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US Zionist Organizations: Their Tax-Exempt Status Challenged

Rex Wingerter

In October 1983, ten Palestinians, one Israeli and five American citizens brought suit in the US Federal Court in Washington, D.C. calling on the Secretary of the US Department of the Treasury and the Commissioner of Internal Revenue to revoke the tax-exempt status of six Zionist organizations based in the United States. The organizations are the World Zionist Organization American Section, Inc., also known as the Jewish Agency; the Jewish Agency American Section; the United Israel Appeal; the United Jewish Appeal; the Jewish National Fund; and Americans for a Safe Israel.

If the plaintiffs succeed, their action could stop the flow of the millions of dollars that are transferred yearly to the state of Israel by American Zionists. The US government is the defendant in the suit, not the Zionist organizations, because it was the decision of the US Department of the Treasury to grant tax-exempt status to the organizations.

Being granted tax-exempt status by the Treasury Department pursuant to Title 26 Section 501(c)(3) of the United States Code can be the financial life line for many organizations. It permits individuals who donate money to a tax-exempt organization to deduct the same amount

from their yearly income taxes paid to the US government. Many, if not most donors, would not contribute to organizations if they could not “write off” the contribution in their income taxes. Indeed, because of the way US tax laws are currently written, individuals with high incomes find their yearly tax burden reduced if they make substantial contributions to charitable, tax-exempt organizations.

For many American Zionists, this tax deduction increases their willingness to give millions of dollars yearly to pro-Israeli organizations. It is highly probable that the revocation of the tax-exempt status of the major American Zionist organizations would impinge seriously on their pro-Israeli lobbying and propaganda in the United States, and would force a substantial cut-back in private financial donations to Israel.

The attorneys for the plaintiffs, Linda Huber and Mark Lane,¹ estimate that the six organizations combined account for at least \$750 million in funds sent to Israel by Americans each year. Total charitable transfers from the United States to Israel have been estimated at between \$950 million and \$1 billion for the last several years, according to Professor Thomas Stauffer, in a study published by the Middle East Institute in Washington, D C.² The International Monetary Fund estimated that Israel received an annual \$1 billion in private aid from Jewish organizations throughout the world. Israeli authorities estimate that more than 70 percent of that money originates in the US. “The principal sources,” found Stauffer, “are the prominent national Jewish charities, such as the United Jewish Appeal, but significant sums also flow through many smaller channels, especially since any charity recognized under Israeli law automatically qualifies for tax-deductible status in the United States under the Internal Revenue Code, a privilege not generally accorded other foreign states.”³ These charitable transfers are part of the estimated \$5 billion in total resources that the United States transfers to Israel yearly, concluded Stauffer.

The Plaintiffs

The Palestinian plaintiffs include Karim Khalaf, Bassam Shaka'a, Ibrahim Tawil, Fahd Qawasmeh, Wahid Hamdallah and Ahmad Mustafa Sbeih. The first five were the elected mayors of Ramallah, Nablus, al-Bireh, Hebron and Anabta, respectively, located on the Israeli-occupied West Bank, who were dismissed from their positions by the Israel authorities. Mustafa Sbeih is the *mukhtar* of the village of Aqraba on the West Bank.

The mayors bring suit, on behalf of themselves and their constituents, complaining that they suffered physical injury, the denial of their basic human rights because they sought adequately to represent their constituents, the loss of their land and the diversion of water due to the oppressive actions of the Israeli occupying forces. These were supported in substantial part by contributions, for which deductions have been claimed by US donors, made to the US-based Zionist organizations described below.⁴

Ahmed Mustafa Sbeih brings suit, on behalf of himself and as the representative of the 7,000 residents of Aqraba, complaining that tax-exempt US-based Zionist organizations have deprived him and his fellow villagers of their land. The economy of Aqraba is based upon agriculture with the cultivation of wheat, olives and a variety of vegetables contributing to the viability of the community. The families of the village and their ancestors, including Mr. Sbeih's family, have long cultivated the land, which they hold privately and through land titles dating from the period of Ottoman rule over the area. These titles were recognized and respected by each of the succeeding governments in Palestine, prior to the May 1948 establishment of the state of Israel. In May 1972, the Israeli authorities seized 3,000 dunums of land upon which wheat, almost ready for harvest, was being grown. Defoliants were sprayed from helicopters operated by the Israeli authorities to destroy the wheat. Subsequently, these lands were acquired by the Jewish National Fund and used for the development of the exclusively Jewish settlement of Gitit. To this day, the Jewish National Fund maintains that land—formerly owned by the Palestinian residents of Aqraba—for the exclusive use of the Jewish residents of the settlements of Gitit, and denies to the residents of Aqraba, including Mr. Sbeih, access to and use of their ancestral agricultural land. Altogether, some 80,000 dunums of land belonging to the families of Aqraba have been seized by the Israeli authorities for acquisition by the Jewish National Fund. During May 1983, the Israeli authorities notified the residents of Aqraba that an additional 2,000 dunums of land would be confiscated for the expansion Gitit. Mr. Sbeih complains that contributions, for which charitable deductions have been claimed by US donors, raised by Zionist organizations in the United States, particularly the Jewish National Fund, have been utilized to deprive the residents of Aqraba of their land, and consequently of their means of sustaining life.

The four remaining Palestinians bringing suit are landowners in the West Bank: Seif Abed al-Rahman Moustafa, Jawdat Redu Hamad, Yousef

Abed al-Karim Abdallah, and Abed al-Haq Mousah Hasan. They have suffered the illegal confiscation of their land, and the destruction of their orange groves, olive trees, and wheat fields by the Israeli occupying forces for the purpose of establishing settlements and residences for the exclusive use of Israeli Jews and to the specific exclusion of all Palestinians and all non-Jews.

The one Israeli plaintiff is Charlie Biton, an elected member of the Knesset and a member of a minority political coalition, the Democratic Front for Peace and Equality. He argues that funds contributed through the tax-exempt Zionist organizations in the United States go to their Israeli counterparts which are, in fact, departments of the Israeli government, and are utilized to support the policies and persons of the ruling Likud Party. This outside interference with the political process in Israel works to deny him and his colleagues an equal opportunity in the Israeli political arena and thwarts efforts for the establishment of a democratic structure and practice in Israel.

The five American plaintiffs include Moshe Hirsch, John Davis, Edward Keenan, Subhi Widdi, and Charles Fischbein. Rabbi Hirsch complains that the religious community to which he belongs has lived in Jerusalem for more than two hundred years in peace with its neighbors, until the establishment of the state of Israel, which Rabbi Hirsch and his community, the Neturei Karta, believe to be an anti-Jewish state. Contributions raised by the tax-exempt American Zionist organizations are forwarded to the state of Israel and are used in part to oppress the Naturei Karta to the detriment of Hirsch and his family. The claimed damage to Hirsch and his family includes the arrest of his son for refusal to serve in the Israeli armed forces.

John Davis is the former Commissioner General of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). He has served as the Assistant Secretary for Agriculture of the United States, as the Vice-Chairman and Director of the New York office for the American University of Beirut, and is the founder and past chairman of the board of American Near East Refugee Aid (ANERA), an organization which he presently serves as Chairman of the Board Emeritus. Dr. Davis is also the author of *The Evasive Peace: A Study of the Arab-Israeli Conflict*. For the past fifteen years, Dr. Davis has labored in the private sector, through ANERA and in concert with other organizations and individuals, to create employment opportunities on the West Bank for Palestinians through economic development of the area, as well as to

provide educational opportunities and vocational training for the young Palestinians who live there. The Israeli government has adopted a consistent and systematic policy to deny education and employment opportunities to residents of the West Bank because of their religion and national origin, and in order to coerce them to emigrate from the West Bank. These educational and charitable efforts made by Dr. Davis, which have comprised a substantial portion of his life's work, have been undermined, and to a large extent nullified, as a result of the funds contributed through the tax-exempt US-based organizations which go to their counterparts in Israel and are utilized to support policies which deny employment and educational opportunities and vocational training to residents of the West Bank due to their religion and national origin.

Edward L. Keenan is a full professor in the Department of Linguistics at the University of California at Los Angeles (UCLA). During the period from 1976 through 1981, Professor Keenan shared his time equally between the University of Tel Aviv in Israel and UCLA, teaching six months of each year at both universities. He earned degrees from the University of Paris (Sorbonne), was a Fellow of King's College, Cambridge, England, and served on the faculties of the University of Amsterdam, Holland, the University of Stuttgart, West Germany, and the University of Salzburg, Austria. Professor Keenan is presently president of the Committee in Solidarity with the People of Palestine (CSPP), an organization founded and registered as an independent campus organization at UCLA for the purpose of bringing to the attention of the American people the injustices done to the Palestinian people and the role the United States has assumed in supporting these injustices. The CSPP's stated goal is to modify American public opinion, and ultimately American foreign policy and legislation, in favor of a just and compassionate peace in the Middle East. The members of the CSPP are generally academically affiliated, and almost all are graduate students at UCLA, undergraduate students or professors. American Jews, Israeli Jews, as well as Christian and Muslim Lebanese and Palestinians, and Americans of various religious affiliations participate in the work of CSPP. The outreach program of the CSPP is carried out through the sponsorship of lectures, meetings with church groups, political groups and political organizations, providing speakers for lectures, interviews and panel discussions at colleges, universities, community meetings, and radio and television programs. The CSPP presents a viewpoint different from, and in many respects entirely contradictory to, the viewpoints presented by the US tax-exempt Zionist

organizations. The CSPP has not filed for recognition of tax-exempt status since it seeks to influence legislation and public opinion—as do the Zionist organizations named above—and seeks to work not merely in a charitable and educational framework but to function politically as well—as do the Zionist organizations named above—and is not therefore entitled to recognition as a tax-exempt organization, in the same way that the above-named Zionist organizations are not entitled to such status.

Subhi Widdi, a resident of Brooklyn, New York, is a naturalized citizen of the United States and a native of Palestine from the village of Beit Hanina, a short distance north and west of Jerusalem. He owns land in Beit Hanina which has been in his family for at least three hundred years with title recognized by the various governments that have governed Palestine through the years. In 1970, after he had become an American citizen, approximately ten acres of Widdi's land in Beit Hanina were confiscated by the Israeli authorities, over his objection and the objection of his family. This land is now occupied by the exclusively Jewish settlement of Ramot to the continued exclusion of Widdi and his family. Because of the proximity of Widdi's land to Jerusalem, it is worth approximately \$100,000 per acre. The Israeli authorities have offered \$16 per acre as compensation, but have not paid even that amount to the plaintiff or the members of his family. The seizure of his land and the construction of Ramot were substantially supported by funds raised through contributions—for which charitable deductions have been claimed by US donors—made to the US-based organizations, named herein.

Charles Fischbein, until his resignation in March 1984, was the Executive Director of the Washington regional office of the Jewish National Fund—Keren Keyemeth Leisrael, Inc., one of the tax-exempt organizations that is the subject of this complaint, where his official duties included fundraising. After his resignation, Fischbein founded the Institute for Middle East Conflict Resolution (IMECR), which has as its purposes the promotion of dialogue and understanding among Americans, Israelis and Palestinians, and advocacy of a just and peaceful resolution of the Israeli-Palestinian conflict. As a result of the continued and improper recognition by the US government of the tax-exempt status of the Jewish National Fund, despite its status as a foreign conduit, Fischbein claims to have suffered harm to his professional reputation as a fundraiser and therefore to his ability to earn a living, as well as other damages.

Fischbein swore in a signed affidavit that he had resigned his position as a fundraiser and executive for the Jewish National Fund because he

could no longer close his eyes to the legal and moral violations committed by these organizations. He described how he had chosen from a JNF Projects Manual the task of raising funds for the construction of a sheltered playground for children at the kibbutz of Kiryat Shimona in northern Israel, close to the Lebanese border, with a projected budget of \$500,000. He obtained a number of gifts and pledges in the total amount of \$275,000 in the first year. A husband and wife, prominent members of the Washington, DC Jewish community, pledged \$75,000, with approximately \$20,000 donated immediately in cash. Because of the size of the pledge, it was arranged that the playground would be named after this couple. There were other very large pledges and gifts, one with a pledge of \$50,000 with \$20,000 donated in cash. After 18 months, Fischbein had transmitted \$270,000 in funds specifically earmarked for this project to the Jewish National Fund national office in New York for transmittal to Israel.

In the spring of 1982, the couple who had pledged the \$75,000 told Fischbein that they planned to visit Israel that summer and they wished to visit "their" playground. The previous winter, the JNF had given a dinner in their honor at which the playground project was officially dedicated to them.

The couple did travel to Israel and to the site of the playground. Upon their return, they told Fischbein that when they arrived at Kiryat Shimona, they found no playground and no construction underway. Instead, at the supposed site of the playground, they found an Israel Defense Force staging area littered with garbage and beer cans. They told him that they were furious, and that the Jewish National Fund had raised money under false pretenses. Also as a result of this, another contributor, the person who had pledged \$50,000 and contributed \$20,000 in cash, told Fischbein that he would not see him again and that he did not deal with people who do not keep their word.

Fischbein subsequently learned that the money for the playground had gone into the general funds of Israel, and that there are no US controls with regard to the use of funds raised in the US for special projects. Because the couple has threatened publicly to expose the misuse of their contribution, Fischbein understands that the JNF in Israel plans to commence construction of the playground with other funds.

Fischbein's disillusionment with the JNF deepened, he stated in his affidavit, when he took a trip to southern Lebanon in the summer of 1982 with other leaders of the JNF. The trip was arranged in order to bolster

support in the United States for the Israeli invasion of Lebanon. Immediately upon their arrival at Tel Aviv Airport, the group boarded buses and were taken to northern Israel and then into Lebanon to the areas occupied by the Israel Defense Forces. Accompanying them were Moshe Rivlin, director of the Jewish National Fund—Keren Keyemeth LeIsrael—in Israel, and Dr. Samuel I. Cohen, Executive Vice-President of the JNF in the United States. During the bus ride, Dr. Cohen announced that JNF bulldozers were an integral part of the military effort since they had preceded the troops in forging the path of the invasion. Further, he boasted that the JNF was “up to its ears” in the development of Jewish settlements on the West Bank. When the group arrived in southern Lebanon, they saw the devastation caused by the Israeli bombing. When some persons expressed dismay and horror at the destruction, Dr. Rivlin stated that no-one must express any doubt or misgivings about the invasion when they returned to the United States, or they would immediately be fired from their positions with the US-based JNF offices.

Fischbein further swore that he had been deceived by the JNF, and misled as well by the United States government, into believing that the JNF was a charitable organization. He now understands that the funds raised by the JNF were not controlled by the JNF in the United States; the JNF instead served as a conduit for a foreign state and thus became a foreign agent. In addition, the funds raised by the JNF in the United States were not all used in Israel; indeed, much of the money was diverted instead into the West Bank and Lebanon for purely military purposes and for the continuation of the occupation of the West Bank, the Gaza Strip and Lebanon, and were used in a discriminatory fashion exclusively on behalf of some Israeli Jews, and specifically to the detriment of the Palestinian residents of these areas.

The US-based Zionist Organizations

The World Zionist Organization American Section is a component and agent of the World Zionist Organization (WZO) based in Jerusalem. The WZO, founded in 1897, has as its stated objective the establishment and development of the state of Israel in Palestine. Also known as the Jewish Agency (JA), from 1922 until 1948, the WZO/JA acted as the political organization and governing body of the Jewish community in Palestine. After the creation of the state of Israel in 1948, the state of Israel enacted laws and covenants establishing the WZO/JA as a

component of the government of the state of Israel, with particular responsibility for the development and settlement of the country, the encouragement of Jewish immigration to Israel, and the absorption of Jewish immigrants. The World Zionist Organization continues to fulfill this government function, and is particularly active in planning and implementing the seizure and occupation of Palestinian Arab-owned land in the West Bank for the development of exclusively Jewish settlements. The WZO collects contributions from donors in the United States, which are deducted by such donors for US income tax purposes, and acts as a conduit to transfer the funds to its Israeli counterpart where they are used to further the above-described activities and functions.

The Jewish Agency American Section is a component and agent of the World Zionist Organization and the Jewish Agency based in Jerusalem, and is registered as the agent of the WZO/JA pursuant to the US Foreign Agents Registration Act. Through subsidiary organizations, including the American Zionist Council and the Jewish Telegraphic Agency, it engages in political propaganda and lobbying within the United States.

The United Israel Appeal, also known as Keren Hayesod, is a principal beneficiary of the United Jewish Appeal. It serves as a conduit for funds raised in the United States to the Jewish Agency for Israel, its operating agent, and then to the WZO/JA in Jerusalem, for the purposes and activities described below.

The United Jewish Appeal is the major Jewish fundraising organization in the United States. Contributions solicited and received by it are transferred to the United Israel Appeal, Inc. and thence in conduit fashion to the WZO/JA in Jerusalem.

The Jewish National Fund—Keren Kayemeth Leisrael—(JNF), by virtue of covenants and statutes of the state of Israel, is directed by the Zionist Executive of the World Zionist Organization. The JNF is the exclusive fundraising agency of the WZO for the “reclamation” and development of the land of Israel and the territories under military occupation by Israel. The JNF acquires land (through confiscation or otherwise) from the Palestinian Arab residents of Israel and the occupied West Bank for the exclusive occupation and use of Israeli Jews. The JNF is actively involved in the preparation and development of exclusively Jewish settlements on the West Bank on land confiscated from the Palestinian inhabitants. Contributions solicited and raised by the American component of the JNF are also transferred in conduit fashion to Israel.

The Americans for a Safe Israel acts as the agent for the sale—exclusively to American Jews and to no others—of land on the West Bank acquired by confiscation or otherwise from the Palestinian Arab residents, for the establishment of exclusively Jewish settlements.

The Legal Argument

Because of the tremendous benefits accruing to private individuals and organizations as a consequence of tax-exempt status and because of the loss to the federal treasury of tax revenue that would otherwise be collected, organizations which are tax-exempt pursuant to 26 US Code Section 501(c)(3) must strictly confine their activities to those furthering the religious, charitable or educational purposes for which tax-exempt status is provided by law, and must not engage in activities that contravene the public policy and interests of the United States.

Contributions by United States taxpayers to charitable organizations or governmental entities outside the United States are not deductible by such donors. Likewise, contributions by United States taxpayers to charitable organizations in the United States are not deductible by such donors where such organizations serve merely as conduits for the donated funds and property to charitable organizations or governmental entities outside the United States. An organization is a conduit for these purposes where it lacks full control over, and discretion with respect to, subsequent distribution of the contributions made to it.

The World Zionist Organization American Section, the Jewish Agency American Section, the United Israel Appeal, and the Jewish National Fund, each are, through their Israeli counterparts as described above, merely conduits of funds donated to them, which flow directly to components of the State of Israel.

The above-named US-based Zionist organizations continue to have recognition of tax-exempt status, and the ability to attract deductible contributions, despite the fact that their activities contravene fundamental public policies of the United States and despite the fact that a substantial portion of their activities are neither religious, charitable, nor educational as defined by US tax laws.

Specifically, each of these organizations supports, financially and politically, the confiscation of land on the West Bank owned by Palestinian Arabs for the establishment of exclusively Jewish settlements. These settlements contravene the stated foreign policy of the United

States as expressed since 1977 by President Carter and later by President Reagan. They also contravene the public policy of the United States in that the settlements are discriminatory on the basis of race and national origin.

The above organizations are not engaging in educational activities within the meaning of US tax laws, since they engage in one-sided and prejudicial propaganda designed to misinform the American people with regard to the genuine dignity and continued suffering of the Palestinian people. These organizations support policies aiming at the "desertification" of Palestinian land, destroying crops through defoliation and other means, uprooting orchards, and directing water from cultivated land. The organizations in question deliberately and systematically suppress information about these actions and proclaim instead, in propaganda broadsides, that they are supporting policies designed to make the desert bloom.

The Jewish National Fund commingles funds raised in the United States into the general funds of the State of Israel without any US control, where they are used apparently for military, and not charitable, purposes.

In offering and selling land on the West Bank exclusively to American Jews, the activities of the Americans for Safe Israel contravene the public policy of the United States in that ability to purchase in the United States is limited on the basis of race and national origin.

Thus, the tax-exempt contributions raised in the United States, in effect, go directly, without domestic control, to the State of Israel and are used to support policies of suppression of dissent and political rights of the Palestinian inhabitants of the West Bank, including censorship of newspapers and banning of books and other publications, interference with elections, removal of elected officials, and the establishment of a harsh and strict system of discrimination similar to the system of apartheid in South Africa. The support of such anti-human rights policies by these contributions contravenes fundamental public policies of the United States.

The continuing refusal by the defendants, Secretary of the US Treasury and the Commissioner of the Internal Revenue Service, to disallow charitable deductions, claimed by United States donors for contributions to these conduit organizations, constitutes a violation of their responsibilities and a violation of federal law.



1. Further information regarding the suit can be obtained from the attorneys at 105 Second Street NE, Washington, DC 20002.
2. Thomas Stauffer, *US Aid to Israel: The Vital Link*, Middle East Problem Paper, no. 24. (Washington: Middle East Institute, 1983).
3. *Ibid.*, p. 8.
4. Karim Khalaf and Bassam Shaka'a were injured in terrorist bombing attacks, and Ibrahim Tawil escaped a similar bombing attempt, in June 1980.