

United States Senate

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Committee on Homeland Security and Governmental Affairs

Carl Levin, Chairman

John McCain, Ranking Minority Member

**IRS AND TIGTA MANAGEMENT FAILURES
RELATED TO 501(c)(4) APPLICANTS ENGAGED IN
CAMPAIGN ACTIVITY**

**MAJORITY STAFF REPORT
WITH
MINORITY STAFF DISSENTING VIEWS**

REPORT EXHIBITS

Part 7 OF 10

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(“PSI-IRS” Bates Documents)

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	Treasury Inspector General letter to The Honorable Sander M. Levin, July 19, 2013, regarding TIGTA audit report.	1677
	<i>IRS list reveals concerns over Tea Party 'propaganda,'</i> <u>USA Today</u> , September 18, 2013, together with IRS list of Political Advocacy Cases.	1680
	<i>Does the IRS really have it in for tea party groups?,</i> <u>The Colorado Independent</u> , March 28, 2012, together with IRS Letter to Waco Tea Party Group and IRS Letter to Progressive Group.	1696

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Internal Revenue Service

Department of the Treasury 11-128

Washington, DC 20224

National Policy Forum
229 1/2 Pennsylvania Ave., S.E.
Washington, D.C. 20003

Person to Contact: Michael Seto
Telephone Number: (202) 622-6477

Refer Reply to: CP:E:EO:T:3

Date: FEB 21 1997

Employer Identification Number: 52-1827887
Key District: Southeast (Baltimore, MD)

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(4). Based on the information submitted, we have concluded that you do not qualify for exemption under that section. The basis for our conclusion is set forth below.

The information submitted indicates that you were incorporated on May 24, 1993 under the non-profit corporation laws of the District of Columbia. In your Articles of Incorporation, you describe your purposes as follows:

[t]o encourage the involvement of citizens in free and open debate, the public exchange and development of ideas, discussions, dialogues, conferences, and discourses, to promote public forums, seminars and colloquia and information dissemination to the general populace, to develop a national Republican policy agenda and to serve as a clearinghouse for the collection and review of research and ideas on issues affecting foreign affairs, national security, economy, environment, energy, government lands, commerce, labor, federal budget, . . . and other issues of concern to or affecting the citizens of the United States of America [emphasis added].

As stated in your newsletter, Ideas Matter (May 1995 Issue), you are "[a] Republican Center for the Exchange of Ideas." "That exchange will be open and inclusive — not exclusively for Republicans but an exchange that invites serious commentary from Democrats, Independents, and the heretofore apolitical as well[.]" according to your publication, Common Sense (Volume 1, Winter 1994, Number 1). — You were founded, according to your brochure and prospectus, on three premises; 1) "that fundamentally, ideas make the difference in politics," 2) "that traditionally, ideas that make a difference have been associated

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with political parties," 3) "that currently, workable ideas are more likely to be found at the grassroots than in Washington."

Your organization, as described in your news release of December 8, 1993, "is composed of civic, community and business leaders, Republican elected officials, former office-holders, and other prominent Americans from all walks of life." You are not a membership organization, but your bylaws permit the board of directors to create classes of "membership" - contributing membership and honorary membership. These memberships do not carry voting rights or other organizational rights.

Your bylaws provide that a board of directors governs and directs your operations. The board of directors is invested with the power to appoint or remove board members. The initial board of directors included Mr. Haley Barbour, the former chairman of the Republican National Committee, the political arm of the Republican Party. The information in our administrative files shows that your board members include Mr. Barbour and other prominent Republican Party members, including Senator Nickles of Oklahoma, former Republican Minority House Leader Bob Michel, former Secretary of Labor and former Maryland Senatorial candidate William E. Brock, Governor George V. Voinovich of Ohio, John Bolton, United States Representative John Boehner, former Republican gubernatorial candidate Jeb Bush and Teresa Lubbers (a member of an organization called Republican Professional Women's Roundtable). Mr. Bolton also serves as president of your organization.

One major activity you conduct in furtherance of the above described purposes is policy councils. The purpose of the policy councils is to "search for ideas by holding public and intensely participatory grassroots forums across the country." Each council has two co-chairs and members that include Congressional members, state legislators, and individuals from the private sectors. Each council addresses a specific policy area such as "Reforming Health Care," "Improving Schools and Education," "Reducing the Size and Scope of Government," or "Reforming the Legal and Regulatory Systems" (see page 5 of your prospectus). Each policy council holds public grassroots forums that address issues relating to that council's public policy area.

Your policy councils thus far have held several forums on topics such as education reform (December 7, 1993), violent crimes (December 8, 1993), and federal land use (December 15, 1993). The forums featured three panels, a panel of your representatives, a panel of expert witnesses and a panel of Congressmen -- whose purpose was to listen to viewpoints of other panelists and audience and provide their perspective. The forums

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were conducted in question and answer format and were hosted by your officers. The forums began with opening remarks by your president and chairman, followed by testimony of your expert witnesses, and other guests and participants. Discussion with the general audience then followed. Each policy council then reported its findings and policy recommendations to your board of directors.

Many prominent Republican Party politicians served as speakers or panelists at your forums. For example, Republican Senator Hank Brown, former Republican Senator Malcolm Wallop (also served as a chairman of a policy council), Republican House of Representatives members Dan Schaefer, Joel Hefley, Wayne Allard, and former House Representative Craig Thomas participated at your February 14, 1994 forum (see NPF news release of February 8, 1994). The participants in your December 11, 1993 forum included Republican Senator Orrin Hatch, former Republican Senator Malcolm Wallop, former Commodity Futures Trading Commission Chairwoman Wendy Gramm, and Republican Congressman James Hansen (see December 7, 1991 News Media Advisory release). The panelists in your September 19, 1995 forum included Republican Senators Kay Bailey Hutchinson, Thad Cochran, Ted Stevens, Rod Grams and Republican House of Representatives member Mark Souder, Jennifer Dunn and Sue Myrick, and other individuals from private industries. The keynote speaker at this forum was former Republican House Representative and vice-presidential candidate Jack Kemp. Other forums you have had also featured prominent Republican Party politicians such as Governor Todd Whitman of New Jersey, Governor William Weld of Massachusetts (see April 12, 1994 NPF news release), House Speaker Newt Gingrich (see October 18, 1995 news release), House Majority Whip Tom DeLay (see July 24, 1995 NPF news release), Marilyn Tucker Quayle (see April 26, 1994 news media advisory release) and other well known Republican Party politicians or persons affiliated with the Republican Party.

You produce a monthly televised policy-oriented program called "Listening to America: A Neighborhood Meeting." The purpose of this program is to communicate ideas and to allow the public to participate in policy discussion. Many prominent Republican Party politicians were speakers at these monthly programs (such as Republican Senators Hank Brown and Malcolm Wallop, see February 10, 1994 news media advisory release).

You hold "mega-conferences" whose purpose is to focus on long-range policy issues (i.e. Trade and the Economy, Health Care) and to allow interested members of the public to participate in the discussion of these policy issues. Many prominent Republican Party politicians were speakers at your

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mega-conferences, and they included Republican Senators Richard Lugar, Charles Grassley, Kaye Bailey Hutchinson and Republican Governor Terry Branstad of Iowa.

You publish quarterly a journal called Common Sense, and the purpose of this journal, as stated in your pamphlet, is to enhance "the policy debate by providing a source for provocative thinking and lively debate about the parties, politics, and public policy." The cover of Volume 1 Winter 1994 Number 1 of Common Sense stated that it was "a Republican Journal of Thought and Opinion." The journal was distributed to forum participants, elected officials and policy makers and all other interested persons. The authors of the articles in each edition of the journal were selected by your board of directors. The authors included politicians (e.g. Mike Leavitt, Republican Governor of Utah; Tommy G. Thompson, Republican Governor of Wisconsin), academicians (e.g. Andrew E. Busch, assistant professor, University of Denver) and individuals in the private sector (e.g. Charles J. Cooper; a law firm partner; Linda DiVall, vice-president of a survey research firm). The topics of the articles included foreign policy (e.g. "The United States and Greater China", "Nato and U.S. Interests") and domestic policy (e.g. "Unfunded Federal Mandates And The Need For a New Federalism", "Remembering The Question or, A Brief History of the Republican Party").

You have been operating with funds supplied by contributors -- and the Republican National Committee. The Republican National Committee, from May of 1993 to December of 1995, provided you thirty seven loans totalling \$2,595,000. The interest rate on these loans ranged from 7.5 percent to 10.5 percent. There were no indications that the terms of the loans were negotiated at arms length. You have used services provided by the Republican National Committee. These services included duplicating and printing materials, office furniture, moving services, etc. You stated that you were billed for these services at fair market value. You have raised \$690,000 in contributions from sources other than the Republican National Committee.

Section 501(c)(4) of the Internal Revenue Code (hereinafter "Code") provides for the exemption from federal income tax of organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations (hereinafter "Regulations") provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community.

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Section 1.501(c)(4)-1(a)(2)(ii) of the Regulations provides that the promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office.

Rev. Rul. 60-193, 1960-1 C.B. 195, concludes that an organization created to encourage greater participation in governmental and political affairs qualifies for recognition of exemption under section 501(c)(4) of the Code. Activities of the organization included seminars and workshops held on campuses of colleges and universities. The subject matter of these seminars relates to the American political system. All lecturers, including academic political scientists and political leaders from the local and national levels, were required to maintain certain technical standards and were not allowed to advocate for any particular political group. Seminars and workshops were moderated by permanent staff personnel of the organization in order to prevent the program from becoming partisan in character.

Rev. Rul. 73-306, 1973-2 C.B. 179, provides that an organization formed for the purpose of promoting the common interest of tenants who reside in an apartment complex did not qualify for exemption under section 501(c)(4) of the Code. Any person regularly living in the complex is eligible for membership. The organization represented its member-tenants in negotiations with the management of the complex in order to secure better maintenance and services, and reasonable rentals. This revenue ruling concludes that this organization was operated to benefit its members and was not primarily engaged in activities that promote the common good and general welfare of the community.

In contrast, Rev. Rul. 80-206, 1980-2 C.B. 185, provides that an organization formed to promote the legal rights of all tenants in a community qualifies for exemption under section 501(c)(4) of the Code.

Rev. Rul. 73-349, 1973-2 C.B. 179, holds that an organization formed to purchase groceries for its members at the lowest possible prices on a cooperative basis is not exempt under section 501(c)(4) of the Code. Each member paid for the cost of food ordered plus a monthly service charge which defrayed the organization's expenses. The organization was a cooperative enterprise for the economic benefit or convenience of its members. This revenue ruling states that the organization was operated primarily for the benefit of members and not to promote the common good and general welfare of the community.

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Rev. Rul. 75-286, 1975-2 C.B. 210, describes an organization that was formed by the residents of a city block to preserve and beautify that block, to improve all public facilities within the block, and to prevent physical deterioration of the block. Its activities consisted of paying the city government to plant trees on public property within the block, organizing residents to pick up litter and refuse in the public streets and on public sidewalks within the block, and encouraging residents to take an active part in beautifying the block by placing shrubbery in public areas. Much of the public area improved by the organization was part of the public roadway lying between the sidewalk and the street in front of private property owned by members of the organization. Membership in the organization was restricted to residents of the block and those owning property or operating businesses there.

This revenue ruling concludes that the organization did not qualify for exemption under section 501(c)(3) of the Code but did qualify for exemption under section 501(c)(4). It states that because the activities enhanced the value of the members' property rights, the organization served the private interests of its members and did not qualify for exemption under section 501(c)(3). It states also that while the organization's activities were benefiting its members there was sufficient benefit conferred upon the community as a whole. Although private benefit did exist to the members, the primary benefit was to the community. Therefore, the organization was not operated primarily for the benefit of members, but primarily to promote social welfare.

In Commissioner v. Lake Forest, Inc., 305 F.2d 814 (4th Cir. 1962), a corporation was organized for the purpose of purchasing a government housing project and converting it to a cooperative, nonprofit housing for its members. Membership in the corporation was established by the purchase of a corporate share which entitled the purchaser to an apartment unit. The court held that the organization was not described in section 501(c)(4) of the Code because the operation was a private self help enterprise with only incidental benefit to the community.

In Contracting Plumbers Cooperative Restoration Corp. v. United States, 488 F.2d 684 (2d Cir. 1973), cert. denied, 419 U.S. 827 (1974), plumbers working in New York City were responsible for the cuts they made in the city streets. Prior to the organization's existence, the city had repaired the cuts and billed the plumbers individually. This system proved to be highly inefficient. The organization was formed as a cooperative in order to restore the city streets. - It only repaired cuts made by its members. The joint effort of the plumbers reduced their

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liability and their expenses. While the court found the program to be highly beneficial, it concluded that the organization principally served the private economic interests of its members and, thus, could not be considered exempt under section 501(c)(4) of the Code.

Rev. Rul. 66-256, 1966-2 C.B. 210, describes an organization that was formed to bring about a fair and openminded consideration of social, political, and international questions by the promotion and sponsorship of a public forum at which debates and lectures were conducted. The organization invited prominent individuals to discuss varying political and social matters of national and community interest. The speakers, in addition to delivering their prepared text, answered questions of those attending. The other part of the organization's program involved the sponsorship of debates. Individuals representing opposing viewpoints were invited to debate particular topics. The debates were conducted in accordance with carefully drawn rules. Frequently, the persons invited to lecture or debate were controversial and occasionally there was opposition to their appearance. None of the programs or activities of the organization involved the participation or intervention in any political campaigns of candidates for public office.

The revenue ruling states that the presentation of public lectures, forums, or debates was a recognized method of educating the public. The fact that the presence of the invited speaker or his opinions may precipitate controversy within the community did not adversely affect the status of an organization whose primary purpose was to provide a forum for speakers. Consequently, the organization qualified for exemption under section 501(c)(3).

Rev. Rul. 76-456, 1976-2 C.B. 151, describes an organization that was formed for the purpose of elevating the standards of ethics and morality that prevail in the conduct of campaigns for election to public office at the national, state, and local levels. On a nonpartisan basis the organization collected, collated, and disseminated information concerning general campaign practices through the press, radio, television, mail, and public speeches. In addition, the organization furnished 'teaching aids' to political science and civics teachers to help stress the need for ethical conduct in political campaigns. The organization proposed a Code of fair campaign practices. Although need for the Code was extensively publicized, the organization did not solicit the signing or endorsement of the code by candidates for political office.

The revenue ruling states that the organization was instructing the public on subjects useful to the individual and

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beneficial to the community within the meaning of section 1.501(c)(3)-1(d)(3) of the regulations by encouraging voters to concern themselves with fair as well as unfair practices encountered in political campaigns. This was done, on a nonpartisan basis, so that citizens could increase their knowledge and understanding of our election processes and participate more effectively in their selection of government officials. Consequently, the organization was operated exclusively for educational purposes and thus qualified for exemption under section 501(c)(3) of the Code.

Rev. Rul. 80-282, 1980-2 C.B. 178, describes an organization whose activities included the publication of Congressional incumbents' voting records on selected issues in a non-partisan newsletter. The revenue ruling observes that the format and content of the publication were not neutral because the publication reported each incumbent's votes and his/her views on selected legislative issues and indicated whether that incumbent supported or opposed the organization's view. However, the voting records of all incumbents were presented and candidates for reelection were not identified. No comment was made on an individual's overall qualifications for public office, no statements expressly or impliedly endorsed or rejected any incumbent as a candidate for public office, and no comparison of incumbents with other candidates were made. The organizations noted the inherent limitations of judging the qualifications of an incumbent on the basis of certain selected votes by stating the need to consider such unrecorded matters as performance on subcommittees and constituent services. Furthermore, the organization did not widely distribute its compilation of incumbents' voting records. The publication was distributed to the organization's normal readership, numbering only a few thousand nationwide. This resulted in a very small distribution in any particular state or Congressional district. No attempt was made to target the publication toward particular areas in which elections are occurring nor to time the date of publication to coincide with an election. The revenue ruling concludes that the organization was not engaged in prohibited political campaign activity.

In American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989), an organization was formed for charitable and educational purposes. The organization's primary activity was to operate a school. The school-trained individuals for careers as political campaign professionals. The school maintained a regularly scheduled curriculum, a regular faculty and a full-time enrolled student body. Prior to the formation of the organization, the National Republican Congressional Committee (NRCC) sponsored programs designed to train candidates and to train and

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subsequently place campaign professionals in Republican campaigns. The organization stated that it was an outgrowth of the programs operated by the NRCC. NRCC contributed the physical assets, such as furniture and computer hardware, to the organization. Two of the organization's six full-time faculty were previously involved in the NRCC's training program. One of the organization's three initial directors was the executive director of the NRCC. The organization did not train candidates or participate in, or intervene in, any political campaign on behalf of any candidate. Neither did the organization engage in any activities tending to influence legislation. Applicants were required to provide the organization with professional references. While applicants were not required to formally declare their political affiliation to attend the organization's school, such affiliation could be deduced from the campaign experiences and political references contained in the applications. Graduates of the school were employed by various Republican organizations. No graduate was known to have affiliated with any domestic political party other than the Republican Party.

The Court concluded that the organization's activities benefited the private interests of Republican entities and candidates more than incidentally. The organization, thus, served a substantial nonexempt purpose. Although the school had a legitimate educational program, the Court held that the school conducted its educational activities with the partisan objective of benefiting the interests of the Republican Party as evidenced by:

- 1) the composition of the school's board of directors
- 2) the failure of the school to counterbalance the Republican party focus of its curriculum with comparable studies of the Democratic or other political parties,
- 3) the incorporation of the school by the General Counsel of the National Republican Congressional Committee, an unincorporated association comprised of Republican members of the House of Representatives; and,
- 4) a lack of showing by the school that its graduates served in Congressional and Senatorial campaigns of candidates from both major political parties in substantial numbers.

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ANALYSISA. Promoting Social Welfare

In order to qualify for recognition of exemption under section 501(c)(4) of the Code, an organization must be primarily engaged in activities that promote social welfare. The promotion of social welfare may include activities that educate the public or lobby public officials or both. Exemption is not dependent on the point of view of the educational material or the issue being lobbied. In contrast to lobbying and educational activities, partisan political activity does not promote social welfare as defined in section 501(c)(4). Such activity promotes the interests of one political faction. An organization engaging in such activity is engaged not merely in the clash of ideas, but in a contest for power.

Based on the information you submitted, it appears that you are a partisan issues-oriented organization. Specifically, your activities are designed to promote the Republican Party and politicians affiliated with the Republican Party. This partisanship is exhibited in the key officers and personnel that founded and operate your organization. For example, an initial board member was Mr. Haley Barbour, the former chairman of the Republican National Committee. Most members of your current board of directors are affiliated or identified with the Republican Party. These members include Mr. Barbour, Republican Senator Don Nickles, former Republican Congressman Bob Michel, former Republican senatorial candidate William Brock, and Republican Governor George C. Voinovich. Although you have members -- honorary and contributing members -- they do not have an organizational voice (or voting rights) in your operations.

This partisanship is also exhibited in your operation. The speakers or participants that you invited to your forums usually were identified or affiliated with the Republican Party. For example, the speakers or participants at your February 14, 1994 and December 15, 1993 forums are former or current Republican Party public office holders (i.e. Senator Orrin Hatch, Senator Hank Brown, Wendy Gramm, Congressman James Hansen, Congressman Dan Schaefer, Congressman Joel Hefley, Congressman Wayne Allard, and so forth). Other speakers include Governor Weld of Massachusetts and Governor Whitman of New Jersey. You have not indicated whether you have invited to your forums speakers or panelists who are affiliated or identified with other political parties.

Your publications reflect a political partisanship toward the Republican Party. For example, the word "Republican" is used

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in your press releases, journals and newsletters. You have published speeches of prominent Republican Party politicians such as Newt Gingrich (Speaker of the House), Richard Lugar (Republican senator), Casper Weinberger (former cabinet member in the Reagan administration), Pete du Pont and former Republican Party presidential nomination candidate Malcolm "Steve" Forbes. You also have published articles about the Republican Party (e.g. "Remembering The Question or, a Brief History of the Republican Party", Common Sense, Volume 1 Winter 1994 Number 1).

Your financial support also reflects this Republican Party partisanship. You have received substantial financial support from the Republican National Committee. The Republican National Committee lent you more than 2.5 million dollars since your formation. You also purchased supplies and services from the Republican National Committee. Although the financial support was in the form of loans, there was no indication that the terms of the loans reflect commercial market rates.

You claim to be a nonpartisan issues-oriented organization, and we acknowledge that you are issues-oriented. However, your activities are no less partisan as demonstrated by the manner in which you operate your organization and conduct your activities. Unlike the organization described in Rev. Rul. 60-193, supra, which encouraged participation in the political process by explaining the process on a nonpartisan basis, you were created for the partisan objective of promoting a particular political party. Based on the above facts and circumstances, we conclude that, because of your partisan nature, you are not engaged in activities that promote social welfare.

B. Operating Exclusively to Benefit the Whole Community

An organization exempt under section 501(c)(4) of the Code must be promoting the common good and general welfare of the whole community. Benefitting select individuals or groups, instead of the community as a whole, is contrary to this requirement. See Rev. Rul. 75-286, supra. For example, the tenants' organization described in Rev. Rul. 73-306, supra, is distinguishable from the one described in Rev. Rul. 80-206, supra, in that its activities are directed primarily toward benefitting its member-tenants rather than all tenants in the community. See e.g. Rev. Rul. 73-349; Lake Forest, Inc.; and Contracting Plumbers Cooperative; Restoration Corp., supra. Therefore, a sufficient amount of benefit to select individuals will preclude an organization that would otherwise qualify for exemption from being described in section 501(c)(4).

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National Policy Forum

This private benefit standard is also demonstrated in the American Campaign Academy, supra, and is relevant here. In that case, the court held that an organization created to serve a particular faction in the political spectrum was not exempt under section 501(c)(3) of the Code because its activities benefited the private interest of that particular faction. The private benefit standard used in American Campaign Academy is similar under section 501(c)(4). The difference is in the weighing of the private benefits (i.e. the amount of private benefits), not the standard. See q.g. Rev. Rul. 75-286, supra.

- The information you submitted clearly indicates that you, like the organization described in American Campaign Academy, are operated primarily for the benefit of a select group. This select group consists of the Republican Party and politicians affiliated with the Republican Party. Specifically, your activities benefited the Republican party and its affiliated politicians by enhancing the electoral and political fortunes of the aforementioned. These activities generated public support and enthusiasm for your policies and positions. In turn, the public support and enthusiasm could enhance the election or reelection prospects of Republican politicians (i.e. their political careers) and, thereby, the fortunes of the Republican Party. Also, political identification with the Republican Party was strengthened when individuals participated in your forums and mega-conferences. Your publications, the journals and newsletters, also served to enhance the electoral prospect of Republican politicians because they could generate party identification with and political support for the Republican Party and politicians.

This conclusion is supported by your orientation toward the Republican Party, which is demonstrated in the history, creation, control, and operation of your organization. As illustrated in your press releases, journal, newsletters, and prospectus, the word "Republican" is used throughout these publications. The speakers or participants that you invited to your forums usually were identified or affiliated with the Republican Party. For example, many speakers or participants (Senator Orrin Hatch, Senator Hank Brown, Wendy Gramm, Congressman James Hansen, Congressman Dan Schaefer, Congressman Joel Hefley, Congressman Wayne Allard, and so forth) at your forums were former or current Republican Party office holders. You have not indicated whether individuals affiliated with other political parties were invited to be speakers at your forums. Control of your organization resides with individuals who are members of or affiliated with the Republican Party.

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CONCLUSION

In summary, we conclude that you are not operated primarily to promote social welfare because you are a partisan issues-oriented organization and your activities are partisan. In addition, we conclude that your activities also substantially benefitted the Republican Party and politicians affiliated with the Republican Party. Accordingly, you do not qualify for recognition of exemption under section 501(c)(4) of the Code, and you must file federal income tax returns.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key district office. Thereafter, any questions about your federal income tax status should be addressed to that office.

When sending additional letters to us with respect to this case, you will expedite their receipt by using the following address:

Internal Revenue Service
Attn: CP:E:EO:T:3, Room 6137
1111 Constitution Ave, N.W.
Washington, D.C. 20224

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

~~Edward K. Karcher~~

Edward K. Karcher
Chief, Exempt Organizations
Technical Branch 3

Shafer John H

From: Thomas Cindy M
Sent: Friday, February 24, 2012 4:25 PM
To: Bowling Steven F; Shafer John H
Subject: FW: Congressional Follow-Up - NEED INFO

Importance: High

Follow Up Flag: Follow up
Due By: Tuesday, February 28, 2012 12:00 PM
Flag Status: Flagged

Steve/John - Do either of you remember when we added the advocacy cases to the BOLO? My records show that we sent [redacted] to EOT in March 2010. Do you think that is when we started identifying them or before? If before, a rough estimate would be fine.

Steve - I know that Ron Bell was initially working [redacted] and coordinating with Chip Hull. Did Ron FTE any of the cases or approve any? If so, can you check with him to see how many? And, if he FTE'd any, how many came back?

Thanks for info.

From: Paz Holly O
Sent: Friday, February 24, 2012 4:11 PM
To: Thomas Cindy M
Subject: FW: Congressional Follow-Up
Importance: High

Please see #2 below - When did Deterns first put these on the BOLO list? Don't need answer today. Sometime next week is good. Thanks!

From: Lerner Lois G
Sent: Friday, February 24, 2012 3:46 PM
To: Spellmann Don R; Cook Janine; Paz Holly O
Cc: Kindell Judith E; Lowe Justin; Flax Nikole C; Urban Joseph J
Subject: Congressional Follow-Up
Importance: High

Just came back from the meeting and they have asked for several things.

1. Don/Janine-- The guidance provided to Cincy that Don reviewed-- I'm hoping you can let us know your concerns as soon as possible so we can finalize the draft. We will be sending it over to them and putting it out on the web with other check sheets/guide sheets.
2. Holly--a timeline relating to the uptick--that is, about when did we notice there were enough of these that we needed guidance from R & A and then when did we get cases up here to look at. If there is info regarding development and FTEs and replacement cases, give me that too.
3. Case Grading Guide--I think it is not disclosable, but please confirm and if not, let me know the basis.

P.22 5695 523 3695

IRS

MAY-30-2013 11:45

71-000026

PSI-IRS-09-000026

Thanks to all who got me ready for today—I think it went as well as it could.

Luis J. Lujan
Director of Exempt Organizations

Thomas Cindy M

From: Thomas Cindy M
Sent: Wednesday, March 17, 2010 4:14 PM
To: Shafer John H
Cc: Camarillo Sharon L
Subject: RE: [REDACTED] -- EO Technical Would Like [REDACTED]
Sounds good. Thanks John.

From: Shafer John H
Sent: Wednesday, March 17, 2010 1:48 PM
To: Thomas Cindy M
Cc: Camarillo Sharon L
Subject: RE: [REDACTED] -- EO Technical Would Like [REDACTED]
Importance: Low

I will sent [REDACTED] to EO Technical [REDACTED] I can hold the remaining cases in my group "75" number unless you want them held some other place.

John Shafer
Group Manager
SE: T:EO:RA:D:2:7838
Telephone: (513)263-3406
FAX: (513)263-5200

From: Thomas Cindy M
Sent: Wednesday, March 17, 2010 1:21 PM
To: Shafer John H
Cc: Camarillo Sharon L
Subject: FW: [REDACTED] -- EO Technical Would Like [REDACTED]

John,

Per Holly's e-mail directly below, EOT does not want all of the tea party cases. They only want 2 of them and want us to hold the remainder. We can discuss who should hold them if you would like. Let me know. Thanks.

From: Paz Holly O
Sent: Wednesday, March 17, 2010 12:40 PM
To: Thomas Cindy M
Cc: Grodnitzky Steven
Subject: RE: [REDACTED] -- EO Technical Would Like [REDACTED]

Cindy,

Thanks for the heads up. [REDACTED] but had not yet heard that there were more. I think we should take a few more cases (I'd say 2) and would ask that you hold the rest until we get a sense of what the issues may be. Then when we will work with Determs in working the other cases.

2010/03/17 11:58 AM PST

IRS

11:58 AM 3/17/2010

71-000040

PSI-IRS-09-000040

Subject: [REDACTED] -- Does EO Technical Want [REDACTED]?

Holly,

FYI - I will be on maternity leave starting tomorrow. Steve will be acting as head of EO Tech.

Holly

From: Thomas Cindy M
Sent: Wednesday, March 17, 2010 12:10 AM
To: Paz Holly O
Subject: FW: [REDACTED] -- EO Technical Would Like [REDACTED]
Importance: High

Holly,

Did you know about these additional 10 tea party cases? Do you want all of them or do you only want a few and then give us advice as to what to do with the remaining?

From: Shafer John H
Sent: Tuesday, March 16, 2010 9:35 AM
To: Thomas Cindy M
Cc: Camarillo Sharon L
Subject: RE: [REDACTED] -- EO Technical Would Like [REDACTED]
Importance: Low

Cindy,

We have identified a total of 10 Tea Party cases. Three case have been approved, two 501(c)(4) and one 501(c)(3). I have collected the other cases and will forward them to EO Technical.

John Shafer
Group Manager
SE:T:EO:RA:D:2:7838
Telephone: (513)263-3406
FAX: (513)263-5200

From: Thomas Cindy M
Sent: Friday, February 26, 2010 8:36 AM
To: Shafer John H
Cc: Camarillo Sharon L
Subject: FW: [REDACTED] -- EO Technical Would Like [REDACTED]

EO Technical would like [REDACTED]. Please thank Jack for identifying the issue and elevating it. Thanks.

From: Paz Holly O
Sent: Friday, February 26, 2010 8:23 AM
To: Thomas Cindy M
Subject: RE: [REDACTED] -- Does EO Technical Want [REDACTED]?

I think sending [REDACTED] up here is a good idea given the potential for media interest. Thanks.

From: Thomas Cindy M
Sent: Thursday, February 25, 2010 10:00 PM
To: Paz Holly O

Gary Muthert
TEIGS, ID #1000203235
Screening Group, Group 7838
450 Main Street
Cincinnati, Ohio 45201
513-263-3639 Phone
513-263-5200 FAX

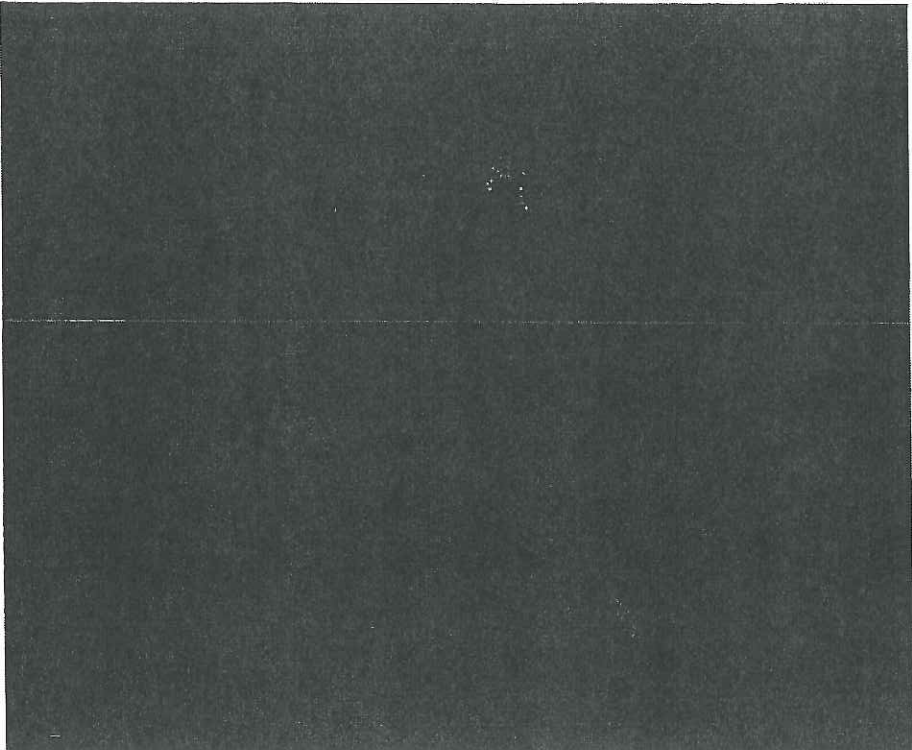
Thomas Cindy M

From: Shafer John H
Sent: Tuesday, April 06, 2010 10:00 AM
To: Thomas Cindy M; Camarillo Sharon L
Subject: FW: Tea Party Cases - ACTION
Attachments: Tea Party 4-5-2010.xls
Cindy & Sharon,

Gary has added a few more cases that he discovered. I have all of the status "75" cases in my office.

John Shafer
Group Manager
SE: TEO: RA: D: 1-7838
Telephone: (513)263-3405
FAX: (513)263-5200

From: Muthert Gary A
Sent: Monday, April 05, 2010 2:29 PM
Cc: Muthert Gary A; Shafer John H; Shoemaker Ronald J
Subject: RE: Tea Party Cases - ACTION



513 263 3639 P.04 2100/17

IRS

MAY-20-2010 11:58

71-000042

PSI-IRS-09-000042

From: Shoemaker Ronald J
Sent: Monday, April 05, 2010 11:30 AM
To: Elliot-Moore Donna; Grodnitzky Steven
Subject: RE: [REDACTED]

From: Elliot-Moore Donna
Sent: Friday, April 02, 2010 8:38 AM
To: Grodnitzky Steven; Shoemaker Ronald J
Subject: RE: [REDACTED]

The Tea Party movement is covered in the Post almost daily. I expect to see more applications.

From: Grodnitzky Steven
Sent: Thursday, April 01, 2010 4:04 PM
To: Elliot-Moore Donna; Shoemaker Ronald J
Subject: RE: [REDACTED]

These are [REDACTED] cases as they deal with the Tea Party so there may be media attention. May need to do an SCR on them.

From: Elliot-Moore Donna
Sent: Thursday, April 01, 2010 7:43 AM
To: Grodnitzky Steven; Shoemaker Ronald J
Subject: RE: [REDACTED]

I looked briefly and it looks [REDACTED]

From: Grodnitzky Steven
Sent: Wednesday, March 31, 2010 5:30 PM
To: Elliot-Moore Donna; Shoemaker Ronald J
Subject: RE: [REDACTED]

Thanks. Just want to be clear -- [REDACTED]

Ron -- can you let me know who is getting [REDACTED]?

From: Elliot-Moore Donna
Sent: Wednesday, March 31, 2010 10:30 AM
To: Grodnitzky Steven
Subject: [REDACTED]

Steve:

Re: [REDACTED]

Holly accepted [REDACTED] for EO Technical. Copies of email exchanges between Cindy Thomas and Holly in case files.

The concern is potential for media attention.

They will be assigned to Group 2.

FYI

Donna

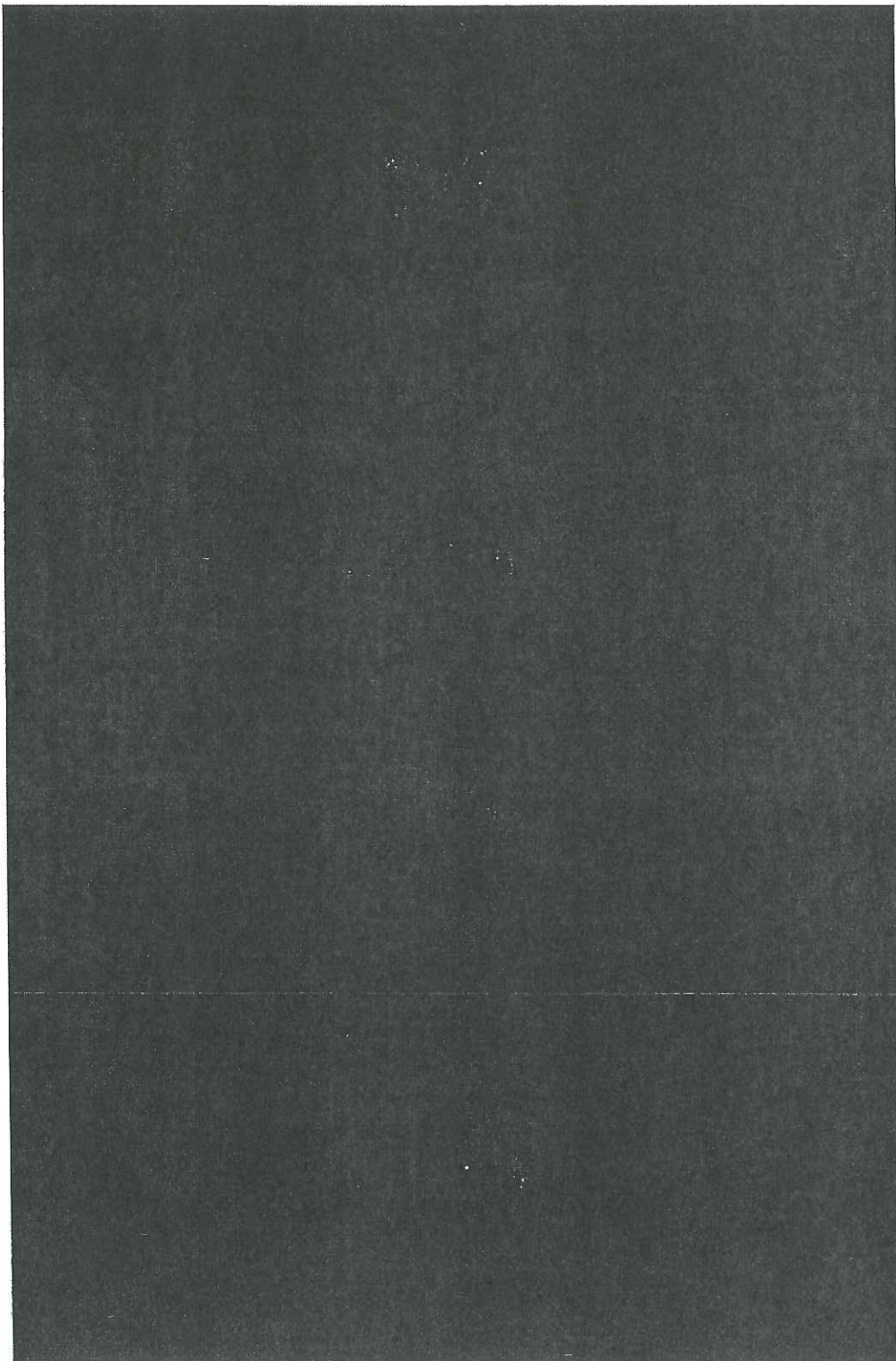
PS: [REDACTED]

IRS

MAY-30-2013 11:59

71-000043

PSI-IRS-09-000043



P.06 513 263 3695

IRS

MAY-30-2013 11:59

71-000044

PSI-IRS-09-000044

Thomas Cindy M

From: Grodnitzky Steven
Sent: Monday, April 26, 2010 11:35 AM
To: Thomas Cindy M
Cc: Camarillo Sharon L; Melahn Brenda; Brinkley Lynn A; Craig Karen K; Berry Daniel W; Shafer John H; Shoemaker Ronald J; Hull Carter C
Subject: RE: Tea Party Cases

Signed By: There are problems with the signature. Click the signature button for details.
Please have her contact Ron Shoemaker. Thanks.

From: Thomas Cindy M
Sent: Sunday, April 25, 2010 1:00 PM
To: Grodnitzky Steven
Cc: Camarillo Sharon L; Melahn Brenda; Brinkley Lynn A; Craig Karen K; Berry Daniel W; Shafer John H
Subject: FW: Tea Party Cases

Steve,

We are going to have these cases assigned to Liz Hofacre. Liz reports to Joseph Herr in Brenda Melahn's area. After she gets the cases, who in EOT should she contact to coordinate development?

From: Thomas Cindy M
Sent: Saturday, April 24, 2010 6:21 PM
To: Grodnitzky Steven
Cc: Shoemaker Ronald J
Subject: RE: SCR

Steve,

None of these cases have been assigned. They have been sitting in our Screening Group waiting for guidance from EOT. I will discuss with Area Managers to find out who we will have work these cases and will get back with you. Thanks.

From: Grodnitzky Steven
Sent: Friday, April 23, 2010 4:37 PM
To: Thomas Cindy M
Cc: Grodnitzky Steven; Shoemaker Ronald J
Subject: FW: SCR

[REDACTED] I understand

that you have a number of these cases in Cincy. It may not be a bad idea to coordinate with the individual(s) who have the cases in Cincy so that you can start developing them.

If you have the names of the agents and manager with these cases, please let me know. We should at least have a call and see how we can work together.

From: Shoemaker Ronald J
Sent: Friday, April 23, 2010 3:28 PM
To: Grodnitzky Steven
Subject: RE: SCR

Sorry, I forgot about [REDACTED] See the attached document.

P.07 263 3695

IRS

11:59 MAY-20-2013

From: Grodnitzky Steven
Sent: Friday, April 23, 2010 3:13 PM
To: Shoemaker Ronald J
Subject: SCR

What about the SCR for the Tea Party cases? I believe that Chip has the cases. Can you or Chip make up the SCR, and confer with Cincy to include their information in the SCR? They have a few cases, and I believe that some have even been granted exemption. Thanks.

Steven Grodnitzky
Acting Manager, EO Technical
Rulings and Agreements, TEGE
Internal Revenue Service
phone: (202) 283-8941
fax: (202) 283-8937

P.08 513 253 3685

IRS

MAY-30-2013 11:59

71-000046

PSI-IRS-09-000046

Thomas Cindy M

From: Thomas Cindy M
Sent: Friday, June 10, 2011 5:14 PM
To: Paz Holly O; Seto Michael C
Subject: FW: Coordination Question - For meeting tentatively scheduled for 6/13

From: Thomas Cindy M
Sent: Wednesday, June 08, 2011 4:46 PM
To: Seto Michael C
Cc: Esrig Bonnie A; Bowling Steven F; Bell Ronald D; Hull Carter C; Kastenber Elizabeth C
Subject: Coordination Question

Mike,

Ron Bell received the email directly below from Chip regarding the "tea party cases" and the criteria for identifying these cases. It appears there is some duplication of efforts because Holly already asked me for information last week. Refer to my email below dated 6/2/2011. If you would like to discuss, please feel free to call me. Thanks.

From: Hull Carter C
Sent: Wednesday, June 08, 2011 1:52 PM
To: Bell Ronald D
Cc: Bowling Steven F; Kastenber Elizabeth C
Subject: Coordination Question
Importance: High

Hi Ron,

In order to present a balanced picture to Lois Lerner at our briefing, we have a couple of questions concerning how the cases on your list were identified to be included in your list

The EO Determinations Screening Checksheet lists "Political Activities - Sensitive Issues" and the IRM 7.20.5.4 describes cases such as these as "impact cases." On screening, how were the cases on your list identified as political? For example, were specific identifying words used, people or location, etc.? Did any particular person within EO indicate that these types of cases should be set aside and included on the list? Or was there a memorandum of some kind requesting that EO take a closer look at these types of cases? We noted that the list contained organizations that appeared to be of a particular political ideology. Were any other political ideology cases included (e.g. liberal, conservative, well-known, particular people or identifying particular people or affiliations)?

Thank you for your assistance. Any information you can gather on this would be most helpful. If you have any questions, you can contact me or Elizabeth Kastenber at (202) 283-9468.

Chip

From: Thomas Cindy M
Sent: Thursday, June 02, 2011 10:35 PM
To: Paz Holly O
Subject: group of cases

The email below from John Shafer, Screening Manager, outlines the criteria the screening group is using to identify cases as "tea party cases." This is criteria the screening group came up with based on cases they were seeing. If we don't want the screening group to include all of these type issues as "tea party

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PSI-IRS-09-000047

cases," they would have no problem including or excluding certain cases. However, they need to be given the criteria to use. And, if we don't want certain cases included, then EOD still needs to know how the cases should be processed. I guess what I am trying to say is that it doesn't matter what the cases are called or how they are grouped, EOD needs guidance to ensure consistency.

Process: When the screening group starts seeing new type cases that have similar issues, they meet and come up with criteria to identify "emerging issue" and elevate information. "Emerging issue" cases are sent to Group 7822 (Steve Bowling's group) and we start coordinating with EOT to seek guidance.

Would you like for me to ask Bonnie Esrig, Steve Bowling, Group 7822 Manager, and Ron Bell, agent working "tea party cases" to participate in the briefing with Lois?

From: Shafer John H
Sent: Thursday, June 02, 2011 9:21 AM
To: Thomas Cindy M
Cc: Esrig Bonnie A; Bowling Steven F
Subject: RE: Tea Party Cases - NEED CRITERIA

Cindy,

The following are issues that could indicate a case to be considered a potential "tea party" case and sent to Group 7822 for secondary screening.

1. "Tea Party", "Patriots" or "9/12 Project" is referenced in the case file.
2. Issues include government spending, government debt and taxes.
3. Educate the public through advocacy/legislative activities to make America a better place to live.
4. Statements in the case file that are critical of the how the country is being run.

John Shafer
Group Manager
SE:T:EO:RA:D:1:7838
Telephone: (513)263-3406
FAX: (513)263-5200

From: Thomas Cindy M
Sent: Thursday, June 02, 2011 12:46 AM
To: Shafer John H
Cc: Esrig Bonnie A; Bowling Steven F
Subject: Tea Party Cases - NEED CRITERIA
Importance: High

John,

Could you send me an email that includes the criteria screeners use to label a case as a "tea party case?" BOLO spreadsheet includes the following:

Organizations involved with the Tea Party movement applying for exemption under 501(c)(3) or 501(c)(4).
Do the applications specify/state "tea party?" If not, how do we know applicant is involved with the tea party movement?
I need to forward to Holly per her request below. Thanks.

513 263 3695 P. 18

IRS MAY-30-2013 11:59

71-000048

PSI-IRS-09-000048

From: Melahn Brenda
Sent: Wednesday, June 01, 2011 3:08 PM
To: Paz Holly O; Thomas Cindy M
Subject: RE: group of cases

Holly - we will UPS a copy of [redacted] in #1 below to your attention tomorrow. It should be there Monday. I'm sure Cindy will respond to #2.

Brenda

From: Paz Holly O
Sent: Wednesday, June 01, 2011 2:21 PM
To: Thomas Cindy M
Cc: Melahn Brenda
Subject: group of cases

re: Tea Party cases

Two things re: these cases:

[redacted]

2. What criteria are being used to label a case a "Tea Party case"? We want to think about whether those criteria are resulting in over-inclusion.

Lois wants a briefing on these cases. We'll take the lead but would like you to participate. We're aiming for the week of 6/27.

Thanks!

Holly

5/16/2013 3:10:19 PM P.11 513 263 3695

IRS

MAY-30-2013 11:59

71-000049

PSI-IRS-09-000049

From: Thomas Cindy M
Sent: Thursday, May 10, 2012 5:45 PM
To: Lahey Victoria; Lewis Jovonne; Brinkley Lynn A; Waddell Jon M; Bibb Kenneth B; Berry Daniel W
Cc: Haley Philip H; Shankling Lonnie; Jefferson-White Beverly J; Angner William J; Shafer John H; Muthert Gary A; Bowling Steven F; Combs Peggy L; Esrig Bonnie A; Sheer Mary; Chumney Tyler N; Abner Donna J
Subject: FW: Advocacy Cases - Next Steps - UPDATE
Importance: High

I spoke with Holly today regarding the advocacy team, training, etc. Following are the updates:

1. Training -- will be held in Room 7108 from 2:00 - 4:30 on 5/14 and 8:00 - 4:30 on 5/16

2. Participants for training:

EO Determinations

Janine Estes
Jodi Garuccio
Joseph Herr
Grant Herring
Faye Ng
Mitch Steele
Cary Young

EO DCA

Daniel Dragoo
Mike Ludwig

EO Washington Office

Matthew Giuliano
Hilary Goehausen
Judy Kindell
Sharon Light
Justin Lowe
Andy Megosh

3. Holly Paz and Nan Marks will be in Cincinnati on 5/14 and 5/15 and will be kicking off the training.

5/28/2013

P.13 513 263 3695

IRS

MAY-30-2013 11:56

71-000064

PSI-IRS-09-000064

4. Sharon Light will take over coordination of the Advocacy Team until further notice.

5. Those from the Washington Office, along with Daniel and Mike from EODCA, and Joseph, Mitch, Carly and Janine from EOD will start bucketing all of the advocacy cases on 5/16 until completed. Room 7112-B has been reserved for this. Those from the Washington Office will provide more details about the bucketing process once the team meets.

Please be certain that those folks who are scheduled for training and bucketing know where to be and when. If you have any questions regarding this, please let me know. Thanks.

From: Thomas Cindy M
Sent: Tuesday, May 08, 2012 11:41 PM
To: Esrig Bonnie A; Combs Peggy L
Cc: Bowling Steven F; Sheer Mary
Subject: Advocacy Cases - Next Steps
Importance: High

I spoke with Holly late today (5/8) and she indicated that folks from D.C. plan to fly into Cincinnati on 5/14 in the a.m. and would like to have a training session for the advocacy team members physically located in Cincinnati starting at 1:00 p.m. that day. The training will go through the end of the day on 5/15. To prepare for the training, the folks from D.C. would like for Joseph Herr and Mitch Steele to be available via phone on 5/10 and 5/11; they will be receiving an email from Sharon Light regarding the planning sessions. If Joseph and/or Mitch have any cases that they believe would be good for training purposes, they may want to let us know so that we can pull them out of the pile.

Starting on 5/16, Holly would like for the training team (Joseph Herr, Mitch Steele, Judy Kindell, Justin Lowe, Sharon Light), along with Stephen Seak, Carly Young, a representative(s) from Quality, and a few additional folks from D.C. to start to put the advocacy cases into buckets:

1. Favorable (no further substantive development needed),
2. Favorable (limited development with approx. 2 or 3 questions to ask that may involve technical issues — a list of questions would be jotted down by the team),
3. Significant Development, and
4. Probable Adverse.

Most likely, we'll try to get those cases in Bucket 1 closed quickly and then move to Bucket 2. The Washington Office will prepare template denial letters for Bucket 4 and will share those letters with EO Determinations to issue.

I've tentatively reserved Room 7106 for the training on 5/14 and 5/15, and have reserved Room 7112-B from 5/16 through 6/11 for those who will be identifying cases for the various buckets. Hubs are available in both of these rooms to allow for Internet connectivity.

Holly indicated that those folks from D.C. who will be assisting with this project will most likely be working overtime while in Cincinnati and overtime is available for our folks who are working on this project as well, if they choose to work it.

After these steps are taken, we'll figure out how to fold in those specialists from outside of Cincinnati who are currently on the Advocacy Team.

As I hear more, I'll pass on the information. In the meantime, please let me know ASAP if you have questions/concerns, or if there are concerns/conflict for anyone who will be involved in this project and/or training. Thanks.

5/28/2013

P. 14

513 263 3695

IRS

MAY-30-2013 11:56

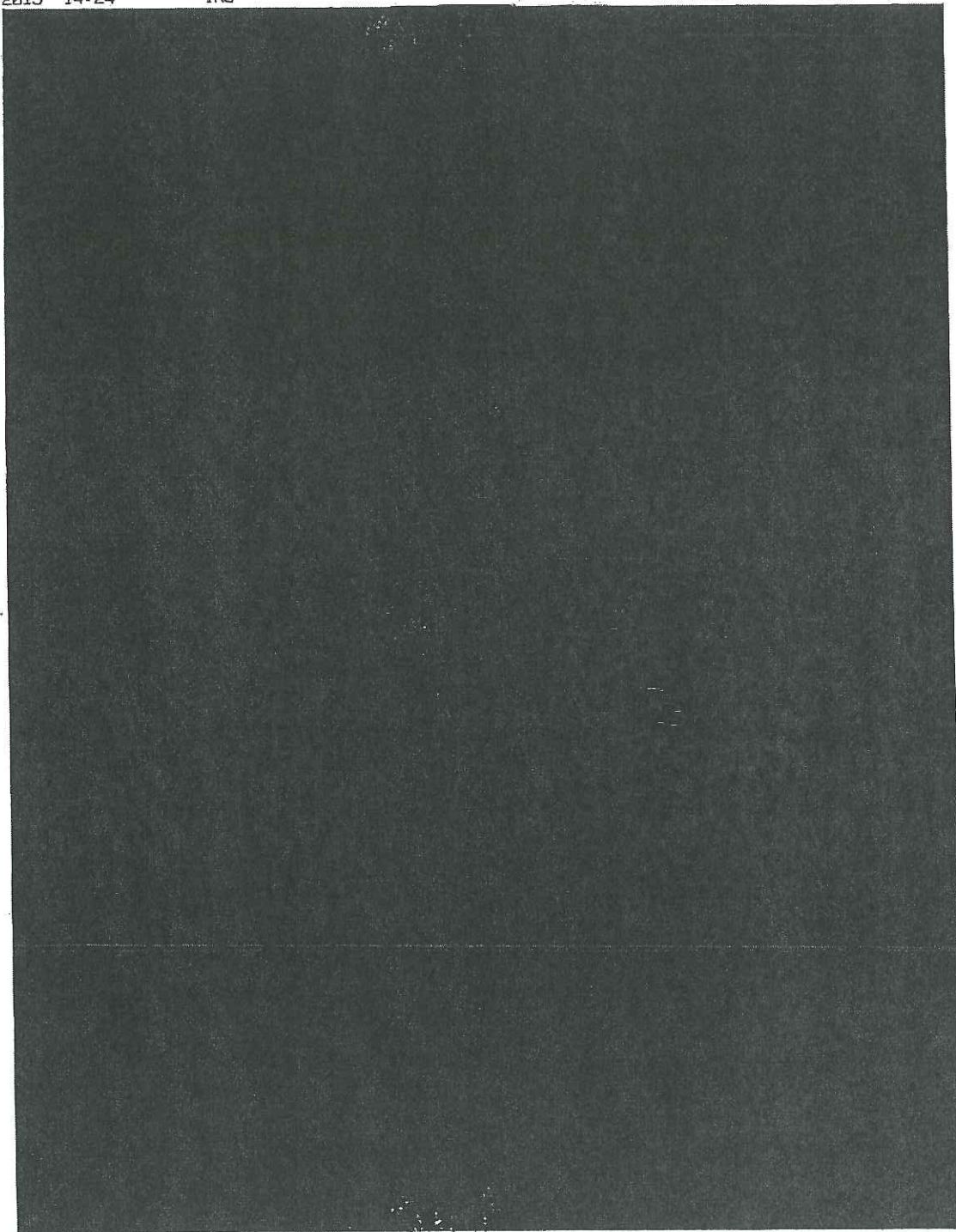
71-000065

PSI-IRS-09-000065

MAY-31-2013 14:24

IRS

513 263 3695 P.02

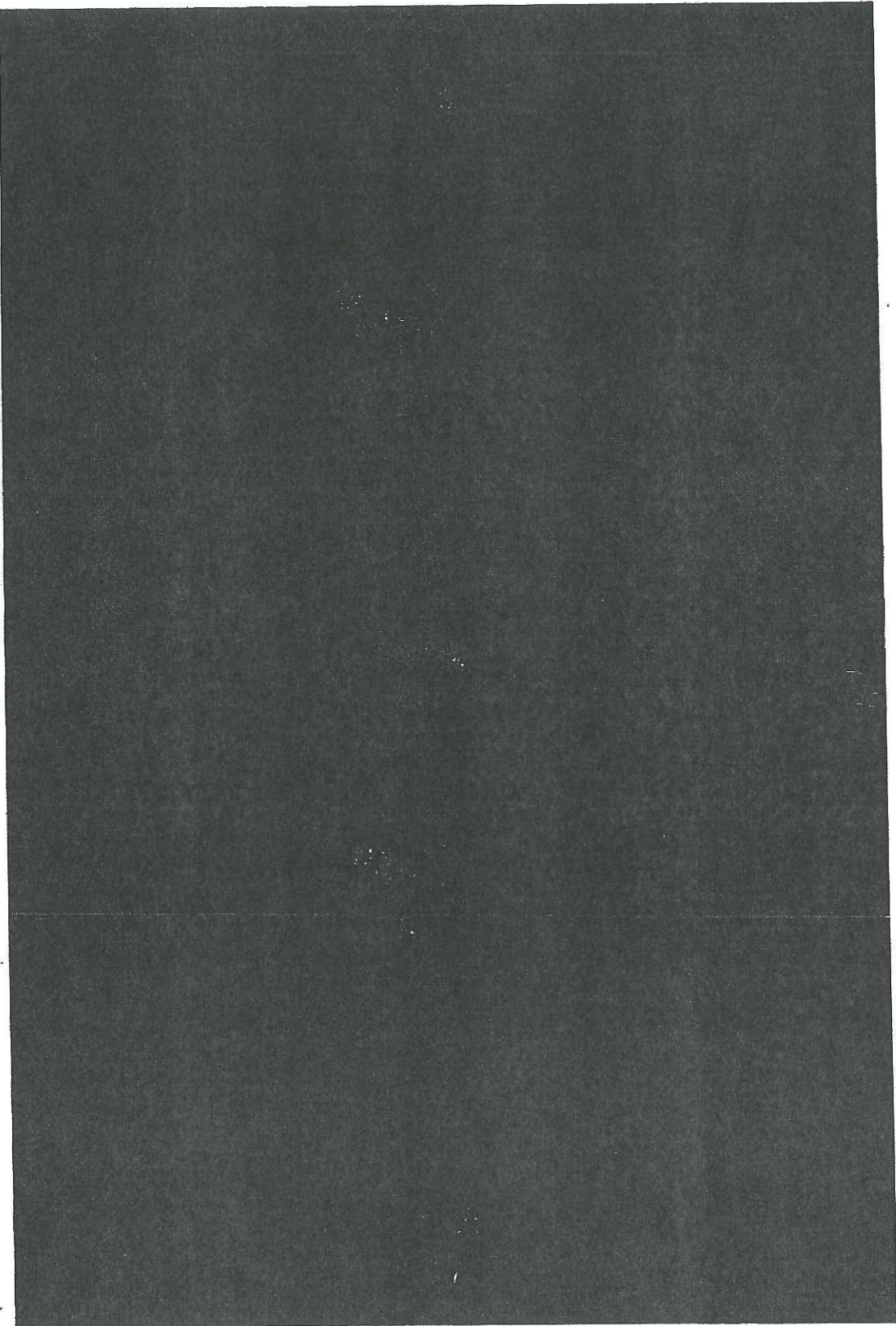


12/4

71-000066

PSI-IRS-09-000066

MAY-31-2



2002

71-000067

PSI-IRS-09-000067

MAY-31-2013

513 263 3695 P. 04

11	Potentially Abusive Family Foundation	
	Private foundations with identical narrative descriptions, a page trust agreement, and husband / wife trustees.	

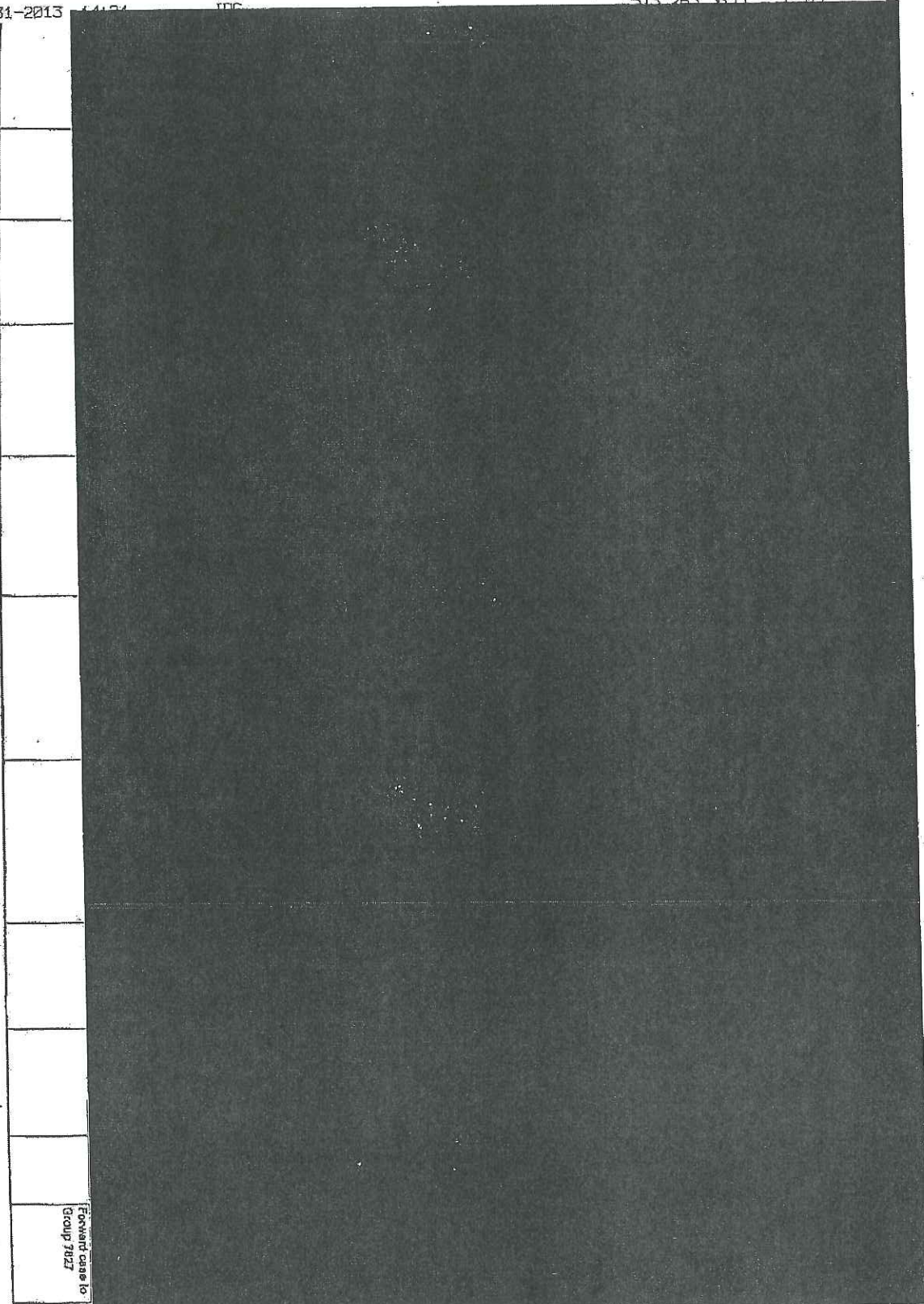
1 of 2

71-000068

PSI-IRS-09-000068

MAY-31-2013

513,263,3695 P. 05



Forward case to
Group 3027

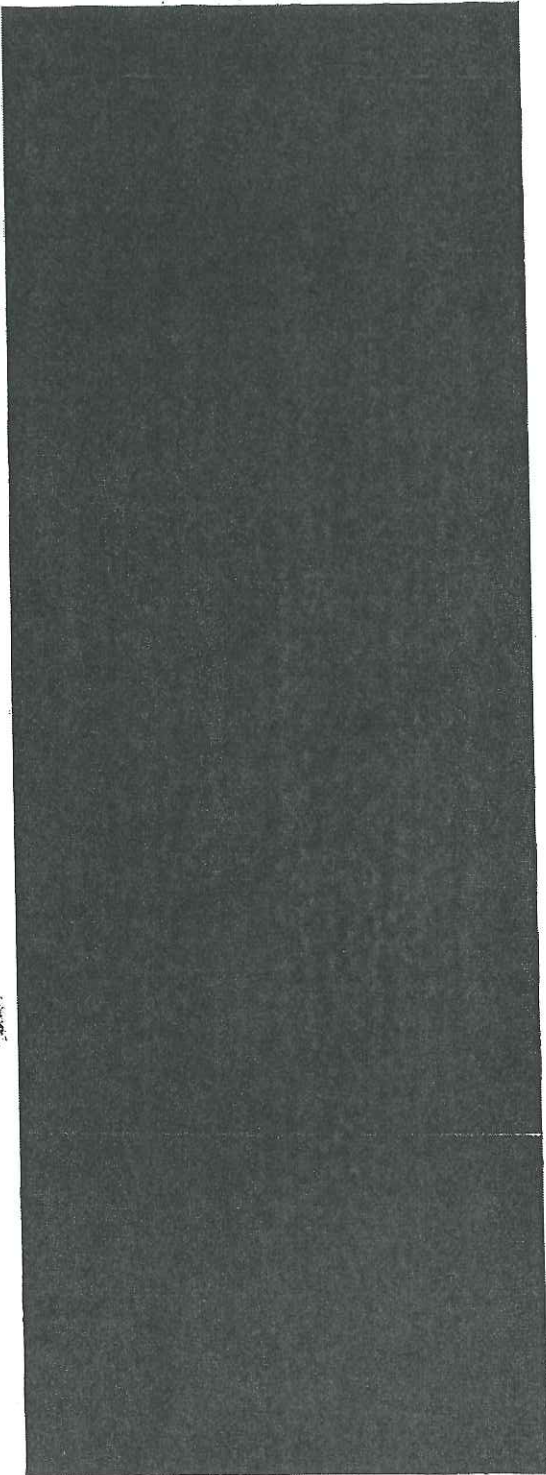
9.8.2

71-000069

PSI-IRS-09-000069

MAY-31-2013 14:24

IRS



1049

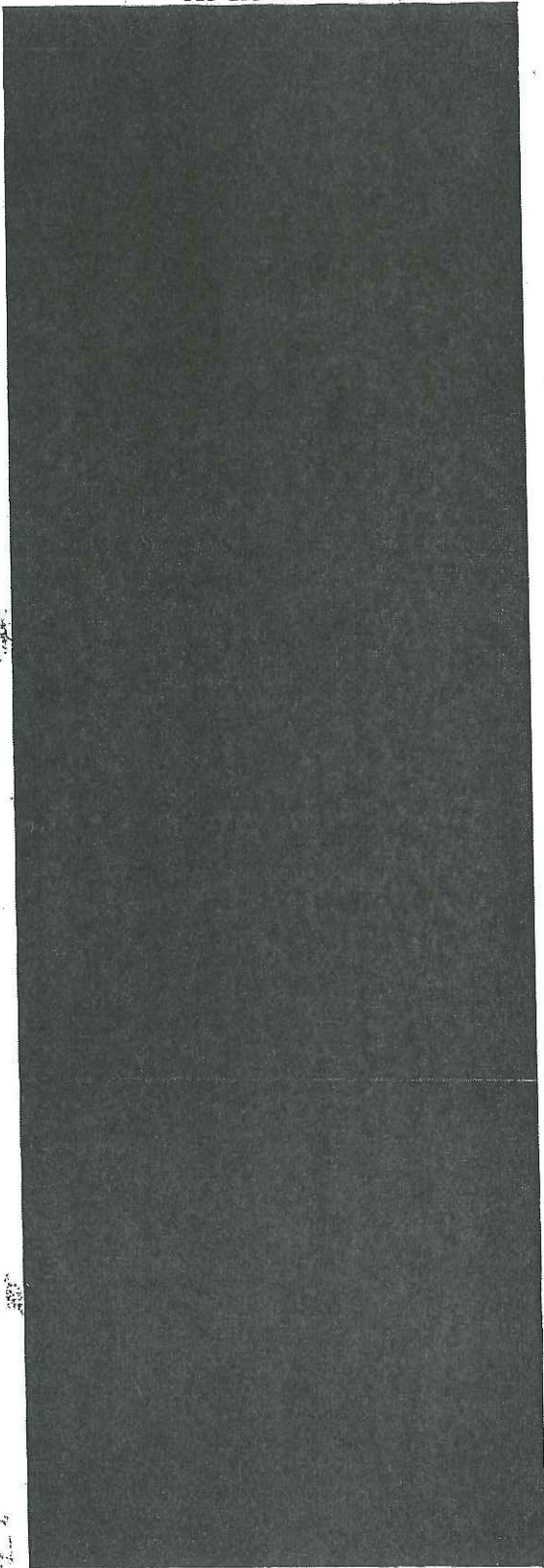
71-000070

PSI-IRS-09-000070

MAY-31-2013 14:25

IRS

513 263 3695 P.07



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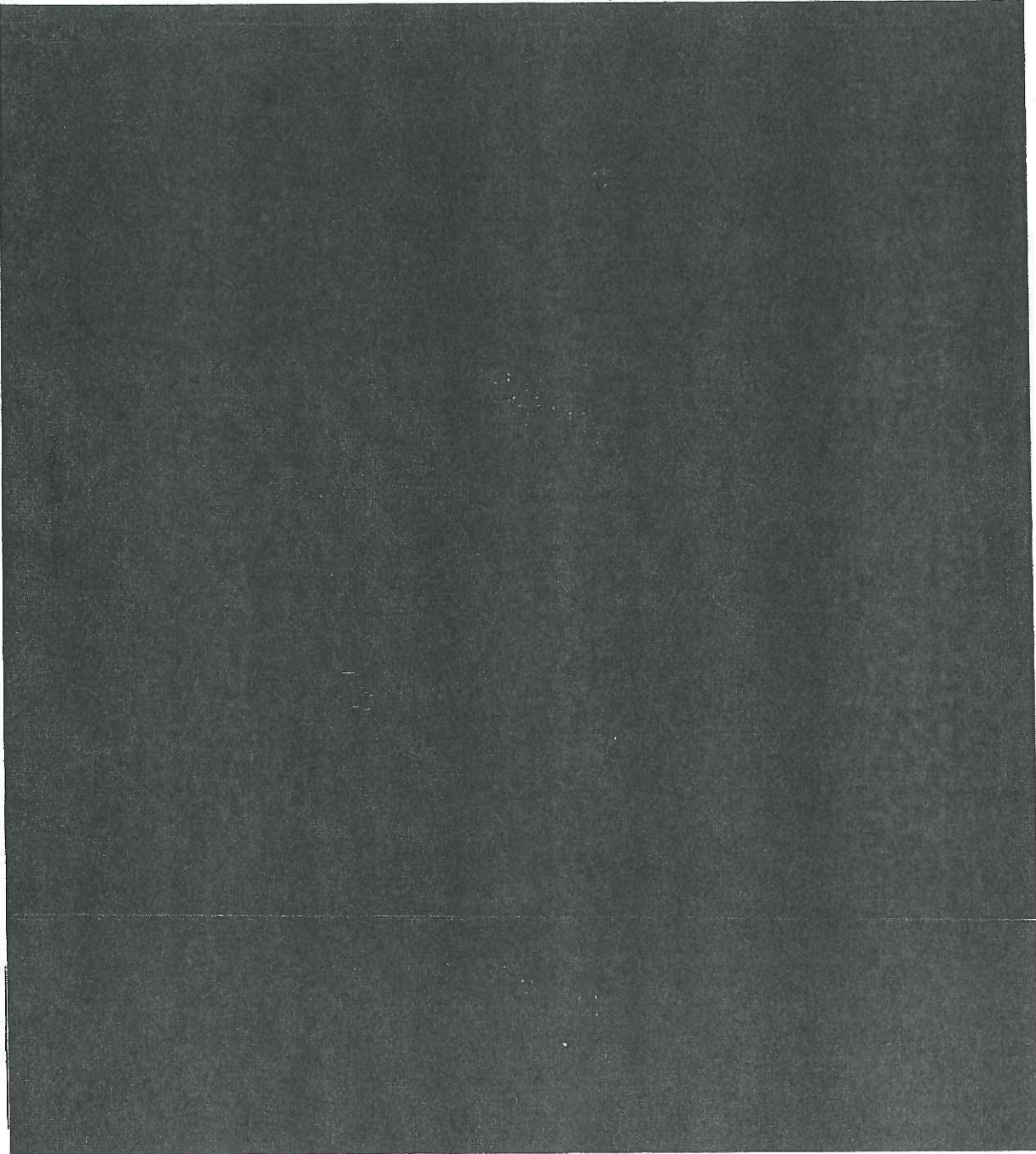
71-000071

PSI-IRS-09-000071

MAY-31-2013 14:25

IRS

513 263 3695 P.08



71-000072

PSI-IRS-09-000072

MAY-31-2013 14:25

IRS

513 263 3695 P.09

Current Political Issues	501(c)(3), 501(c)(4), 501(c)(5), and 501(c)(6) organizations with indicators of significant amount of political, campaign, or lobbying activities (to exempt purpose and/or excess private benefit). Note: advocacy/ action type issues (e.g., lobbying) that are currently listed on the Case Assignment Guide (CAG) do not meet the criteria.	EI-1	X	Forward cases to Group 1 A23.	Open

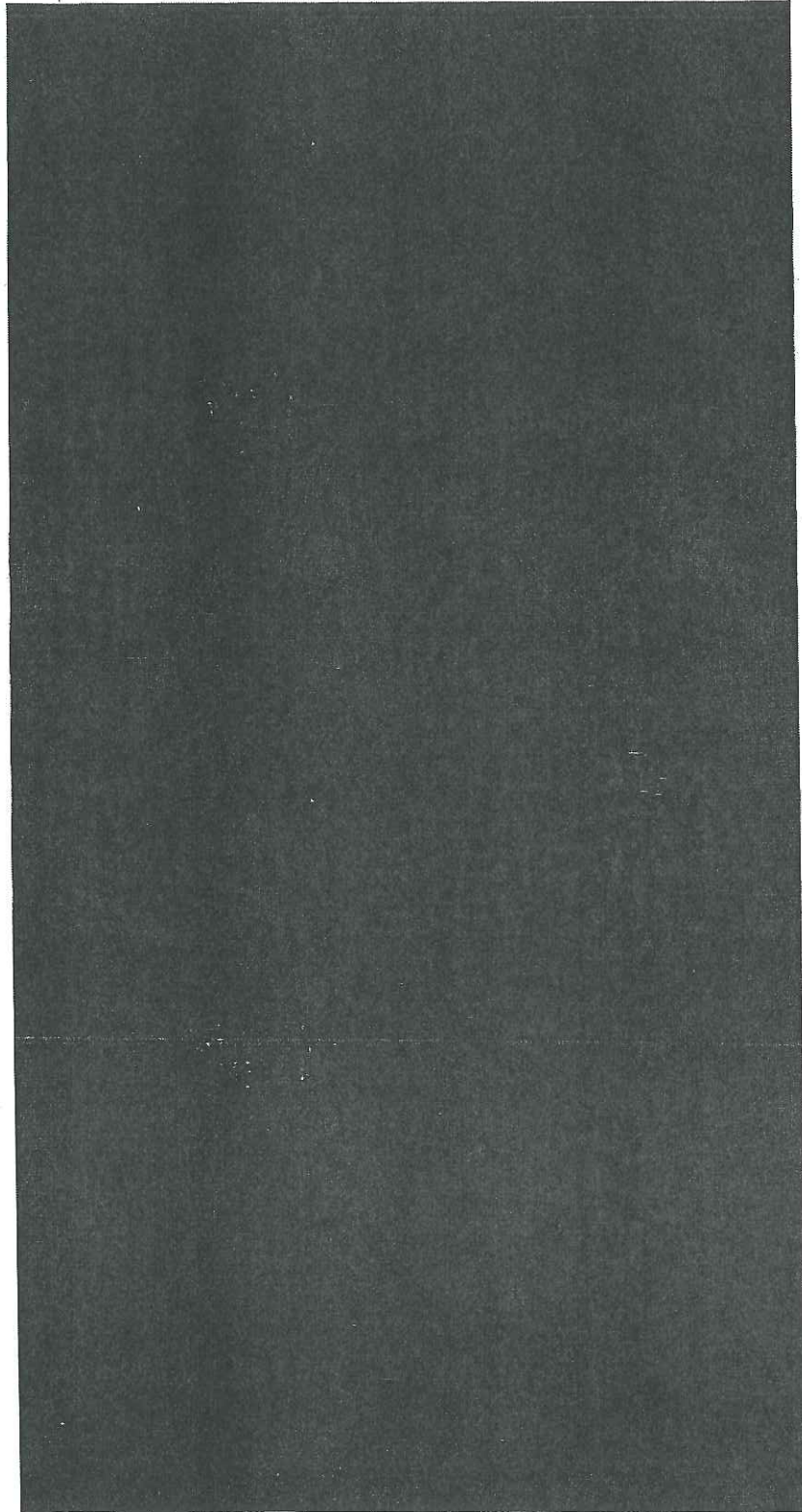
71-000073

PSI-IRS-09-000073

MAY-31-2013 14:25

IRS

513 263 3695 P.10



71-000074

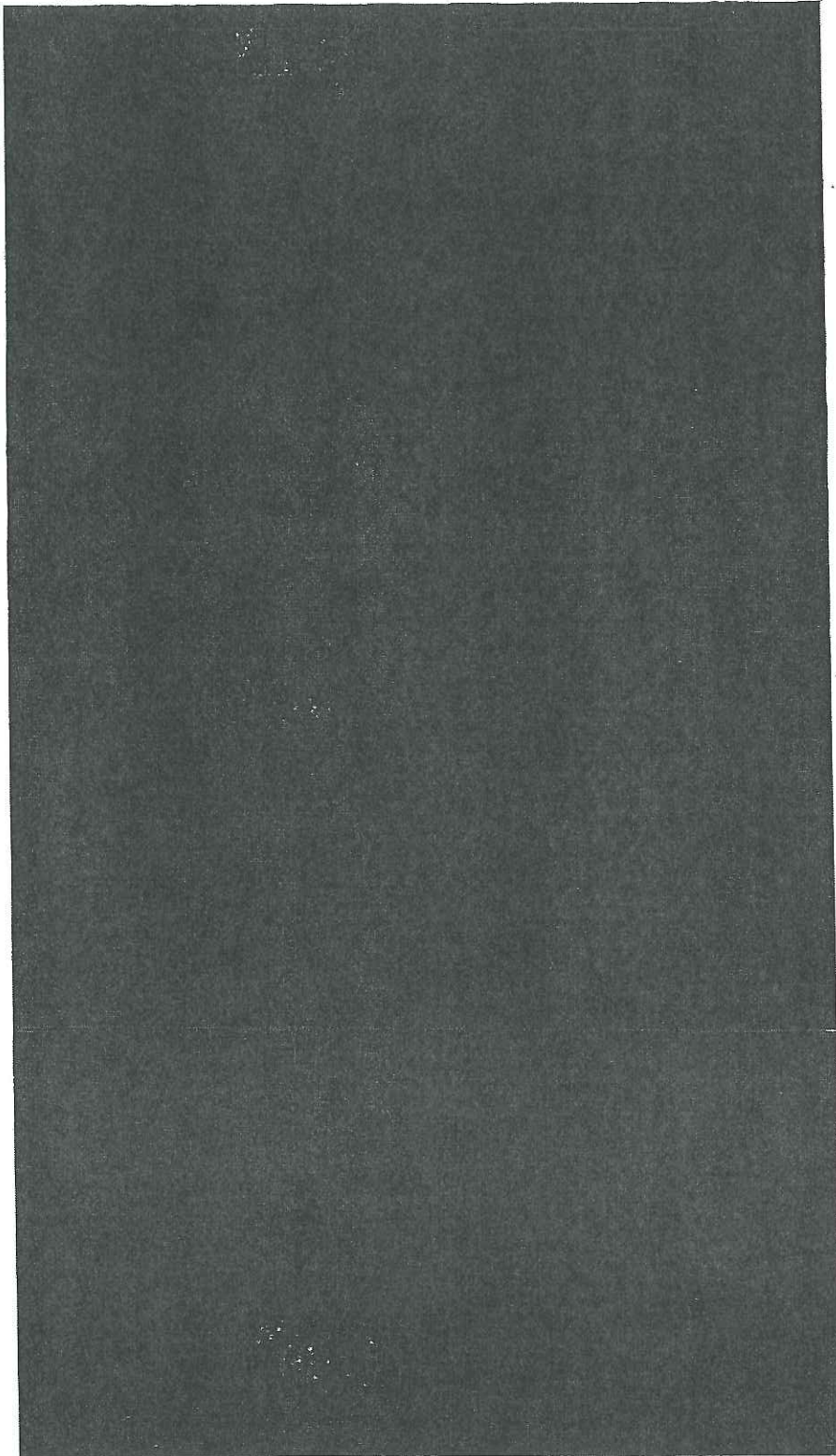
PSI-IRS-09-000074

11/11/13 11:11 AM

MAY-31-2013 14:25

IRS

513 263 3695 P.11



71-000075

PSI-IRS-09-000075

MAY-31-2013 14:26

IRS

513 263 3695 P.12

Supporting Organizations (SO's - 509(a)(3))	Form 1023 and 9940 submitted by organization seeking SO status as follows: 1) Type I where there is other than the unconditional power to appoint and remove the majority of the directors or trustees, and 2) Type I or II where there is more than one supported organization (whichever specified by name or designated by class or purpose) or where it appears that the supported organization does not unconditionally control the supporting organization.	28	27	2012-41	2013-41	Forward case to Group 7523 to coordinate with EOT/EOG.	Open 3/28/12
Paying National Debt	Organizations formed to pay down the national debt	29	27	2012-41	2013-41	Transfer case to EOT.	Open 3/28/12

TOTAL P.12

71-000076

PSI-IRS-09-000076

JUN-03-2013 12:40

IRS

513 263 3695 P.02

Shafer John H

From: Vance Roger W
Sent: Monday, June 03, 2013 12:29 PM
To: Shafer John H
Subject: FW: Tea Party Cases - NEED CRITERIA

From: Vance Roger W
Sent: Thursday, June 02, 2011 8:02 AM
To: Shafer John H
Subject: RE: Tea Party Cases - NEED CRITERIA

Some of the cases do contain references to the tea party and other cases that I have identified are organizations concerned with government spending, government debt, and taxes.

From: Shafer John H
Sent: Thursday, June 02, 2011 7:12 AM
To: Muthert Gary A; Vance Roger W; Schaber Dale T
Subject: FW: Tea Party Cases - NEED CRITERIA
Importance: High

Please provide me with what issues may indicate an organization is involved with the tea party movement.

Thanks,

John Shafer
Group Manager
SE:T:EO:RA:D:1:7838
Telephone: (513)263-3406
FAX: (513)263-5200

From: Thomas Cindy M
Sent: Thursday, June 02, 2011 12:46 AM
To: Shafer John H
Cc: Esrig Bonnie A; Bowling Steven F
Subject: Tea Party Cases - NEED CRITERIA
Importance: High

John,

Could you send me an email that includes the criteria screeners use to label a case as a "tea party case?" BOLO spreadsheet includes the following:

Organizations involved with the Tea Party movement applying for exemption under 501(c)(3) or 501(c)(4).

JUN-03-2013 12:40

IRS

513 263 3695 P.03

Do the applications specify/state "tea party?" If not, how do we know applicant is involved with the tea party movement?

I need to forward to Holly per her request below. Thanks.

From: Melahn Brenda
Sent: Wednesday, June 01, 2011 3:08 PM
To: Paz Holly O; Thomas Cindy M
Subject: RE: group of cases

Holly - we will UPS a copy of [redacted] in #1 below to your attention tomorrow. It should be there Monday. I'm sure Cindy will respond to #2.

Brenda

From: Paz Holly O
Sent: Wednesday, June 01, 2011 2:21 PM
To: Thomas Cindy M
Cc: Melahn Brenda
Subject: group of cases

re: Tea Party cases

Two things re: these cases:



2. What criteria are being used to label a case a "Tea Party case"? We want to think about whether those criteria are resulting in over-inclusion.

Lois wants a briefing on these cases. We'll take the lead but would like you to participate. We're aiming for the week of 6/27.

Thanks!

Holly

Fisher David

From: Seidell Thomas F TIGTA
Sent: Friday, May 10, 2013 9:51 AM
To: Medina Cheryl J TIGTA
Subject: FW: Review of E-Mails

Purpose: To document results of OI search of IRS emails.

From: Kutz Gregory D TIGTA
Sent: Tuesday, May 07, 2013 8:39 AM
To: Paterson Troy D TIGTA; Seidell Thomas F TIGTA
Subject: FW: Review of E-Mails

See below. I forgot to ask, but did we remove reference to OI in the footnotes and the related referral?

From: Camus Timothy P TIGTA
Sent: Friday, May 03, 2013 3:34 PM
To: Phillips Michael R TIGTA; McKenney Michael E TIGTA; McCarthy Michael T TIGTA; Kutz Gregory D TIGTA
Cc: Silvis Randy M TIGTA; Jackson James S TIGTA
Subject: Review of E-Mails

Gentlemen,

As a result of our meeting with Russell a couple of weeks ago, we agreed to pull e-mails from identified staff members of the EO organization in Cincinnati to find out 1). If an e-mail existed that directed the staff to "target" Tea Party and other political organizations and 2). If there was a conspiracy or effort to hide e-mails about the alleged directive.

Audit provided us with a list of employees in question, key word search terms and a timeframe for the e-mails. We pulled the available IRS e-mails, which resulted in 5,500 responsive e-mails.

Review of these e-mails revealed that there was a lot of discussion between the employees on how to process the Tea Party and other political organization applications. There was a Be On the Lookout (BOLO) list specifically naming these groups; however, the e-mails indicated the organizations needed to be pulled because the IRS employees were not sure how to process them, not because they wanted to stall or hinder the application. There was no indication that pulling these selected applications was politically motivated. The e-mail traffic indicated there were unclear processing directions and the group wanted to make sure they had guidance on processing the applications so they pulled them. This is a very important nuance.

Tim

Timothy Camus
Deputy Inspector General for Investigations
Treasury Inspector General for Tax Administration
401 H St. NW, Suite 469
Washington, DC 20005



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20005

INSPECTOR GENERAL
FOR TAX
ADMINISTRATION

February 13, 2013

MEMORANDUM FOR DEPUTY ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

FROM: Gregory D. Kutz
Assistant Inspector General for Audit (Management Services and Exempt Organizations)

SUBJECT: Request for Investigation Related to Audit on Internal Revenue Service Oversight of Exempt Organizations Applications

We are currently reviewing the Exempt Organizations (EO) function's tax-exempt application review process for identifying organizations that are potentially involved in political campaign intervention. As you requested, we are providing a formal request for investigation to determine who at the Internal Revenue Service (IRS) EO function Determinations Unit in Cincinnati, Ohio originally developed and who authorized the policy to improperly target applications of certain organizations based on their names and political views. According to representations we have received, a high profile case was received in February 2010 which led to an e-mail in May 2010 stating that all "Tea Party" applications should be forwarded for additional review by a certain Determinations group. By June 2011, the policy was expanded to include other groups (9/12 and Patriots). After repeated attempts to identify who developed the policy and who authorized it, at all levels the IRS is unwilling or unable to provide us with this information, including relevant e-mails. Below are certain time periods and personnel who may have been involved in the development of the improper criteria.

Time Period	Personnel	Criteria	Reason
February 2010 through May 2010	<ul style="list-style-type: none"> ➤ Cindy M. Thomas, Determinations Program Manager; ➤ Holly O. Paz, Director Rulings and Agreements; ➤ John H. Shafer, Determinations Group Manager; ➤ John Koester, 	"Tea" or "Patriots" or "9/12" or "(c)(4)"	We have requested an email that was sent to the Determinations Unit staff that included criteria for processing applications

Time Period	Personnel	Criteria	Reason
	Determinations Specialist; > Gary A. Muthert, Determinations Specialist; > Carter C. Hull, EO Technical Specialist; > Elizabeth Hofacre, former Determinations Specialist; > Sharon Camarillo, former Area Manager; > Joseph Herr, Determinations Group Manager; and > Steven Grodnitzky, EO Technical Manager		involving specific groups, but IRS personnel state that they cannot locate the email.
June 1-10, 2011	> Cindy M. Thomas, Determinations Program Manager; > Holly O. Paz, Director Rulings and Agreements; > John H. Shafer, Determinations Group Manager; and > Gary A. Muthert, Determinations Specialist	"Tea" or "Patriots" or "9/12"	We have been provided criteria used for processing certain tax-exempt applications, but IRS officials stated that they do not know who developed it or who knew about it and when.

We are currently drafting our report, which may be issued before you complete your investigation. We plan to note in our report that we have referred certain matters to your office for further investigation. We will provide you with a draft of this report as background and to ensure that our reference to this referral is appropriate. If you identify evidence material to our audit report before it is issued, we will work with you on any additional disclosures we should make. Due to the high visibility of this issue, it is possible you will be asked to brief congressional staff on the results of your investigation.

(14)

We will provide you and your staff access to all relevant documentation we have received including the first written evidence of the improper targeting policy. Once you have reviewed this memo please have your staff coordinate with Troy Paterson, Director, Tax Exempt and Government Entities/Human Capital, at (404) 338-7476.

cc: Deputy Inspector General for Investigations IG:OI
 Acting Deputy Inspector General for Audit IG:A

File: PA6.ee EDS 501c4 Case Universe Open and Closed Rec'd 6-11-12

Tabs: Open and Closed (see notes below)

Purpose: To identify the universe of open 501(c)(4) applications to sample from and to identify the universe of closed 501(c)(4) applications to sample from.

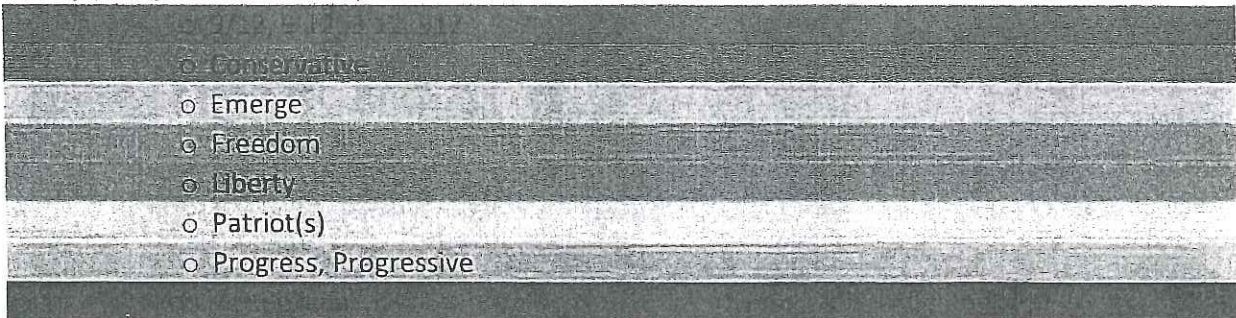
Date Created: June 5, 2012

File modified as followed purely for presentation purposes and to aid discussion:

- To look at the entire universe in a single manner, the Open and Closed tabs have been combined to create a single listing.

- One additional column was added entitled "List." This column has four potential values:
 - May '12: This indicates that the application appeared in the Advocacy Listing that was effective as of May 31, 2012.
 - Dec '12: This indicates that the applications did not appear in the May 31, 2012 Advocacy Listing but did appear in the December 17, 2012 Advocacy Listing.
 - None: This indicates that the application did not appear in either the May 31, 2012 or the December 17, 2012 Advocacy Listing.

- Color Coding: The following color codes were used for Application Names for purposes of clarity (in alphabetical order):



○ Tea Party

- Color Coding:



Purpose: To identify the universe of open 501(c)(4) applications to sample from. This listing was run on June 5, 2012.

Source: Holly Paz, Director, Rulings and Agreements

501(c)(4) Initial Applications

		9/12, 8-12, 9 12, 912				Pre-May 2010		
TEDS Case #	EDS Case #	Ein	Applicantname1	Advocacy List	Subsection	Current EDS Status	Current EDS Status Date	Control Date
				None	4	1	5/21/2010	6/28/2009
				None	4	1	12/29/2010	2/3/2010
				None	4	4	10/14/2010	3/18/2010
				May '12	4	52	1/10/2012	4/5/2010
				May '12	4	52	6/1/2012	5/20/2010
				May '12	4	1	5/25/2012	8/20/2010
				May '12	4	4	3/2/2012	8/31/2010
				May '12	4	52	6/1/2012	11/19/2010
				May '12	4	52	2/8/2012	1/13/2011
				May '12	4	52	3/11/2011	2/22/2011
				May '12	4	1	5/25/2012	4/4/2011
				Dec '12	4	74	5/31/2012	8/15/2011
				May '12	4	51	4/13/2012	12/21/2011
				May '12	4	51	5/24/2012	4/9/2012
				Dec '12	4	74	6/2/2012	4/24/2012
				Dec '12	4	74	6/2/2012	5/10/2012

Purpose: To identify the universe of open 501(c)(4) applications to sample from. This listing was run on June 5, 2012.

Source: Holly Paz, Director, Rulings and Agreements

501(c)(4) Initial Applications

TEDS Case #	EDS Case #	Ein	Applicantname1	Advocacy List	Subsecti on	Current EDS Status	Current EDS Status Date	Control Date
				None	4	1	5/20/2010	7/25/2013
				May '12	4	52	5/8/2012	4/1/2013
				May '12	4	4	3/2/2012	5/11/2010
				None	4	6	7/15/2010	5/27/2010
				May '12	4	52	1/18/2012	6/7/2010
				None	4	1	9/7/2010	6/30/2010
				May '12	4	58	4/23/2012	7/14/2010
				None	4	11	9/20/2011	9/16/2010
				May '12	4	74	3/1/2012	10/25/2010
				None	4	1	7/20/2011	12/30/2010
				None	4	6	4/25/2011	3/17/2011
				May '12	4	52	6/1/2012	4/7/2011
				None	4	1	3/13/2012	8/10/2011
				May '12	4	51	5/15/2012	8/16/2011
				None	4	51	3/6/2012	1/20/2012
				May '12	4	51	5/1/2012	2/2/2012

Purpose: To identify the universe of open 501(c)(4) applications to sample from. This listing was run on June 5, 2012.

Source: Holly Paz, Director, Rulings and Agreements

501(c)(4) Initial Applications

				Emerge			Pre-May 2010	
TEDS Case #	EDS Case #	Ein	Applicantname1	Advocacy List	Subsecti on	Current EDS Status	Current EDS Status Date	Control Date
				None	4	2	9/7/2011	12/28/2007
				None	4	2	9/7/2011	1/7/2008
				None	4	2	9/7/2011	8/12/2008
				None	4	2	7/25/2011	12/28/2009
				None	4	1	4/27/2011	6/22/2010

Purpose: To identify the universe of open 501(c)(4) applications to sample from. This listing was run on June 5, 2012.

Source: Holly Paz, Director, Rulings and Agreements

501(c)(4) Initial Applications

				Freedom				Pre-May 2010
TEDS Case #	EDS Case #	Ein	Applicantname1	Advocacy List	Subsection	Current EDS Status	Current EDS Status Date	Control Date
				None	4	1	9/2/2010	1/22/2010
				None	4	52	5/16/2012	3/26/2010
				None	4	6	7/29/2010	6/11/2010
				None	4	9	12/29/2010	7/16/2010
				None	4	6	8/20/2010	7/29/2010
				None	4	1	9/22/2010	8/23/2010
				None	4	52	11/19/2010	9/9/2010
				May '12	4	52	6/1/2012	9/24/2010
				None	4	1	3/25/2011	10/1/2010
				None	4	1	3/25/2011	10/5/2010
				May '12	4	52	6/1/2012	12/22/2010
				None	4	1	5/12/2011	1/20/2011
				None	4	1	2/17/2012	1/26/2011
				None	4	1	4/9/2012	2/16/2011
				May '12	4	52	2/9/2012	3/7/2011
				May '12	4	52	2/10/2012	3/10/2011
				May '12	4	52	6/1/2012	4/15/2011
				None	4	1	7/27/2011	4/15/2011
				May '12	4	58	4/23/2012	5/4/2011
				Dec '12	4	6	6/14/2011	5/4/2011
				May '12	4	58	4/23/2012	5/17/2011
				None	4	1	12/8/2011	5/17/2011
				May '12	4	1	5/25/2012	6/28/2011
				None	4	1	3/2/2012	7/25/2011
				None	4	6	11/21/2011	10/13/2011
				None	4	1	12/6/2011	10/31/2011
				May '12	4	51	4/13/2012	11/2/2011
				May '12	4	51	5/15/2012	11/15/2011
				None	4	1	2/16/2012	11/30/2011
				None	4	6	1/31/2012	12/7/2011
				May '12	4	51	5/15/2012	2/9/2012
				Dec '12	4	62	5/18/2012	3/20/2012
				Dec '12	4	74	6/2/2012	4/5/2012
				Dec '12	4	61	6/1/2012	5/24/2012

Purpose: To identify the universe of open 501(c)(4) applications to sample from. This listing was run on June 5, 2012.

Source: Holly Paz, Director, Rulings and Agreements

501(c)(4) Initial Applications

			Liberty					
TEDS Case #	EDS Case #	Ein	Applicantname1	Advocacy List	Subsecti on	Current EDS Status	Current EDS Status Date	Control Date
				None	4	1	4/16/2011	
				None	4	1	5/8/2010	
				None	4	1	7/14/2010	
				None	4	6	8/6/2010	6/18/2010
				May '12	4	52	1/23/2012	6/30/2010
				None	4	11	3/29/2011	7/2/2010
				May '12	4	52	1/30/2012	8/31/2010
				None	4	6	10/8/2010	9/10/2010
				May '12	4	52	2/6/2012	9/13/2010
				May '12	4	4	4/6/2012	9/28/2010
				None	4	6	10/29/2010	10/18/2010
				Dec '12	4	6	1/15/2011	12/7/2010
				May '12	4	52	6/1/2012	1/18/2011
				May '12	4	52	6/1/2012	2/22/2011
				May '12	4	6	5/15/2011	4/26/2011
				May '12	4	51	4/11/2012	6/9/2011
				May '12	4	51	4/11/2012	6/9/2011
				May '12	4	51	4/11/2012	6/9/2011
				May '12	4	51	4/11/2012	6/9/2011
				May '12	4	51	4/11/2012	6/9/2011
				May '12	4	51	4/11/2012	6/9/2011
				May '12	4	51	4/11/2012	6/9/2011
				May '12	4	51	4/11/2012	6/15/2011
				May '12	4	52	6/1/2012	9/13/2011
				May '12	4	51	4/13/2012	11/7/2011
				None	4	72	5/14/2012	11/8/2011
				None	4	72	5/14/2012	1/27/2012
				May '12	4	51	5/1/2012	2/9/2012
				Dec '12	4	62	6/1/2012	4/23/2012

Purpose: To identify the universe of open 501(c)(4) applications to sample from. This listing was run on June 5, 2012.

Source: Holly Paz, Director, Rulings and Agreements

501(c)(4) Initial Applications

		Patriot(s)				Pre-May 2010		
TEDS Case #	EDS Case #	Ein	Applicantname1	Advocacy List	Subsecti on	Current EDS Status	Current EDS Status Date	Control Date
				May '12	4	52	6/1/2012	1/2/2010
				May '12	4	58	4/23/2012	2/10/2010
				May '12	4	4	1/25/2012	3/18/2010
				May '12	4	52	1/12/2012	4/29/2010
				May '12	4	52	1/12/2012	5/3/2010
				May '12	4	52	1/17/2012	5/11/2010
				May '12	4	52	1/18/2012	6/11/2010
				May '12	4	58	4/23/2012	7/20/2010
				None	4	1	12/3/2010	7/26/2010
				None	4	2	1/11/2012	8/18/2010
				None	4	3	9/16/2010	8/19/2010
				None	4	3	10/5/2010	9/14/2010
				May '12	4	52	2/2/2012	10/16/2010
				May '12	4	52	2/2/2012	10/25/2010
				May '12	4	74	3/1/2012	10/25/2010
				None	4	9	3/25/2011	11/18/2010
				May '12	4	52	2/6/2012	12/17/2010
				May '12	4	58	5/17/2012	1/31/2011
				None	4	1	7/8/2011	4/6/2011
				May '12	4	52	2/21/2012	4/13/2011
				May '12	4	52	2/21/2012	4/16/2011
				May '12	4	52	2/21/2012	4/19/2011
				May '12	4	51	4/11/2012	6/10/2011
				May '12	4	51	5/11/2012	8/12/2011
				May '12	4	51	4/13/2012	9/30/2011
				May '12	4	51	5/11/2012	9/30/2011
				May '12	4	51	4/13/2012	10/24/2011
				Dec '12	4	74	6/1/2012	11/8/2011
				May '12	4	51	4/13/2012	12/30/2011
				May '12	4	51	5/24/2012	3/5/2012
				May '12	4	51	5/24/2012	4/9/2012
				None	4	61	5/9/2012	4/26/2012

Purpose: To identify the universe of open 501(c)(4) applications to sample from. This listing was run on June 5, 2012.

Source: Holly Paz, Director, Rulings and Agreements

501(c)(4) Initial Applications

		Progress / Progressive				Pre-May 2010		
TEDS Case #	EDS Case #	Ein	Applicantname1	Advocacy List	Subsect on	Current EDS Status	Current EDS Status Date	Control Date
				None	4	11	2/14/2012	6/2/2010
				None	4	9	5/5/2010	12/30/2009
				None	4	9	6/29/2010	5/17/2010
				None	4	1	11/29/2010	6/27/2010
				None	4	1	11/19/2010	5/14/2010
				None	4	1	1/11/2011	6/10/2010
				None	4	1	12/22/2011	6/24/2010
				None	4	1	10/19/2010	8/3/2010
				None	4	1	12/6/2010	9/20/2010
				None	4	9	4/22/2011	11/30/2010
				May '12	4	52	6/1/2012	3/11/2011
				May '12	4	52	2/13/2012	3/30/2011
				None	4	6	7/29/2011	6/27/2011
				May '12	4	51	4/11/2012	7/1/2011
				None	4	6	9/25/2011	8/2/2011
				May '12	4	51	5/15/2012	8/19/2011
				None	4	6	9/25/2011	8/22/2011
				May '12	4	51	4/13/2012	9/2/2011
				May '12	4	52	6/1/2012	10/19/2011
				None	4	71	5/15/2012	10/26/2011
				May '12	4	51	4/13/2012	11/26/2011
				Dec '12	4	62	5/31/2012	1/6/2012
				None	4	71	5/14/2012	3/23/2012
				Dec '12	4	75	6/1/2012	5/10/2012

Purpose: To identify the universe of open 501(c)(4) applications to sample from. This listing was run on June 5, 2012.

Source: Holly Paz, Director, Rulings and Agreements

501(c)(4) Initial Applications

								Pre-May 2010
TEDS Case #	EDS Case #	Ein	Applicantname1	Advocacy List	Subsection	Current EDS Status	Current EDS Status Date	Control Date
				None	4	6	6/16/2011	5/16/2011
				None	4	6	11/22/2011	8/5/2011
				May '12	4	51	5/11/2012	10/3/2011

Purpose: To identify the universe of open 501(c)(4) applications to sample from. This listing was run on June 5, 2012.

Source: Holly Paz, Director, Rulings and Agreements

501(c)(4) Initial Applications

				Tea Party				
TEDS Case #	EDS Case #	Ein	Applicantname1	Advocacy List	Subsect on	Current EDS Status	Current EDS Status Date	Control Date
				None	4	4	6/15/2010	9/22/2009
				May '12	4	58	5/17/2012	11/15/2009
				May '12	4	4	3/5/2012	12/8/2009
				May '12	4	52	3/16/2012	10/29/2009
				None	4	52	11/7/2011	12/30/2009
				May '12	4	58	4/23/2012	7/10/2009
				May '12	4	37	3/2/2012	5/15/2010
				May '12	4	52	1/8/2012	3/19/2010
				May '12	4	4	3/2/2012	5/25/2010
				May '12	4	52	1/12/2012	3/9/2010
				May '12	4	52	1/12/2012	4/14/2010
				May '12	4	52	1/12/2012	1/10/2010
				May '12	4	52	1/12/2012	1/29/2010
				May '12	4	4	4/4/2012	5/7/2010
				May '12	4	52	1/18/2012	5/21/2010
				May '12	4	4	2/27/2012	5/26/2010
				May '12	4	52	1/18/2012	5/27/2010
				May '12	4	52	1/18/2012	5/28/2010
				May '12	4	52	1/18/2012	6/11/2010
				May '12	4	52	1/18/2012	6/11/2010
				May '12	4	52	1/24/2012	7/6/2010
				May '12	4	52	1/24/2012	7/8/2010
				May '12	4	58	4/23/2012	7/19/2010
				May '12	4	58	4/23/2012	7/23/2010
				May '12	4	52	1/27/2012	8/5/2010
				May '13	4	52	1/27/2012	8/9/2010
				May '12	4	52	1/31/2012	8/24/2010
				May '12	4	52	1/30/2012	8/31/2010
				May '12	4	52	2/2/2012	10/13/2010
				May '12	4	52	2/3/2012	10/18/2010
				May '12	4	52	6/1/2012	12/1/2010
				May '12	4	52	2/6/2012	12/17/2010
				May '12	4	52	2/8/2012	1/3/2011
				May '12	4	58	5/17/2012	1/27/2011
				May '12	4	58	5/17/2012	1/31/2011
				May '12	4	4	6/2/2012	3/8/2011
				May '12	4	58	4/23/2012	3/17/2011
				May '12	4	58	4/23/2012	3/18/2011

				May '12	4	4	6/2/2012	3/25/2011
				May '12	4	52	2/13/2012	3/31/2011
				May '12	4	52	2/16/2012	4/8/2011
				May '12	4	52	2/21/2012	4/13/2011
				May '12	4	52	2/21/2012	4/16/2011
				May '12	4	52	2/21/2012	4/19/2011
				May '12	4	51	4/11/2012	6/6/2011
				May '12	4	51	4/13/2012	7/25/2011
				May '12	4	51	4/13/2012	7/25/2011
				May '12	4	51	5/11/2012	8/8/2011
				May '12	4	51	5/11/2012	8/11/2011
				May '12	4	51	5/11/2012	8/12/2011
				May '12	4	52	6/1/2012	8/23/2011
				May '12	4	51	5/11/2012	9/16/2011
				May '12	4	51	5/11/2012	9/30/2011
				May '12	4	51	5/11/2012	9/30/2011
				May '12	4	51	5/11/2012	10/4/2011
				May '12	4	51	4/13/2012	10/17/2011
				May '12	4	51	4/13/2012	11/2/2011
				May '12	4	51	4/13/2012	11/23/2011
				May '12	4	51	4/13/2012	12/1/2011
				May '12	4	51	4/13/2012	12/30/2011
				May '12	4	51	4/13/2012	12/31/2011
				May '12	4	51	4/13/2012	1/11/2012
				May '12	4	51	4/13/2012	1/18/2012
				May '12	4	51	5/24/2012	3/5/2012

Topic: Date Ranges for Data Selection

Statement (Audit): "We determined this through two statistical samples of 338 (7.5 percent) from a universe of 4,510 I.R.C. § 501(c)(4) tax-exempt applications *filed* during May 2010 through May 2012 that were not forwarded to the team of specialists." (footnote 19 on page 8)

Statement (Audit): "We reviewed a statistical sample of 94 I.R.C. § 501(c)(4) cases *closed* from May 2010 through May 2012 from a universe of 2,051 applications..." (page 9)

Statement (Audit): "We reviewed a statistical sample of 244 I.R.C. § 501(c)(4) cases *closed* from May 2010 through May 2012 or open as of May 31, 2012..." (page 9)

Statement (Audit): "We reviewed all 298 applications that had been *identified* as potential political cases as of May 31, 2012." (page 10)

Statement (Letter): "TIGTA performed additional research which determined that six tax-exempt applications *filed* between May 2010 and May 2012 having the words "progress" or "progressive" in their names were included in the 298 cases the IRS identified as potential political cases."

Statement (Letter): "We also determined that 14 tax-exempt applications *filed* between May 2010 and May 2012 using the words "progress" or "progressive" in their names were not referred for additional scrutiny as potential political cases.

IRS Observations: The first, fifth, and sixth statements above reference a date range based on the date that the application was *filed* with the IRS (known as the Control Date). The second, third, and fourth statements appear to reference applications that may have been received by the IRS prior to May 2010 but had some action taken during the May 2010 to May 2012 timeframe.

The set of 298 advocacy cases that TIGTA reviewed includes 21 501(c)(4) cases that were filed with the IRS prior to May 2010 (including 11 Tea Party cases). The set of 298 cases also does not include 3 additional Tea Party cases (one 501(c)(3) case and two (c)(4) cases) that were filed prior to May 2010 but never ended up in the advocacy case listing, including the 501(c)(4) case that was the primary focus of the recurring Sensitive Case Reports in the TIGTA files. The set of 298 cases also does not include 5 cases that were closed in 2011 for an organization on the opposite end of the political spectrum from Tea Party, four of which also received a referral to EO Technical, had a Sensitive Case Report prepared, were referred to Chief Counsel for additional scrutiny, and eventually received a determination after approximately a three-year delay. Moreover, the list of 298 does not include 72 cases that were received by the IRS prior to May 31, 2012, but had not been assigned to the advocacy case listing by that date [37 cases for 501(c)(4) and 35 cases for 501(c)(3)].

The TIGTA report states in Appendix I (Detailed Objective, Scope, and Methodology): "Obtained a list of applications that were identified for processing by the team of specialists and determined the status of the identified cases (open, approved, denied, etc.) through May 31, 2012. We also received an updated list of identified cases through December 17, 2012, to determine the status of each initial case as of this date." This updated file expands the total universe of cases set aside for additional scrutiny as potential advocacy cases to 407.

TIGTA indicated in a conversation on July 9, 2013 that the December 17, 2012 file was only used to update the status of the original 298 cases under review, and not to update the listing itself to include those additional cases that were, in fact, filed prior to May 2010 and were included in the December 2012 Advocacy listing update, but had not made it into the Advocacy listing as of June 5, 2012 when the list of 298 cases was prepared.

Topic: More on Date Ranges for Data Selection and Data Used for Statistical Sampling

Statement (Audit): The footnote associated with the statement that all cases with Tea Party, Patriots, or 9/12 in their names were forwarded to the team of specialists (footnote #19) states: "We determined this through two statistical samples of 338 (7.5 percent) from a universe of 4,510 I.R.C. § 501(c)(4) tax-exempt applications filed during May 2010 through May 2012 that were not forwarded to the team of specialists. See Appendix I for details on our sampling methodology."

TIGTA indicated in a conversation on July 11, 2013 that part of this statement was not accurate. There were applications filed *prior* to May 2010 that were included in the universe from which this sample was drawn. The actual universe used included two 501(c)(4) Tea Party cases that were not forwarded to the team of specialists, as well as four of the Progressive cases that were highlighted in the letter to Congressman Levin, that were filed prior to May 2010.

TIGTA also clarified that the "universe of 4,510 I.R.C. § 501(c)(4) tax-exempt applications filed during May 2010 through May 2012" used as the basis for this sampling was not the entire universe of 501(c)(4) applications that had been provided by the IRS, but rather a subset of that universe of data. Specifically, several hundred applications were removed from the universe based on status codes that TIGTA believed were not relevant for the purpose of the sampling. This truncated data set appeared to primarily be designed to address the following two questions (page 9 of the audit report):

- How many "applications had indications of significant political campaign intervention and should have been forwarded to the team of specialists" but had not;
- How many "applications that the IRS determined required additional information from the organizations applying for tax-exempt status ... but were not forwarded to the team of specialists;" and

However, this same truncated data set was also used to determine the following (page 8):

- "That all cases with Tea Party, Patriots, or 9/12 in their names were forwarded to the team of specialists."

Statement (Audit): In Appendix I: In the first of the two samples referenced in the footnote: "We selected our statistical sample using the following criteria: 90 percent confidence level, 50 percent error rate, and \pm 5 percent precision rate."

The footnote to this statement is: "An expected error rate of 50 percent was chosen because we determined that cases needing significant additional information had criteria that included the names of specific groups."

See data sets for discussion on the beginning and end points for data collection used in the audit report.

Relevant Documents from TIGTA workpapers: PA6.ff – *Advocacy Case Tracking Sheet*, PA6.ee *EDS 501c4 Case Universe Open and Closed Rec'd 6-11-12*, PA6.nn – *Tracking Sheet 12172012 – Advocacy Cases*; and 20100419 – *April 2010 Tea Party* (and subsequent monthly Sensitive Case Reports)

Topic: Percentage of applications identified for additional scrutiny as "potential political cases"

Statement (Audit): "While the team of specialists reviewed applications from a variety of organizations, we determined during our reviews of statistical samples of I.R.C. § 501(c)(4) tax-exempt applications that all cases with Tea Party, Patriots, or 9/12 in their names were forwarded to the team of specialists."

Statement (Letter): "...our audit found that 100 percent of the tax-exempt applications with Tea Party, Patriots, or 9/12 in their names were processed as potential political cases during the timeframe of our audit."

IRS Observations: Specific data sets used, and whether actual data or statistical sampling was used; See spreadsheets for calculations and discussion. Summary tables included in this section – see footnote for explanation for the definition of the three data sets referenced in these summary tables.¹ None of these are precise matches to TIGTA. Data Set #1 is the closest match, however numbers for Patriots and Progressive differ from the charts below because of the exclusions that TIGTA made from the universe of 501(c)(4) applications based on certain status codes.

	Data Set #1			Data Set #2			Data Set #3		
	Set Aside	Total Apps	% Set Aside	Set Aside	Total Apps	% Set Aside	Set Aside	Total Apps	% Set Aside
Tea Party	62	64	97%	62	62	100%	51	51	100%
9/12; 9-12; 9 12; 912	10	16	63%	10	13	77%	12	12	100%
Patriot(s)	24	32	75%	24	32	75%	21	28	75%

Relevant Documents from TIGTA workpapers: PA6.ff – Advocacy Case Tracking Sheet, PA6.ee EDS 501c4 Case Universe Open and Closed Rec'd 6-11-12, and PA6.nn – Tracking Sheet 12172012 – Advocacy Cases

¹ Data Set #1:

- "Set Aside for Additional Scrutiny" (the numerator):
 - Includes all cases with the name/label that appear in the Advocacy Listing as of May 31, 2012
 - Does not include cases with the name/label filed prior to May 31, 2012 but did not appear in the Advocacy Listing until the update provided on December 17, 2012
- "Total Applications" (the denominator):
 - Includes everything in the numerator + all other cases filed with the IRS with that name/label as of May 31, 2012

Data Set #2:

- "Set Aside for Additional Scrutiny" (the numerator):
 - Includes all cases with the name/label that appear in the Advocacy Listing as of May 31, 2012
 - Does not include cases with the name/label filed prior to May 31, 2012 but did not appear in the Advocacy Listing until the update provided on December 17, 2012
- "Total Applications" (the denominator):
 - Includes everything in the numerator + all other cases filed with the IRS with that name/label between May 2010 and May 2012 (inclusively)
 - Does not include non-Advocacy cases with the name/label filed prior to May 2010 (key change from #1)

Data Set #3:

- "Set Aside for Additional Scrutiny" (the numerator):
 - Includes all cases that were filed with that name/label between May 2010 and May 2012 (inclusive) and ended up in an Advocacy Listing (either the May 2012 listing or the December 2012 listing) (key change from #1 and #2)
 - Does not include cases that were filed prior to May 2010 or after May 2012 (key change from #1 and #2)
- "Total Applications" (the denominator):
 - Includes everything in the numerator + all other cases filed with the IRS with that name/label between May 2010 and May 2012 (inclusively)

Statement (Letter): "TIGTA performed additional research which determined that six tax-exempt applications filed between May 2010 and May 2012 having the words "progress" or "progressive" in their names were included in the 298 cases the IRS identified as potential political cases. We also determined that 14 tax-exempt applications filed between May 2010 and May 2012 using the words "progress" or "progressive" in their names were not referred for additional scrutiny as potential political cases."

IRS Observations: Specific data sets used; See spreadsheets for calculations and discussion

	Data Set #1			Data Set #2			Data Set #3		
	Set Aside	Total Apps	% Set Aside	Set Aside	Total Apps	% Set Aside	Set Aside	Total Apps	% Set Aside
Progress or Progressive	7	24	29%	7	20	35%	9	20	45%

Relevant Documents from TIGTA workpapers: PA6.ff – Advocacy Case Tracking Sheet, PA6.ee EDS 501c4 Case Universe Open and Closed Rec'd 6-11-12 , and PA6.nn – Tracking Sheet 12172012 – Advocacy Cases

Statement (Letter): "As part of our audit, we reviewed the section of the BOLO listings that related to the specific criteria that the IRS stated were used to identify potential political cases for additional scrutiny. TIGTA also found that certain criteria (e.g., Patriots, 9/12, education of the public by advocacy/lobbying to "make America a better place to live," etc.) used to select potential political cases were not in any BOLO listings."

Evidence: While many names and labels appeared over time on the BOLO lists, Tea Party was the only name or label that ever appeared on the Emerging Issues tab. Greater insights into the selection pattern of the "Other" 202 cases represented in the pie chart in the audit may be useful in this regard.

IRS Observations: Specific data sets used; See spreadsheets for calculations and discussion

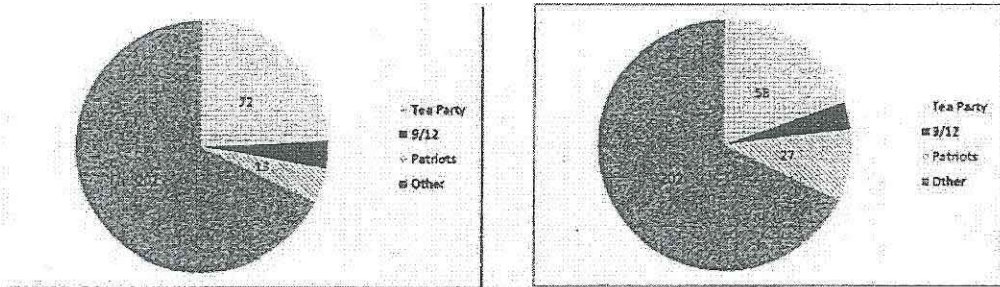
	Data Set #1			Data Set #2			Data Set #3		
	Set Aside	Total Apps	% Set Aside	Set Aside	Total Apps	% Set Aside	Set Aside	Total Apps	% Set Aside
Conservative	8	16	50%	8	15	53%	7	14	50%
Republican	1	3	33%	1	3	33%	1	3	33%

Relevant Documents from TIGTA workpapers: PA6.ff – Advocacy Case Tracking Sheet, PA6.ee EDS 501c4 Case Universe Open and Closed Rec'd 6-11-12 , and PA6.nn – Tracking Sheet 12172012 – Advocacy Cases

Topic: Additional Discussion for Clarification

Statement (Audit): "Figure 4 shows that approximately one-third of the applications identified for processing by the team of specialists included Tea Party, Patriots, or 9/12 in their names, while the remainder did not."

Seeking clarity on the grouping of names in the pie chart (Figure 4) in the audit report where two of these labels appear in a single organization's name.





DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

January 28, 2014

The Honorable Carl Levin
Chairman
Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

I am responding to your request for documents relating to tax exempt advocacy organizations.

The Internal Revenue Service is committed to providing you with as complete a response as possible. Since May of last year, we have been collecting, reviewing, and producing materials in response to a number of Congressional requests, including those from you and your Committee. In order to provide you and your staff our full cooperation in addressing this matter, more than 150 people, including Chief Counsel attorneys, litigation support staff, and IRS personnel have worked for a total of more than 70,000 hours.

- To date, we have produced over half a million pages of documents to the Senate Finance and House Ways and Means Committees, which are authorized to receive IRC section 6103 information.¹ We also have produced over 385,000 pages, redacted as required by law for IRC section 6103 information, to the Senate and House Governmental Oversight Committees. Our productions have prioritized the custodians, subject matters, and search terms as requested.
- IRS has responded to more than fifty Congressional letters and hundreds of informal Congressional requests.
- We have facilitated more than sixty transcribed interviews by Congressional staff of current and former IRS employees.
- IRS personnel have answered questions related to the subjects of these investigations at 14 Congressional hearings.
- The IRS document production has been collected from IRS hard copy and electronic files as well as documents from 82 individual custodians.

The enclosed documents from this IRS production are Bates-stamped IRSR0000495035-IRSR0000508187. Today's production includes hard copy notes from Steven T. Miller that are Bates stamped IRSR0000505454-IRSR0000507228 and hard copy materials related to

¹ As part of this process, in May 2013 we directed our document retention and retrieval specialists to perform an electronic data search of the records of personnel we identified who may have potentially relevant information. We are conducting this process under the litigation hold procedures detailed in IRS Chief Counsel Notice CC-2012-017. Much of the raw electronically stored information (ESI) required decryption, which often corrupted files that had to be restored manually before the search process could begin. Once we received the decrypted information, it was electronically searched using search terms we have provided to you.

congressional hearings in March and July 2012 and May 2013. As with earlier productions, these include certain materials, such as spreadsheets, that do not lend themselves to this production format. If there are documents with unique formatting that you need re-produced in a different format, please let us know.

I hope this information is helpful. If you have any questions, please contact me or have your staff contact me at (202) 622-3720.

Sincerely,

A handwritten signature in black ink, appearing to read "Leonard Oursler", written in a cursive style.

Leonard Oursler
National Director for Legislative Affairs



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

April 22, 2014

The Honorable Carl Levin
Chairman
Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

This is in further response to your letter dated January 4, 2013 requesting additional information about I.R.C. § 501(c)(4) organizations. This response supplements the previous responses dated June 4, 2012, July 13, 2012, August 24, 2012, September 14, 2012, October 17, 2012, November 23, 2012, and March 15, 2013, and addresses additional questions raised by your staff in a meeting on April 30, 2013.

Our letter to you dated November 23, 2012 stated that Exempt Organizations (EO) had issued 42 revocation notices to section 501(c)(4) organizations between January 2007 and September 2012. Our letter to you dated March 15, 2013 explained that because of some discrepancies between system-generated information and the actual revocation notices, we were unable to provide accurate copies of the letters that were mailed without retrieving them from the files. With the March 15, 2013 letter, we provided you with copies of 9 of the 42 revocation letters. At the April 30, 2013 meeting, your staff asked us to update the information as to the number of revocations and to provide copies of additional letters.

For the period October 2012 to February 2014, we have identified 5 additional revocations, so that, as of February 2014, the total number of revocations since January 2007 stands at 47. We are enclosing 28 additional redacted revocation letters for the period January 2007 to September 2012, as well as five redacted letters for the period October 2012 to February 2014. We have learned that the remaining revocations from the original count of 42 were not sustained in Appeals. Accordingly, no redacted copies of letters in those cases are available.

Please note that some of the 33 revocation letters enclosed herewith say that they are making adverse determinations. Although that phrase is used in some of the revocation letters, it is clear from the body of each letter that the letter constitutes an adverse determination after examination, and that the Service is revoking the exemptions.

Our letter to you dated November 23, 2012 enclosed copies of all 10 of the redacted adverse determination letters that were issued between January 2007 and September 2012. At the April 30, 2013 meeting, your staff asked us to update the information as to the number of adverse determinations and to provide copies of those additional letters.

Since September 2012, EO Determinations has issued 9 adverse determinations (denials) to organizations applying for section 501(c)(4) status. It should be noted that some of these denials may not have involved political advocacy issues even though the organization applied for section 501(c)(4) tax-exempt status. We are in the process of retrieving redacted copies of the 9 additional adverse determinations from the underlying files, and will provide those copies as soon as they have been located.

The enclosed documents are Bates-stamped IRSC036438 - IRSC036823.

I hope this information is helpful. If you have questions, please contact me or have your staff contact me at (202) 317-4146 or John McDougal at (202) 317-5103.

Sincerely,



Leonard Oursler
National Director of Legislative Affairs

Enclosures (33)