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COMMITTEE ON WAYS AND MEANS
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COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON ECONOMIC GROWTH, TAX
AND CAPITAL ACCESS

Congress of the United States
House of Representatives
Washington, DC 20515-1310

May 9, 2019

The Honorable J. Russell George
Treasury Inspector General for Tax Administration
1401 H Street, NW, Suite 469
Washington, D.C. 20005

Dear Inspector General George:

Enclosed is a letter I sent to Commissioner Rettig in which you are copied. I respectfully ask that you consider the policies and audit procedures currently in place to uncover improper conduct by tax exempt organizations and whether the IRS has sufficient information and resources to combat abuse and enforce our federal tax laws.

Sincerely,

A handwritten signature in blue ink, reading "Bradley S. Schneider".

Bradley S. Schneider
MEMBER OF CONGRESS



Congress of the United States
House of Representatives
Washington, DC 20515-1310

May 9, 2019

The Honorable Charles P. Rettig
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, D.C. 20224

Dear Commissioner Rettig:

As a Member of the Ways and Means Committee, I take very seriously my role and responsibility in conducting oversight of our nation's federal tax laws and ensuring the federal tax code is working as intended. It is with this duty in mind that I am writing to strongly encourage you to investigate recent reports of possible wrongdoing by the National Rifle Association (NRA), which enjoys status as a tax-exempt organization under Section 501(c)(4) of the Internal Revenue Code (IRC). The allegations against the NRA reported in *The New Yorker* on April 17, 2019, including instances of egregious self-dealing, deceptive billing practices, and preferences in contracting are most troubling.¹

Our tax system is based on voluntary compliance. It is therefore essential that individuals and entities alike have full confidence they will be treated fairly, and the rules and regulations under the law will be applied equally. The American people trust the government will actively ensure all organizations are not engaging in misconduct, and specific to tax-exempt organizations, refraining from impermissible political activity. All entities and individuals who skirt the rules for personal gain should be pursued and penalized.

As you well know, Section 501 of the IRC lays out the types of organizations that qualify for tax-exempt status, as well the rules and regulations such organizations must follow. It is a basic assumption that active oversight and enforcement will improve compliance. However, in 2018, the Treasury Inspector General for Tax Administration issued a report that found the further processing of multiple legitimate referrals alleging improper political activity by tax-exempt organizations were not pursued.² This report finding raises questions about the IRS's enforcement of our federal tax laws.

¹ Mike Spies, "Secrecy, Self-Dealing, and Greed at the NRA," *The New Yorker*, April 17, 2019.

² Treasury Inspector General for Tax Administration, *Review of the Processing of Referrals Alleging Impermissible Political Activity by Tax-Exempt Organizations*, Ref. Number: 2019-10-006 (October 4, 2018), https://www.treasury.gov/tigta/auditreports/2019reports/201910006_oa_highlights.html.

I am concerned about the potential long-term harm that diminished enforcement will have on the many nonprofit organizations that do follow the rules and take their charitable and social welfare purpose seriously. The alleged NRA operating practices also raise the question of whether current rules and procedures are adequate to guard against abuse.

In light of this information, I respectfully ask that you review whether the recent allegations against the NRA warrant reconsideration of the organization's tax-exempt status. If you determine there is not sufficient information or resources to undertake this review, and other routine examinations of tax-exempt social welfare organizations, I ask that you provide recommendations to Congress on how we can best ensure the IRS is able to appropriately enforce our nation's tax laws.

Non-profit organizations have always played a critical role in our society, improving the lives of millions of Americans. When trust in our tax laws is eroded, Congress and the Administration have a joint responsibility to investigate and act. The American people deserve to know that tax-exempt organizations are not abusing their preferential tax treatment and are operating according to their intended social welfare purpose, which is to benefit society.

I thank you in advance for your consideration.

Sincerely,



Bradley S. Schneider
MEMBER OF CONGRESS

cc: The Honorable J. Russell George
Treasury Inspector General for Tax Administration