do charities stick money offshore?

Charities are generally exempt from taxes, with one exception. Charities must pay a tax on income unrelated to furthering the charity's mission. One example might be a homeless shelter selling T-shirts with its logo. Selling T-shirts is not related to sheltering the homeless.

Another example? [Earning returns](#) through investing in hedge funds or private equity. But if the charities move that money offshore, it's out of the tax man's reach.

It's also out of reach of the people (or animals) who could benefit from it.

Not all charities with offshore accounts are up to no good. But if a charity is willing to go to great lengths to avoid taxes, they're probably not as altruistic as they claim to be.

Is this legal? It appears so. But is it right? You, as a donor, can make that call.

Donors should be skeptical before giving to charity. Check charity evaluators to ensure a group with compelling ads isn't simply going to stick your gift into a hedge fund or recycle it into another fundraising campaign.