

## The IRS is not enforcing the law on political nonprofit disclosure violations - CREW | Citizens for Responsibility and Ethics in Washington

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Over and over, blatant violations of the law by 501(c)(4) groups have been brought to the IRS's attention, many of which the agency should be able to easily assess and navigate. This report examines some of the most egregious examples of these violations.

The Supreme Court's decision in *Citizens United v. FEC* ushered in a new era of massive dark money political spending. In the 2020 election cycle alone, [more than \\$1 billion](#) was spent on federal campaigns that could not be traced back to its true source. Much of that spending was hidden from public view because it was done by a particular kind of entity: [social welfare organizations](#) exempt from taxation under section 501(c)(4) of the tax code.

The Internal Revenue Service (IRS) is supposed to play a vital role overseeing these groups, including by guaranteeing at least some transparency about their activities. While tax law does not require section 501(c)(4) organizations to disclose their contributors, they are obligated [to file annual tax returns](#) that are open to the public and provide one of the only windows into what these groups are up to. These disclosures offer important information about the structure and political activities of dark money organizations, and are critical for IRS tax law enforcement, including the requirement that these groups may not make politics their [primary activity](#).

Unfortunately, the IRS has done a poor job enforcing these laws on section 501(c)(4) groups. According to a 2020 Government Accountability Office [report](#), between 2010 and 2017, the IRS conducted and closed 226 examinations related to tax-exempt organizations' failures to comply with the rules on political campaign activity. But only 14 of those examinations involved section 501(c)(4) organizations — the vast majority instead dealt with section 501(c)(3) charitable organizations that are ["absolutely prohibited"](#) from participating in any campaign activity. In fact, for much of the time since *Citizens United*, the IRS didn't [revoke](#) any section 501(c)(4) group's

tax-exempt status for violating the law's limits on their political spending. The sharp rise in political activity unleashed by *Citizens United* combined with the IRS's lax enforcement has led some observers to believe that the IRS has [given up](#) on this part of its job.

The IRS appears to have been notably lenient in enforcing the basic rules on disclosure and transparency by section 501(c)(4) groups engaged in politics. CREW and others have identified dozens of these kinds of violations, many of which were brought directly to the IRS's attention through complaint letters to the agency. Some section 501(c)(4) groups, for example, disclosed their political spending to the Federal Election Commission (FEC) and other government agencies, but told the IRS under penalty of perjury in their tax returns that they did not engage in any political activity or misrepresented the amount they spent. Others simply failed to file their tax returns or filed them only after complaints were filed against them.

The IRS appears to have taken little if any serious action to take on these types of straightforward violations. Just this month, IRS Commissioner Charles Rettig [told the Senate Finance Committee](#) that he believed the IRS has never referred to the Department of Justice a single case of a tax-exempt organization disclosing political spending to another agency then falsely telling the IRS under penalty of perjury it had not done any. And while [confidentiality rules](#) prevent the IRS from revealing when it takes enforcement action against tax-exempt groups, there is little public evidence that the agency has taken significant steps to address these disclosure issues.

Over and over, blatant violations of the law have been brought to the IRS's attention, many of which the agency should be able to easily assess and navigate. This report examines some of the most egregious examples of these violations. It is in no way, however, a complete picture — there certainly are many other instances of these kinds of violations. We hope this report spurs the IRS to take action to deal with at least this kind of low-hanging fruit.

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## IRS political disclosure and operational requirements for tax-exempt organizations

The tax code imposes several legal requirements on tax-exempt organizations. To become tax-exempt, organizations [must meet](#) certain qualifications and abide by restrictions on their structure and operations. Groups that do obtain tax-exempt status are subject to disclosure requirements, most importantly that [they file](#) annual Form 990 informational tax returns. These returns are public documents, [available](#) either from the organization itself or the IRS.

There are [three types](#) of Form 990 tax returns. Most of the organizations examined in this report filed the full Form 990 tax return, which requires the most disclosure. Smaller organizations file the shorter Form 990-EZ. The smallest groups — those that normally have less than \$50,000 in gross receipts — may instead choose to file Form 990-N, which requires disclosure of only the most basic information.

Tax-exempt organizations must disclose information about their political spending and other activities on the full Form 990 and Form 990-EZ. Organizations must declare if they engaged in any “direct or indirect political campaign activities on behalf of or in opposition to candidates for public office.” [Form 990, Part IV, Line 3; Form 990-EZ, Part V, Line 46](#). If the answer is “yes,” the organization must complete and file a Schedule C (Political Campaign and Lobbying Activities) with their tax returns, which requires disclosure of “political expenditures.” [2021 Instructions for Form 990, at 12; 2021 Instructions for Schedule C, at 1, 3](#). Specifically, organizations must provide a description of its political campaign activities and the total amount spent on them. [Schedule C, Part I-A](#). Groups that are not section 501(c)(3) charitable organizations must also report the amount they spent directly on “exempt function activities” (a legal term that covers political activity), the total amount they contributed to other organizations to conduct those activities, and the names and amounts given to each political organization. [Schedule C, Part I-C](#).

Tax-exempt organizations also must declare whether they made more than \$5,000 in grants or other assistance to any domestic organization. [Form 990, Part IV, Line 21](#). If they did, they must complete and file a Schedule I with their tax returns. On Schedule I, organizations must disclose, among other things, that name of the organization that received the grant, the amount of the grant, the section of the tax code providing the grantee tax-exempt status (if applicable), and the purpose of the grant. [Schedule I, Parts I & II](#).

Every Form 990 and Form 990-EZ is signed by an officer of the filing organization under penalty of perjury. [Form 990, Part II, Form 990-EZ, Page 4](#). In the signature block, the signer declares: “Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.” Statements on Form 990s also are subject to federal [criminal statutes](#) prohibiting knowingly and/or willfully providing false material information on tax returns, as well as tax law [provisions](#) imposing civil liability on tax-exempt organizations that fail to provide correct information on their returns.

In addition to disclosure requirements, tax-exempt organizations have organizational and operational requirements and restrictions. This report examines [section 501\(c\)\(4\)](#) groups that are “not organized for profit but operated exclusively for the promotion of social welfare.” IRS [regulations](#) interpret the statute to mean a section 501(c)(4) organization must be “primarily engaged in promoting in some way the common good and general welfare of the people of the community.” The regulations further provide that political activity — described as “direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office” — does not promote social welfare. When an advertisement explicitly advocates the election or defeat of an individual to public office, the expenditure [unquestionably](#) is political campaign activity. Similarly, [contributions to political organizations](#) are clearly direct or indirect participation or intervention in political campaigns. While the IRS has not formally defined the “primary activity” standard, it is widely understood to mean that a section 501(c)(4) organization [may not spend more](#) than 50 percent of its expenditures on political activities.

## Section 501(c)(4) organizations’ reporting violations and primary activity

In the dozen years since the *Citizens United* decision opened the door to [significantly increased](#) political activity by section 501(c)(4) organizations, journalists and watchdog organizations have regularly identified groups who apparently have not fulfilled their reporting obligations to the IRS or may be violating their tax-exempt status with their high level of political spending. For instance, a [2012 investigation](#) by *ProPublica* examined 107 nonprofits that had been active during the 2010 election, finding, among other things, that “[m]any groups told the IRS they spent far less on politics than they reported to federal election officials.” In another example, a [2015 analysis of tax returns](#) by *OpenSecrets* found that 24 politically-active nonprofits had “devoted more than half their total spending to influencing elections in at least one year between 2008 and 2013,” and at least three had done so more than once.

Since 2011, CREW has filed numerous complaints with the IRS requesting investigations of whether politically-active section 501(c)(4) organizations failed to properly report their political activity or were operated primarily to influence elections. The next section includes five detailed case studies of CREW’s complaints and public reports of similar conduct, offering a non-exhaustive snapshot of the types of apparent violations the IRS appears to be taking little action to address. Additional summaries of similar conduct are [at the end of the report](#).

### Case study #1: National Rifle Association

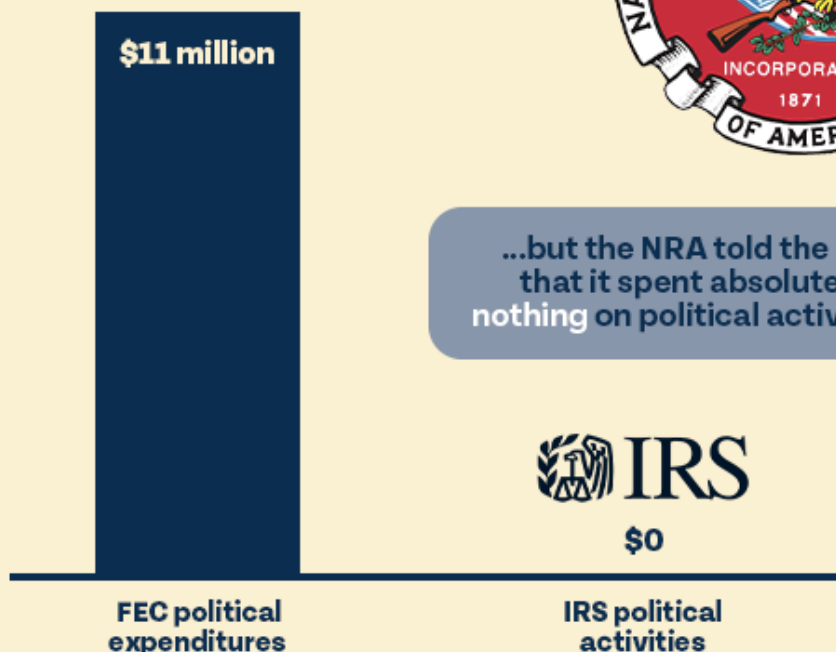
## NRA REPORTS 2008-2013



The NRA told the FEC it dedicated **\$11 million** to political expenditures...



...but the NRA told the IRS that it spent absolutely nothing on political activities.



**It's unclear if the IRS investigated the political spending disclosure violations, despite CREW complaints and despite how blatant the violations were.**

Even before *Citizens United*, some section 501(c)(4) groups that reported political spending to the FEC told the IRS under penalty of perjury they did not engage in any political activity.

The National Rifle Association (NRA) has long been a significant player in national politics. The group is a membership organization with a variety of internal divisions, subsidiaries, and related organizations, and conducts its political activity through two entities: a political action committee and a section 501(c)(4) organization called the National Rifle Association Institute for Legislative Action. The political action committee is treated as a separate organization from the section 501(c)(4) entity and does not report its activities on the NRA's tax returns.

As a section 501(c)(4) organization, the NRA could begin spending on independent expenditures that expressly advocated for the election or defeat of candidates in federal elections after the *Citizens United* decision in January 2010. Even before that, as a membership organization it could pay for [communications to its members](#) similarly advocating for and against federal candidates. Both types of spending must be disclosed to the FEC in periodic reports.

Between 2008 and 2013, the NRA reported to the FEC that it spent nearly \$11 million in political expenditures. In 2012, it reported making [\\$7.44](#) million in independent expenditures, more than half of which were [spent](#) opposing Barack Obama or supporting Mitt Romney in that year's presidential race. The organization also reported to the FEC spending [\\$1.21](#) million in communication costs for 2008, [\\$1.08](#) million for the 2010 election cycle, [\\$1.15](#) million for the 2012 election cycle, and [\\$39,705](#) for 2013.

Remarkably, the NRA told the IRS under penalty of perjury that it spent absolutely nothing on political [campaign activities between 2008 and 2013](#). Nor did it file a Schedule C disclosing details of its political spending in any of those years. The NRA [later claimed](#) its failure to report was the result of a “clerical error” in which “a box was erroneously left unchecked.” It also produced a [check](#) showing it paid the IRS taxes for its 2012 political spending. But the NRA did not address its failure to file any Schedule Cs, and did not say it had or intended to amend its Form 990 tax returns. In fact, to CREW’s knowledge, the NRA [never amended](#) any of those tax returns. Multiple [news reports](#) revealed the NRA’s failure to disclose its political spending on its Form 990 tax returns, and CREW [filed a complaint](#) with the IRS about the violations in June 2015 and later filed [several related complaints](#).

This outside scrutiny may have resulted in more accurate disclosure by the NRA, although it remained muddled in 2014. For that year, the NRA reported to the FEC making [\\$11.5 million](#) in independent expenditures and spending [\\$1.12 million](#) in communication costs, bringing its total spending on expenditures expressly advocating the election or defeat of candidates for federal office to \$12.63 million. In its [tax return](#), the NRA acknowledged it had engaged in political spending, and filed a Schedule C disclosing on one line \$5.79 million in direct and indirect spending on political activities. On another line, which is used for the normally narrower category of “exempt function activities,” the NRA oddly reported spending \$13.34 million. It is unclear how the NRA calculated this amount.

The NRA’s disclosure failures, which were brought to the IRS’s attention by news reports and CREW’s complaints, were an early warning of [extremely serious](#) financial, governance, and tax problems. The New York Attorney General referred those allegations to the IRS in 2020, which reportedly launched [an investigation](#) into the NRA. It is unknown if the IRS investigated or even considered the political spending disclosure violations. But, a careful review of the NRA’s tax returns and practices may have uncovered some of these excesses earlier, or even deterred them.

## **Case study #2: Freedom Frontier**



# Freedom Frontier



is a dark money group that funneled money into a super PAC backing Eric Greitens' gubernatorial campaign.

**FREEDOM FRONTIER 2016**

After initially failing to file its tax return, Freedom Frontier reported to the IRS that

**75%**

of Freedom Frontier's spending was on political activity, which would violate its tax-exempt status.

CREW filed an IRS complaint, but Freedom Frontier shut down shortly after.

**Freedom Frontier appears to have faced no penalties for its apparent violations of tax law, other than having its tax-exempt status automatically revoked in 2021.**

In 2016, a federal super PAC [backing](#) Sen. Lindsey Graham's presidential campaign reported to the FEC that on November 25, 2015 it received a [\\$250,000](#) contribution from a section 501(c)(4) social welfare organization called Freedom Frontier. Despite the super PAC's disclosure of the six-figure contribution, Freedom Frontier filed [a short form 990-N](#) for its 2015 tax year, effectively declaring it took in \$50,000 or less in revenue. As CREW noted in [a report](#) on the discrepancy, it appeared extremely unlikely that the group's 2015 tax return was accurate, unless the super PAC misreported the contribution. The nonprofit subsequently [confirmed](#) its initial tax return was deeply defective when it filed an [amended return](#) a little over a month after CREW's report was published. The new return [disclosed](#) that Freedom Frontier had actually raised more than \$1.1 million in 2015, spent more than \$870,000, and employed a political consulting firm that [also worked](#) for the super PAC the nonprofit [helped](#) fund.

Freedom Frontier's contradictory and ultimately false initial 2015 tax return was only the first issue related to the group's political activity and tax reporting that deserved scrutiny from the IRS. In 2016, Freedom Frontier [gained notoriety](#) when a federal super PAC called LG PAC that [supported](#) now-former Missouri Gov. Eric Greitens in the Missouri GOP gubernatorial primary reported to the FEC that it was completely funded — to the tune of the nearly [\\$4.4 million](#) — by Freedom Frontier. When it came time to file its tax returns covering the year, both Freedom Frontier and another nonprofit [affiliated](#) with it called American Policy Coalition, which had also been [disclosed in FEC reports](#) as [backing](#) Greitens' 2016 bid, failed to submit them to the IRS when they were due, denying the public important information about the groups' activities. CREW [filed](#) complaints against both groups in March 2018 over their failure to file their returns on time.

Freedom Frontier eventually filed its 2016 Form 990 information return in July 2018, just days after CREW filed a complaint against the group with the FEC. The long-delayed tax return revealed that political activity accounted for 75 percent of Freedom Frontier's total expenditures in 2016, an apparent violation of the organization's tax-exempt status. CREW filed a complaint with the IRS in November 2018 requesting an investigation into whether the nonprofit operated primarily to influence political campaigns. According to OpenCorporates, Freedom Frontier terminated its corporate existence after CREW filed that complaint. Despite contributing more than \$1 million to another super PAC in 2018, Freedom Frontier failed to ever file a tax return for the year, and the IRS auto-revoked the group's tax-exempt status on May 15, 2021 after it failed to file a Form 990 three years in a row.

### Case study #3: Prosperity Alliance, Inc.

In April 2018, a federally-registered super PAC called Conservative Alliance PAC began paying for media buys and direct mail targeting non-federal races. Soon enough, Conservative Alliance PAC ads and mail pieces began appearing in Ohio state House races. The barrage, which was completely funded by a Virginia-based section 501(c)(4) social welfare organization called Prosperity Alliance, Inc., targeted candidates aligned with now-indicted former Ohio House Speaker Larry Householder in the "proxy fight" between him and then-interim Ohio House Speaker Ryan Smith to be elected Speaker in the next term.

By the end of April, according to the super PAC's reports to the FEC, Prosperity Alliance had made \$475,000 in political contributions to Conservative Alliance PAC. But when Prosperity Alliance filed its tax return with the IRS covering May 1, 2017 through April 30, 2018, the nonprofit claimed it had not engaged in any political activity during that time and failed to file a Schedule C reporting the amount it spent on political expenditures. Instead, Prosperity Alliance disclosed the Conservative Alliance PAC contributions as grants on Schedule I, and described them as being given to a "[section] 527" political organization for "general support." Beyond the importance of making accurate statements to the IRS, Prosperity Alliance's denial of its political activity was particularly significant because the contributions accounted for 78.4 percent of the approximately \$600,000 the nonprofit organization spent overall during its tax year, an apparent violation of the group's tax-exempt status. CREW filed a complaint with the IRS in September 2019, requesting that the agency investigate whether Prosperity Alliance operated primarily to influence political campaigns and if it failed to properly disclose its political contributions.

Prosperity Alliance continued to fund Conservative Alliance PAC, with the super PAC ultimately reporting to the FEC that it received an additional \$558,500 from the nonprofit, which it mainly used to pay for more independent expenditures in state races. When Prosperity Alliance filed its tax return covering the rest of 2018, the nonprofit again told the IRS it did not engage in any political activity and again failed to file a Schedule C, prompting CREW to file a supplement to its initial complaint.

As part of the updated complaint, CREW highlighted additional political spending beyond the reported super PAC contributions that Prosperity Alliance appeared to have engaged in during the time period covered by its first tax return. Specifically, an exhibit filed by Conservative Alliance PAC in a lawsuit brought against it by one of the candidates it targeted featured a research report that was used to make the ads. The cover of the "Research Findings Report," which focused on the candidate and the political office he sought, suggested that it was "prepared for" Prosperity Alliance rather than Conservative Alliance PAC. The report was dated March 14, 2018, during Prosperity Alliance's 2017 tax year. If Prosperity Alliance paid for political opposition research and provided it to Conservative Alliance PAC for free, it likely would be an in-kind contribution, which would increase the proportion of Prosperity Alliance's spending dedicated to political activity even more.

Prosperity Alliance continues to be an active funder of super PACs. In 2022 so far, the group has given \$200,000 to a federal super PAC called Americans for Secure Elections PAC that is supporting Ohio Secretary of State Frank LaRose in his re-election race, and \$15,000 to a super PAC called Anne Arundel Forward.

### Case study #4: Broken Promises

In 2020, Florida politics was roiled when three state Senate races were influenced by the presence of independent candidates who did little campaigning of their own but were promoted by political committees funded by a mysterious dark money group. Soon after the election, evidence emerged suggesting that the

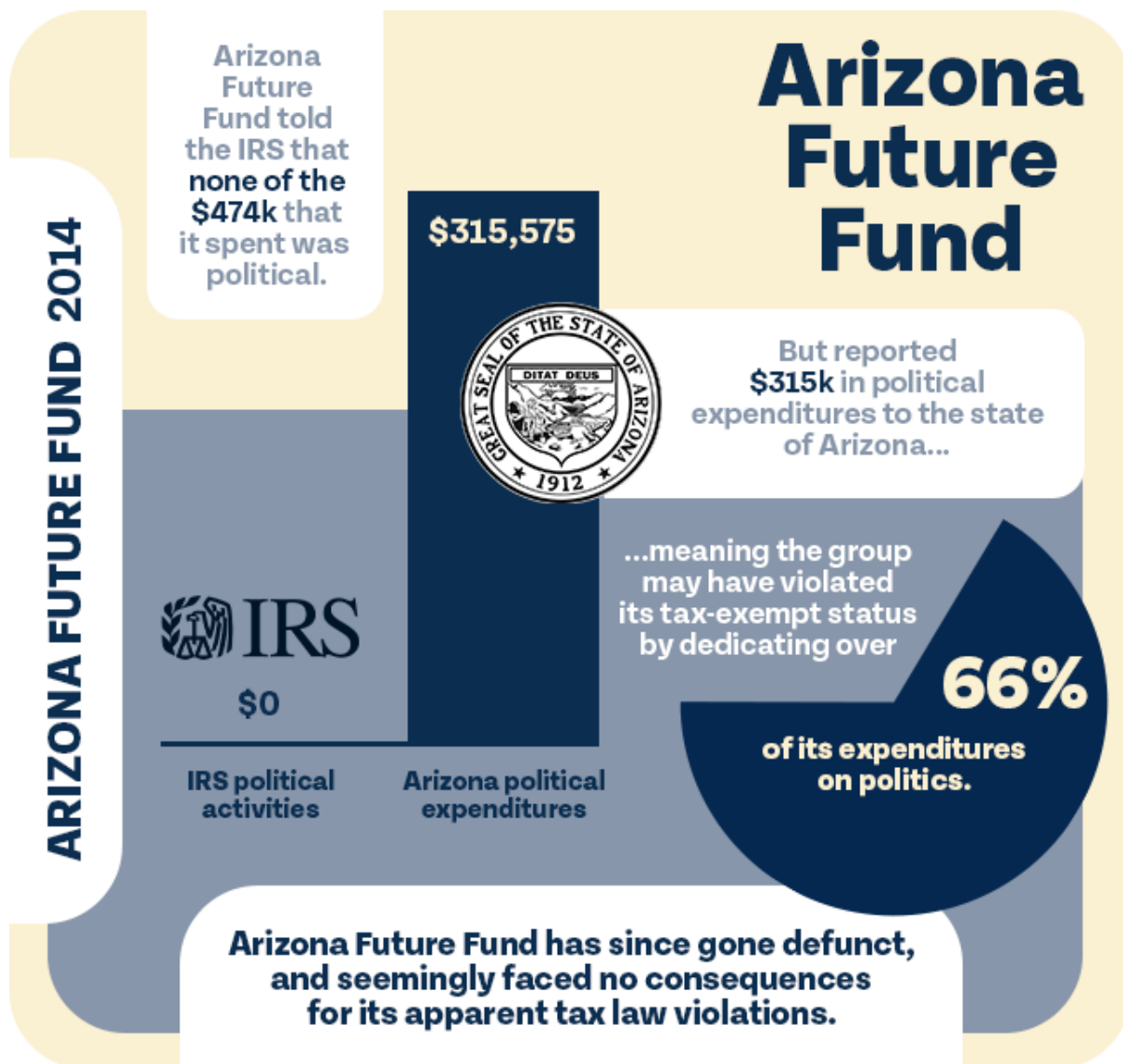
candidates were put forward to act as spoilers siphoning votes from Democratic candidates, and a former Republican state senator was eventually [arrested](#) for campaign finance violations related to his efforts to get one of the so-called “ghost” [candidates](#) to enter one of the races. Reporters digging into the mysterious money backing the candidates discovered that “[nearly identical tactics](#) — involving some of the same strategists” — were previously utilized in a 2018 Florida state Senate race.

In that 2018 race, Charles Goston, a lifelong Democrat and former Gainesville City Commissioner, [sought](#) Florida’s 8th Senate District seat as an independent, drawing speculation that he was in the race in order to siphon votes from the Democratic candidate. After entering the race, Goston reportedly [didn’t actively campaign much](#) and reportedly “[remained unseen and unheard](#)” until late September 2018, when mailers touting him to his former constituents began appearing. Goston was [boosted](#) by a PAC called Friends of Charles Goston that, according to the PAC’s filings with the Florida Department of State’s Division of Elections, [received all of its funding](#) from a section 501(c)(4) social welfare organization [incorporated](#) in August 2018 in Washington, D.C. called Broken Promises.

Including its direct and in-kind contributions to Friends of Charles Goston as well as a [\\$25,000](#) contribution to another PAC called Consumers for Energy Fairness, Broken Promises contributed \$160,470 to Florida-registered political committees in 2018, according to reports filed with the state’s Division of Elections. When Broken Promises filed its [2018 tax return](#), however, it told the IRS it did not participate in any political activity, failed to file a Schedule C, and even failed to report any contributions or grants it made to any other groups. The nonprofit reported spending \$161,010 overall in 2018, meaning that the contributions reported in Florida campaign finance records accounted for a jaw-dropping 99.6 percent of the section 501(c)(4) group’s total spending in 2018. In December 2020, CREW filed a [complaint](#) against Broken Promises with the IRS, requesting that the agency investigate whether the nonprofit operated primarily to influence political campaigns and violated federal law by failing to properly disclose its political contributions. It appears that Broken Promises [terminated](#) its corporate existence [soon after](#) CREW filed its complaint.

#### **Case study #5: Arizona Future Fund**





Less than two weeks before the August 2014 Arizona Republican gubernatorial [primary](#), a section 501(c)(4) tax-exempt organization called Arizona Future Fund [placed](#) newspaper [advertisements](#) effectively urging Arizonans to vote in the race for former Mesa Mayor [Scott Smith](#). Around the same time, Arizona Future Fund's Facebook [page](#) also [advocated](#) voting for Smith, saying, "On August 26, Arizona voters will go to the polls to elect the next Republican nominee for Governor – and the stakes couldn't be any higher. That's why Republicans and Independents agree: Arizona needs Scott Smith." The post [featured a video ad](#) that declared, "There's a better choice for Governor. Scott Smith." A similarly worded ad was also [posted](#) on YouTube while the nonprofit [paid](#) for [television ads](#) targeting the governor's race.

After the various ads began running, [an attorney for one of Smith's rivals](#) filed [several complaints](#) against Arizona Future Fund with the Arizona Citizens Clean Elections Commission and the Arizona Secretary of State's office arguing that the group had failed to register as an independent expenditure organization and to file the required disclosure reports. The Citizens Clean Elections Commission subsequently found that the ads "unequivocally constitute express advocacy under Arizona law and are independent expenditures on behalf of Scott Smith" and "had no reasonable meaning other than to advocate for the election of Smith for governor." To resolve the matter, Arizona Future Fund entered into [a conciliation agreement](#) on December 18, 2014 that stated that the group "made independent expenditures and filed no reports" and acknowledged the violations set forth in the Statement of Reasons based on the fact that the ads constituted express advocacy and had no reasonable meaning other than to advocate for Smith's election. The group agreed to pay a \$10,000 fine and to file reports disclosing the independent expenditures. On December 23, 2014, Arizona Future Fund's general counsel, a lawyer named William Canfield who had signed the conciliation agreement on behalf of the group, [provided](#) the Citizens Clean

Elections Commission a copy of the reports it submitted to the Arizona Secretary of State, disclosing \$315,575 the group spent on “independent expenditures” in the “Smith Governor 2014” race.

Months later, Arizona Future Fund submitted its [2014 tax return](#) to the IRS, which was also signed by Canfield. Despite the conciliation agreement acknowledging the Smith advertisements were independent expenditures and the submitted disclosures detailing the spending on them, Arizona Future Fund told the IRS it did not engage in any political activity and failed to file a Schedule C reporting how much it spent influencing elections. The group reported spending a total of \$474,600 in 2014, meaning that the \$315,575 on independent expenditures acknowledged to the state of Arizona accounted for 66.5 percent of Arizona Future Fund’s total spending, an apparent violation of the group’s [tax-exempt status](#). In June 2016, CREW filed a [complaint](#) against Arizona Future Fund with the IRS, requesting that the agency investigate whether the organization operated primarily to influence political campaigns and violated federal law by falsely representing it spent no money on political activity in 2014.

Arizona Future Fund terminated its activities on December 30, 2014, claiming in a resolution of its board that was [attached](#) to its tax return that “the social welfare purpose for which the association was created [was] achieved within calendar year 2014” and “no additional purpose exists as to which the association might become engaged.” The organization, however, had previously [told](#) the Citizens Clean Elections Commission it was terminating because “there is absolutely no prospect of the Fund being able to obtain additional donations going forward” because of the complaints that had been filed against it.

*[For more case summaries, click here to scroll to the end.](#)*

## **The IRS should get proactive now in enforcing compliance by political nonprofits**

During his [recent appearance](#) before the Senate Finance Committee, IRS Commissioner Rettig agreed that the status quo when it comes to enforcement of tax law compliance by politically active nonprofits is “preposterous.” “We need to be present in all of these issues,” Commissioner Rettig said.

Hopefully this means the IRS is committed to improving enforcement in this area, since there are [few signs](#) dark money groups are going to stop seeking to influence elections anytime soon. If a Form 990 recently obtained by CREW is any indication, the tax agency should not have difficulty finding potential avenues for investigation in the returns submitted by nonprofit groups that were active in the 2020 election.

In 2020, a federally-registered super PAC called Protecting Ohio Action Fund that [backed](#) Ohio Gov. Mike DeWine’s daughter, Alice, in her [failed](#) effort to become the elected prosecuting attorney in Greene County, Ohio, reported to the FEC that it received [nearly all of its funding — \\$421,781](#) — from a similarly named section 501(c)(4) [nonprofit](#) called Protecting Ohio, Inc. On its [2020 tax return](#), however, Protecting Ohio denied to the IRS that it engaged in any political activity and failed to file a Schedule C. The group also failed to report the super PAC contributions in the section meant for detailing grants to other organizations, claiming that it didn’t make any of those either.

Instead, Protecting Ohio [reported spending](#) nearly the same amount that the super PAC [reported receiving](#) from it on a line item for “payments to affiliates.” According to [instructions](#) for Form 990, the “payments to affiliates” line is for “certain types of payments to organizations affiliated with (closely related to) the filing organization.” Yet elsewhere on the return, Protecting Ohio denied having any [related organizations](#) to report. In fact, Protecting Ohio Action Fund is not mentioned anywhere on the tax return.

By failing to accurately report its political activity to the IRS, Protecting Ohio effectively concealed information that is crucial to determining the group’s compliance with its tax-exempt status. The \$421,781 the so-called social welfare organization provided to a political organization accounted for [56 percent](#) of the group’s total spending in 2020. Considering that Protecting Ohio only spent [a little more than \\$10,000](#) in 2019 and the organization [dissolved](#) in May 2021, it appears that making political contributions may have been Protecting Ohio’s primary activity over the course of its entire existence.

This type of fact pattern, where an organization's claims to the IRS are plainly inconsistent with its reporting to other government entities, should be straightforward for the IRS to pursue. Particularly so in a case like this, where inaccurate information in the return obscures whether a tax-exempt organization violated its tax status while allowing secretly sourced money to enter elections. We hope that Commissioner Rettig's recognition of the IRS's enforcement shortcomings and his commitment "to be present" in these issues signals a new and real effort to ensure that tax-exempt organizations fulfill their most basic obligations.

In 2010, Americans for Tax Reform [reported](#) to the FEC spending \$4.16 million on independent expenditures to produce and broadcast a series of advertisements supporting and opposing the election of candidates for Congress. On its [2010 tax return](#), however, the organization only reported spending \$1.85 million on political activity. In March 2012, CREW filed a [complaint](#) with the IRS requesting an investigation into whether Americans for Tax Reform failed to properly disclose its political activity. Despite CREW's complaint, Americans for Tax Reform failed to disclose even more political activity in 2012. That year, the organization [reported](#) to the FEC spending \$15.79 million on independent expenditures. But on its [2012 tax return](#), the group only reported spending \$9.79 million on political activity — \$6 million less than it reported to the FEC. The political spending Americans for Tax Reform reported to the FEC accounted for 51 percent of the organization's overall spending in 2012. In November 2013, CREW filed a [second complaint](#) with the IRS requesting an investigation into whether Americans for Tax Reform failed to properly disclose its political activity and whether it was operated primarily to influence political campaigns in violation of its tax-exempt status.

On its [initial 2010 tax return](#) and a [subsequent amendment](#), the Center to Protect Patient Rights told the IRS it did not engage in any political activity and did not file a Schedule C. In a March 2014 [interview](#), however, the organization's executive director, Sean Noble, admitted that the Center to Protect Patient Rights in fact engaged in extensive political activity during the 2010 elections by researching and producing political advertisements and paying other groups to run them in competitive House races. In May 2014, CREW filed a [complaint](#) with the IRS requesting an investigation into whether the Center to Protect Patient Rights failed to properly disclose its political activity.

At the same time, CREW filed a [complaint](#) with the FEC alleging that three groups the Center to Protect Patient Rights paid to broadcast the ads violated federal campaign finance law by failing to disclose that the Center to Protect Patient Rights' contributions specifically funded the ads, and that Noble conspired with the heads of the three groups to violate the law. The FEC review revealed that Noble both directed the Center to Protect Patient Rights' contributions to the three groups and helped produce and target the ads as an undisclosed subcontractor to the media firms the groups hired to create the ads. Although the FEC [took no action](#) against the Center to Protect Patient Rights and Noble, it [determined](#) there was reason to believe the Center to Protect Patient Rights' contributions were earmarked for [political activity](#) and the other groups should have disclosed it as a donor on their FEC reports. In [settling the case](#) with the FEC in mid-2016, the three other groups agreed to amend their disclosure reports to name the Center to Protect Patient Rights as a contributor that gave them millions of dollars for the purpose of furthering specific independent expenditures in 2010. In all, the three groups determined they spent \$13 million on political activity paid for by the Center to Protect Patient Rights. Based on this additional evidence, CREW filed a [second complaint](#) with the IRS in August 2016, again asking the agency to investigate whether the Center to Protect Patient Right failed to properly disclose its political activity.

From August through October 2010, the 60 Plus Association [reported to](#) the FEC spending \$6.71 million on independent expenditures opposing candidates for Congress. On its [initial 2010 tax return](#), covering July 1, 2010 through June 30, 2011 and filed in May 2012, the organization reported spending \$7.23 million on political activity. However, the group [amended](#) its 2010 tax return in November 2013, at that point claiming to have spent only \$103,136 on political activity. Similarly, for the period from August through November 2012, the 60 Plus Association [reported to](#) the FEC spending \$4.59 million on independent expenditures in the presidential and congressional elections. On its [initial 2012 tax return](#) covering that period, however, the organization reported spending only \$35,000 on political activities. In July 2014, CREW filed a [complaint](#) with the IRS requesting an investigation into whether the 60 Plus Association failed to properly disclose more than \$11 million in political activity on its 2010 and 2012 tax returns. The organization later [amended its tax returns](#) for both years, disclosing most of its political spending.

In 2014, Carolina Rising [reported](#) to the FEC it spent nearly \$3.2 million on electioneering communications — broadcast ads that clearly identify a candidate close to an election but stop short of expressly urging a vote for or against the candidate — that supported now-Sen. Thom Tillis' campaign for Senate. Carolina Rising [spent another](#) \$1.5 million on an ad that praised Sen. Tillis but did not need to be disclosed to the FEC because it ran just before the date that would have triggered electioneering communications reporting. However, the ad still likely constituted political activity to the IRS. In an [interview](#) at Sen. Tillis' election night party, Carolina Rising's president even admitted that the group ran the ads to help Sen. Tillis get elected. On its [2014 tax return](#), Carolina Rising told the IRS it did not engage in any political activity in 2014 and failed to file a Schedule C. The \$4.7 million Carolina Rising spent on the ads accounted for 97 percent of the group's total expenditures in 2014. In October 2015, CREW filed a [complaint](#) with the IRS requesting an investigation into whether Carolina Rising failed to properly disclose its political activity and whether it was operated primarily to influence political campaigns in violation of its tax-exempt status.

According to [news reports](#) and television ad-buying disclosures, in April and May 2014 Trees of Liberty spent approximately \$257,000 on a television advertisement attacking one of the candidates in the June 2014 Iowa Republican Senate primary that should have been reported as political activity. On its [2014 tax return](#), the organization told the IRS it did not engage in any political activity and failed to file a Schedule C. In January 2016, CREW and the Center for Media and Democracy filed a [complaint](#) with the IRS requesting an investigation into whether Trees of Liberty failed to properly disclose its political activity and whether it was operated primarily to influence political campaigns in violation of its tax-exempt status.

In May 2014, the American Dream Initiative [spent more than half a million dollars](#) on a television advertisement attacking a candidate to be the Republican nominee for Texas attorney general that ran just before a runoff election in the race. Despite the fact that the ad likely constituted political activity, the American Dream Initiative told the IRS on its [2014 tax return](#) that it did not engage in any political activity and failed to file a Schedule C. The spending on the ad also appeared to account for more than 83 percent of the group's total spending that year. In June 2016, CREW filed a [complaint](#) with the IRS against the American Dream Initiative, requesting an investigation into whether the group failed to properly disclose its political activity and whether it was operated primarily to influence political campaigns in violation of its tax-exempt status.

In 2014, two federally-registered super PACs, Citizens for a Working America PAC and the Hometown Freedom Action Network, [reported to the FEC](#) receiving contributions totaling \$1.82 million from the Jobs and Progress Fund. On its [2013 tax return](#), covering October 1, 2013 through September 30, 2014, Jobs and Progress Fund admitted spending \$1.81 million on political contributions to the two super PACs, which accounted for 56.4 percent of the nonprofit's total spending during its tax year. However, the nonprofit failed to report as political activity both the [more than \\$400,000](#) it spent to run an ad attacking a candidate in a Senate race and a [\\$10,000 in-kind contribution](#) for "research" that Citizens for a Working America PAC told the FEC it received from the group. CREW filed a [complaint](#) with the IRS against the Jobs and Progress Fund in June 2016 requesting an investigation into whether the group failed to properly disclose its political activity and whether it was operated primarily to influence political campaigns in violation of its tax-exempt status and.

In 2014, a federally-registered super PAC called Hardworking Americans Committee [reported](#) to the FEC that it received contributions totalling \$155,000 from Michigan Citizens for Fiscal Responsibility. That same year, the Republican State Leadership Committee, a section 527 political organization registered with the IRS, [reported](#) receiving \$135,000 in contributions from Michigan Citizens for Fiscal Responsibility. When the nonprofit initially filed its [2014 tax return](#), however, it told the IRS it did not engage in any political activity and failed to file a Schedule C. After CREW filed a [complaint](#) in June 2016 with the IRS requesting an investigation into the discrepancies, Michigan Citizens for Fiscal Responsibility [amended its tax return](#) to disclose the political contributions as well as other spending that was missing from the initial return.

In 2014, the Mid America Fund [reported to](#) Rhode Island's campaign finance agency spending \$859,920 on independent expenditures opposing the election of a candidate for governor, and [told the IRS](#) it made a \$15,000 contribution to a local Massachusetts political committee. Earlier that year, the Mid America Fund [also placed](#) television and radio advertisements attacking several candidates in the Illinois Republican gubernatorial primary. The ads began running in February 2014, a month before the March 18 primary. The cost of the ads is uncertain, with estimates [ranging](#) from [\\$244,600](#) to \$705,000. On its [2014 tax return](#), the Mid America Fund acknowledged

spending \$874,920 on political activity, but omitted the group's spending on the Illinois advertisements, which likely constituted political activity and should have been reported. If that spending was included as political activity, even at the lowest estimated cost, Mid America Fund's political activity would have been greater than 50 percent of its total spending for 2014. In June 2016, CREW filed a [complaint](#) with the IRS requesting an investigation into whether the Mid America Fund failed to properly disclose its political activity and whether it was operated primarily to influence political campaigns in violation of its tax-exempt status.

In October and November 2014, the Rule of Law Project spent [nearly \\$200,000](#) on a television advertisement attacking the Democratic candidate and praising the Republican candidate in Wisconsin's attorney general election. Despite the fact that the ads likely constituted political activity, the Rule of Law Project told the IRS on its [2014 tax return](#) that it did not engage in any political activity and failed to file a Schedule C. In June 2016, CREW filed a [complaint](#) with the IRS against the Rule of Law Project, requesting an investigation into whether the organization failed to properly disclose its political activity.

In 2014, super PACs registered with the FEC reported receiving contributions totalling [\\$1.74 million](#) from the Government Integrity Fund. On its [2014 tax return](#), however, the group only reported spending \$1.13 million on political activity via super PAC contributions, failing to report an additional \$615,798 in similar federal super PAC contributions. The Government Integrity Fund also contributed to a nonprofit organization called the Mid America Fund that [admitted](#) to immediately [using](#) \$735,000 of the funds for political expenditures, but the Government Integrity Fund failed to report that spending as political activity. The super PAC and Mid America Fund contributions combined to account for 55 percent of the Government Integrity Fund's overall spending in 2014. The organization also [paid](#) for [TV ads](#) promoting a candidate in the Arkansas Senate race that likely should have been reported as political activity, but were not. In October 2016, CREW filed a [complaint](#) with the IRS requesting an investigation into whether the Government Integrity Fund failed to properly disclose its political activity and whether it was operated primarily to influence political campaigns.

In 2016, a federal super PAC [backing](#) Sen. Lindsey Graham's presidential campaign reported to the FEC that on September 21, 2015 it received a [\\$140,000](#) contribution from South Carolina Conservative Action Alliance. As CREW pointed out in a [report](#) published in June 2017, the nonprofit told the IRS on its [2015 tax return](#) that it did not engage in any political activity and appeared to report the super PAC contribution as a "lobbying" expenditure. The \$140,000 contribution accounted for nearly 90 percent of South Carolina Conservative Action Alliance's total 2015 spending, an apparent violation of the organization's tax-exempt status.

Between October 1, 2015 to September 30, 2016, the time period covered by Freedom Vote's 2015 tax year, a super PAC registered with the FEC called Fighting for Ohio Fund reported receiving contributions totalling [\\$1.7 million](#) from Freedom Vote. The nonprofit disclosed the contributions as political activity on its [2015 tax return](#) along with \$44,000 in additional unspecified political spending. However, Freedom Vote also [spent](#) more than \$1 million on a [television advertisement](#) attacking an Ohio Senate candidate that it failed to report as part of its political activity. Factoring in this unreported political spending, political expenditures accounted for at least 80 percent of Freedom Vote's total spending in its 2015 tax year. In June 2018, CREW filed a [complaint](#) with the IRS against Freedom Vote, requesting an investigation into whether it operated primarily to influence political campaigns as well as whether it improperly failed to report the Ohio ad spending as political activity.

CREW had previously filed an IRS [complaint](#) against Freedom Vote in June 2016 over the group's spending on independent expenditures reported to the FEC, which accounted for 61 percent of its total spending during its 2013 tax year. CREW also filed an [FEC complaint](#) against Freedom Vote in June 2018 alleging that it should have registered as a political committee due to its extensive political spending over several years. In that case, the FEC [found reason to believe](#) Freedom Vote violated the law and launched an investigation that turned up [voluminous evidence](#) validating CREW's complaint, but [deadlocked](#) on finding probable cause and closed the matter. According to [documents](#) released by the FEC, Freedom Vote was audited by the IRS beginning no later than April 2017, which resulted in a settlement that Freedom Vote's former executive director cited as a reason for the organization shutting down.

Tax documents, news reports, and political spending reports show America's Renewable Future was actively engaged in fundraising and spending during 2015 and 2016. Among other things, in 2015, the group [funded](#) advertisements and direct mail criticizing Sen. Ted Cruz, then a candidate for president. In 2016, America's



Renewable Future [reported](#) to the FEC making \$297,729 in independent expenditures for and against candidates for president during the presidential primaries. The organization failed, however, to file tax returns for either year, and the IRS [auto-revoked](#) the group's tax-exempt status in May 2018. CREW filed [a complaint](#) against America's Renewable Future with the IRS in October 2018 requesting an investigation into whether the organization willfully failed to file its 2015 and 2016 tax returns.

In 2018, Onward Ohio, a federally-registered super PAC, [reported to the FEC](#) that on March 16, 2018 it received a \$850,000 contribution from Independence and Freedom Network. Despite the six-figure contribution, for its 2017 tax year, covering May 1, 2017 through April 30, 2018, Independence and Freedom Network filed [a Form 990-N](#) tax return, effectively claiming gross receipts no greater than \$50,000. In June 2019, CREW filed an [IRS complaint](#) against the group requesting an investigation into whether it failed to file a proper tax return and failed to report information required to be disclosed, including the amount it spent on political activity and its total receipts and expenditures. In November 2019, after CREW filed its complaint, Independence and Freedom Network filed a full [Form 990](#) with the IRS covering all of calendar year 2018 that disclosed the organization's contribution to Onward Ohio as well as additional details about its fundraising and spending.

CLA engaged in significant political spending during its 2018 tax year, which ran from April 1, 2018 to March 31, 2019. The group [reported to](#) the FEC spending \$1.03 million on independent expenditures for and against congressional candidates during that period. It also [funded advertisements](#) in five congressional districts in August 2018 praising specific members of Congress for supporting tax legislation and urging them to support additional tax cuts, though the costs of the ads were not reported to the FEC because they were framed as issue advocacy. If CLA took the IRS's automatic six month extension, its 2018 tax return was due no later than mid-February 2020. CREW repeatedly requested the tax return from CLA's treasurer, who said in April and June 2020 that it had not been filed yet, then stopped responding to correspondence. On September 25, 2020, CREW filed [a complaint](#) with the IRS requesting an investigation into whether CLA failed to file its 2018 tax return on time. Soon after, CLA's 2018 tax return appeared on the [IRS's website](#) and [other websites](#) that publish Form 990s. The filed tax return is dated February 18, 2020, which appears to contradict the treasurer's statements to CREW. The tax return finally disclosed that of its total spending of \$5.16 million in its 2018 tax year, CLA spent \$1.48 million on political activity and gave \$2.5 million in grants to two other politically active section 501(c)(4) organizations, America First Policies and the State Tea Party Express.

In 2018, political committees registered with the Florida Department of State's Division of Elections [reported receiving](#) contributions totalling \$1.47 million from Florida Consumer Awareness Fund. The nonprofit also appears to have made [an additional \\$25,000](#) contribution that was [not accurately reported](#) to the Division of Elections by the recipient political committee, making its total contributions \$1.49 million. On its [2018 tax return](#), Florida Consumer Awareness Fund acknowledged to the IRS that the group engaged in political activity, but filed a blank Schedule C, and thus failed to report the amount it spent on political expenditures on its tax return. The organization's combined political contributions accounted for 66.3 percent of its total spending during the year. In February 2021, CREW filed [a complaint](#) with the IRS requesting an investigation into whether Florida Consumer Awareness Fund failed to properly disclose its political activity and whether it was operated primarily to influence political campaigns in violation of its tax-exempt status.

In 2018, political organizations registered with either the Florida Department of State's [Division of Elections](#) or the [IRS reported receiving contributions](#) totalling \$1.13 million from the Foundation for a Safe Environment. The nonprofit also appears to have made an additional [\\$250,000 contribution](#) that was not [accurately reported](#) to the Division of Elections by the recipient political committee, making its total contributions \$1.38 million. On its [2018 tax return](#), the Foundation for a Safe Environment told the IRS that it did not engage in any political activity and failed to file a Schedule C. The organization's combined political contributions accounted for 94.3 percent of its total spending during the year. In February 2021, CREW filed [a complaint](#) with the IRS requesting an investigation into whether the Foundation for a Safe Environment failed to properly disclose its political activity and whether it was operated primarily to influence political campaigns in violation of its tax-exempt status.

Coalition for a Safe Secure America engaged in political activity leading up to the 2018 elections. Just before Election Day, the organization spent more than \$200,000 for Facebook ads praising or criticizing candidates in [Indiana](#), [Missouri](#), [Montana](#), and [Oregon](#). Rather than expressly call for the election or defeat of the candidates in the upcoming elections, the ads praised or attacked them with generic calls to action vaguely related to policy



issues, but likely constituted political activity and should have been reported. Coalition for a Safe Secure America also [reportedly was](#) connected to anonymous direct-mail pieces in several states that similarly lauded or attacked candidates. The amount spent on the mailers is unknown, but they also likely constituted political activity and should have been reported. On its [2018 tax return](#), the organization told the IRS it did not engage in any political activity and filed a Schedule C that disclosed no spending on political activity. It did, however, disclose spending \$2.05 million on direct mail. In May 2021, CREW filed a [complaint](#) with the IRS requesting an investigation into whether Coalition for a Safe Secure America failed to properly disclose its political activity.

In March 2019, Advancing Freedom paid for eight independent expenditures, totaling \$150,403, in Phoenix, Arizona's mayoral election, according to a [disclosure report](#) the organization filed with the city. The expenditures, which either supported candidate Daniel Valenzuela or opposed candidate Kate Gallego, consisted of newspaper ads, mailings, and digital ads. On its [2019 tax return](#), Advancing Freedom told the IRS it did not engage in any political activity and failed to file a Schedule C, though it did disclose spending \$133,574 on "electioneering" on a different part of the tax return. Even if this was a misplaced attempt to report the organization's political activity, it is incorrect, as Advancing Freedom reported to the city of Phoenix that it spent \$16,829 more than that on political activity. Advancing Freedom's reported political spending constituted 74.2 percent of its total spending in 2019. In October 2021, CREW filed a [complaint](#) with the IRS requesting an investigation into whether Advancing Freedom failed to properly disclose its political activity and whether it was operated primarily to influence political campaigns in violation of its tax-exempt status.

*Robert Maguire contributed to this report.*

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