

Cheating the American Taxpayer:
*NRA's Record of
Self-Dealing, Corruption and
Abuse of its Tax-Exempt Status*



February 6, 2020

Office of Congressman Brad Schneider

Executive Summary

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Since the shocking allegations of blatant self-dealing by the National Rifle Association of America (NRA) broke in an April 2019 story in *The New Yorker*, new concerning revelations have exploded into the public sphere on a regular basis. Further reporting has uncovered profligate spending at the highest levels of NRA leadership, cynical circular contracts that create conflicts of interest meant to enrich these same corrupt leaders, and questionable actions to avoid transparency and public disclosure requirements.

Despite these serious allegations, the NRA continues to operate as a 501(c)(4) tax-exempt organization that is nominally dedicated to promoting social welfare. In reality, the organization seeks the private enrichment of its leadership with single-minded focus. Its continued tax-exempt status is a privilege, which in effect means American taxpayers are subsidizing the NRA's scheme.

As a Member of the House Ways and Means Committee with jurisdiction over the tax issues and the Internal Revenue Service (IRS), I take seriously the responsibility to ensure our nation's tax laws are being applied effectively and that organizations are not abusing their tax-exempt privileges. In the past months, I have sought documents from the NRA and its vendors relevant to the allegations, questioned experts on tax-exempt law who confirmed the seriousness of the allegations, and repeatedly called on the IRS to act.

This report is an effort to detail the extensive allegations facing the NRA which, under any reasonable consideration, should call into question the organization's tax-exempt status. The report also details the efforts I have taken to uncover abuse and motivate the IRS to act.

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We are a nation of laws. Our tax code is only fair when enforced equally for all Americans, from working families struggling to get by to powerful and politically-connected organizations dealing in millions of dollars. My hope is that this report will further motivate the IRS to conduct the needed oversight to end blatant abuse of our tax-exempt system.

Bradley Scott Schneider (IL-10)
MEMBER OF CONGRESS

I. NRA Record of Abuse

Recent reporting and disclosures have shed light on potential wrongdoing and abuse of the tax code by the NRA, a tax-exempt organization according to section 501(c)(4) of the Internal Revenue Code. These allegations include self-dealing, conflicts of interest, questionable business operations, and incorrect, and possibly fraudulent, lobbying disclosures. 501(c)(4) organizations must operate solely to promote social welfare and not for the private enrichment of its leadership or members. Recent allegations about the NRA's inappropriate operating practices include:

A Pattern of Egregious Spending by NRA Leaders

Extensive Spending on Extravagant Clothing and Luxury Travel for Wayne LaPierre

Exorbitant benefits for clothing and international travel totaling more than \$500,000 were reportedly spent for the benefit of NRA Executive Vice President Wayne LaPierre:

- More than \$240,000 for travel to Italy, Hungary, the Bahamas and other domestic locations.ⁱ
- Nearly \$275,000 for various purchases of men's suits from Zegna, a high-end retailer in Beverly Hills, CA.ⁱⁱ

LaPierre Sought Purchase of Six-Million Dollar Mansion with Vendor Funds

The NRA was involved in the search for a new home, reportedly a \$6.5 million mansion in Dallas, TX, for Wayne LaPierre. \$70,000 of NRA funding was transferred to a company linked to Ackerman McQueen (the NRA's longtime public relations firm) that was used to facilitate the home search and potential purchase, which ultimately did not materialize.ⁱⁱⁱ

In a court filing, Ackerman McQueen stated "LaPierre would specifically instruct [Ackerman] not to disclose certain information to certain auditors" and that "throughout his tenure with the NRA, LaPierre has routinely used third-party vendors like [Ackerman] to conceal his penchant for personal spending, seemingly with the NRA's blessing."^{iv}

Lavish Safaris for Top NRA Officials Included in Self-Dealing TV Production Scheme

Since 2010, the NRA has paid TV production company Under Wild Skies a reported \$18 million.^v The company disclosed it paid for safaris and hunts for Wayne LaPierre, his wife, and other top NRA officials in Botswana, Tanzania, Mozambique, and Uruguay.^{vi} Additionally, the president of "Under Wild Skies" and host of the company's eponymous television show is a top executive at Ackerman McQueen, demonstrating the complicated web of financial and business ties between the NRA and its vendors.

The NRA's Executive Director of Advancement, Tyler Schropp, served as the Treasurer for Under Wild Skies between 2010 and 2017.^{vii} Court filings also indicate that Schropp ran up more than \$450,000 in expenses on an American Express card issued to him by Ackerman McQueen that were allegedly billed back to and reimbursed by the NRA.^{viii}

Private Jet Travel for LaPierre Hidden Through Vendor Payments

The NRA reportedly regularly flew Wayne LaPierre on expensive private jets, and routed payments for this travel through a third-party company based in California. The *Wall Street Journal* reported that NRA “accountants were instructed to pay travel bills from her [the California] company without the usual detailed supporting documentation, which was held in a private file in the NRA’s treasurer’s office, said people familiar with the matter. The bills totaled about \$2 million in one recent year, according to one of these people.”^{xix} Additionally, reporting indicates that the NRA “paid for private jets to fly to and from central Nebraska to ferry relatives” of Wayne LaPierre.^x

Extensive Self-Dealing and Conflicts of Interest

NRA Board President Employed by Top NRA Vendor

The NRA said in a court filing that the organization was prohibited by its non-profit Bylaws from paying its then Board President Lieutenant Colonel Oliver North.^{xi} However, a court filing by Ackerman McQueen alleges that Mr. LaPierre and Lt. Col. North negotiated a contract for Lt. Col. North, upon his ascension to the position of Board President, including drafting a contract “term sheet.”^{xii} The contract, which was structured to be paid through Ackerman McQueen, reportedly compensated Lt. Col. North “above \$2 million - paid by Ackerman and reimbursed by the NRA.”^{xiii}

Shortly after Lt. Col. North assumed his role as NRA Board President, the New York Times reports that “one concerned [NRA] employee wrote a memo warning that ‘using a vendor to provide compensation to an N.R.A. officer, director or high-level employee does not work to hide disclosure of the compensation.’”^{xiv}

Six-Figure Consulting Contracts for NRA Board Members Responsible for Financial Oversight Raise Conflict of Interest Flags

Questionable business dealings between NRA Board Members and the NRA suggest the possibility of private inurement and potential conflicts of interest for those conducting oversight of the organization’s finances. Some of these business dealings with individual Board Members include more than \$600,000 for consulting and lobbying, \$400,000 for firearms training and outreach, more than \$250,000 for fundraising and outreach, and \$85,000 for media consulting.^{xv}

In addition, since 2008, the NRA Foundation has purchased supplies from Crow Shooting Supply – an entity owned by former NRA board president Pete Brownell. In 2017, when Brownell was NRA board president, the NRA finally disclosed the years-long business relationship, including the \$3.1 million in payments the NRA made to Crow that year alone.^{xvi}

Questionable Spending and Billing Raised by NRA Board of Directors

Questionable spending and billing processes were raised during an emergency meeting of the NRA Board of Directors Audit Committee. Memos provided in advance of this meeting detailed

concerns from NRA accountants such as “NRA pays overbilled, deceptive, vague invoices to ‘preferred’ vendors and contractors” and “decisions are made in the best interests of vendors,” not the organization.^{xvii}

Alarming Accusations of “Extortion” Between Top NRA Leaders

In the power struggle that played out publicly between Wayne LaPierre and Lt. Col. Oliver North, Mr. LaPierre accused Lt. Col. North of an “extortion” attempt to try and oust him from the organization.^{xviii} According to a letter sent to the NRA Board of Directors, LaPierre alleges that Ackerman McQueen drafted and was prepared to release a “damaging letter” containing “a devastating account of our [NRA] financial status, sexual harassment charges against a staff member, accusations of wardrobe expenses and excessive staff travel expenses” unless he resigned.^{xix}

Pervasive Efforts to Evade Transparency and Campaign Finance Law

Questionable Transfers Between NRA Foundation and NRA’s Political Spending Arm

According to IRS 990 filings, the NRA Foundation, a 501(c)(3) organization that receives tax-deductible contributions, has transferred a significant amount of money to the NRA in recent years. \$18.9 million was transferred in 2015, \$19.2 million in 2016, and \$18.8 million in 2017. Additionally, the NRA reported spending nearly \$55 million on federal elections in 2016.^{xx} A 501(c)(3) organization is prohibited from engaging in political activity and subsidizing 501(c)(4) activities, so while these transfers could be legal, they also seem suspect given the other financial impropriety and wrongdoing reported at the NRA.

Further evidencing the possibility of impropriety, donations from the NRA Foundation were made to a charity associated with Susan LaPierre (the wife of Wayne LaPierre), despite the fact the charity had no mission or purpose connected to firearms. Moreover, these donations were not disclosed on the NRA’s IRS 990s between 2013 and 2017.^{xxi}

NRA Filed Incorrect and Possibly Fraudulent Lobbying Disclosures

The NRA has filed incorrect, and possibly fraudulent, Form 990’s. The Form 990 states “under penalties of perjury, I declare that I have examined this return...and to the best of my knowledge and belief, it is true, correct, and complete.” Despite this statement, in 2011, the NRA reported zero for lobbying on Part IX Line 11d under non-employee fee for service expenditures.^{xxii} However, according to 2011 lobbying disclosure reporting filed with both the House of Representatives and the Senate, lobbying was in fact reported on behalf of the NRA. This was not the only year this inconsistent and erroneous reporting occurred and further represents a pattern of abuse by the NRA of our nation’s tax code.

II. Actions to Hold NRA Accountable by Congressman Schneider

Since the shocking and blatant allegations of self-dealing by the NRA broke in an April 2019 story in *The New Yorker*, Congressman Brad Schneider (D-IL) has worked to hold the organization accountable. As a Member of the House Ways and Means Committee with jurisdiction over tax issues and the IRS, Congressman Schneider takes seriously his responsibility to ensure our nation's tax laws are being applied effectively and that organizations are not abusing their tax-exempt privileges. In this role, he has sought documents from the NRA and its vendors relevant to the allegations, has questioned experts on tax-exempt law who confirmed the seriousness of the allegations, and has repeatedly called on the IRS to act.

Sought Documents from NRA and its Vendors

Schneider Requests Documents from NRA

In June 2019, Schneider [requested documents](#) from the NRA related to allegations of wrongdoing in a letter to Wayne LaPierre. Schneider asked for documents on eight topics including allegations of potential conflicts of interest, vendor arrangements, outside income, and excessive compensation among leadership. The letter also requests correspondence and documents related to LaPierre's assertion that former Board President Lt. Col. Oliver North and Board Member Dan Boren acted like "extortionists" seeking to force his resignation and secure preferential treatment for the NRA's largest vendor.

NRA Blocks Ackerman McQueen From Cooperating with Schneider Request for Documents

In August 2019, the [NRA blocked](#) its longtime public relations firm Ackerman McQueen from cooperating with Schneider's request for documents related to allegations of wrongdoing. In a letter to Ackerman McQueen, the NRA's attorney requested the firm adhere to its "contractual duties" and not produce any documents to Congress "without the NRA's express written consent." Schneider initially requested the documents from Ackerman McQueen in an [August 2019 letter](#).

"The NRA has yet to respond to my June letter requesting information on multiple allegations of self-dealing, and now they may veto relevant documents their largest vendor is willing to provide to Congress. We continue to learn more about blatant corruption and wrongdoing at the highest reaches of the NRA, which would be in direct violation of the organization's tax-exempt status. The public has a right to know whether the NRA is complying with the law and not abusing it to enrich its leadership. I urge the NRA not to block Ackerman McQueen's cooperation with our work to uncover the truth and conduct needed oversight over our nation's tax laws"

– [Brad Schneider, September 5, 2019](#)

Questioned Witnesses Regarding NRA Abuses and Justification of Further Investigation

Former IRS Exempt Organization Division Director Says NRA's Actions "Absolutely" Raise Questions

In September 2019, Schneider [questioned Marc Owens](#), former director of the Exempt Organization Division at the Internal Revenue Service (IRS), at a Ways and Means Oversight Subcommittee Hearing on allegations against the NRA. Owens responded the NRA's actions "absolutely" raise questions on the organization's tax-exempt status.

Treasury Inspector General Says NRA-type Abuses "Concerning"

In May 2019, Schneider [questioned the Treasury Inspector General for Tax Administration J. Russell George](#) on the NRA's tax-exempt status at a hearing of the Ways and Means Committee. When presented with hypothetical situations mirroring the allegations against the NRA, George called them "concerning," saying they would "raise questions" and warrant further investigation.

Called on IRS to Act

Schneider Requests IRS Investigate Tax-Exempt Status of NRA

In May 2019, Schneider urged the Internal Revenue Service (IRS) to investigate the tax-exempt status of the NRA in [a letter to IRS Commissioner Charles P. Rettig](#).

Schneider wrote: "As a Member of the Ways and Means Committee, I take very seriously my role and responsibility in conducting oversight of our nations' 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."

Later in May, the IRS confirmed they received Schneider's request and referred it to the Tax Exempt and Government Entities (TE/GE) Division. However, due to Section 6103 of the Tax Code, the IRS would not disclose any actions they have or may take in response to the request.

III. Future Steps for Accountability

To protect the integrity of our tax code, it is vital that the IRS act to address the blatant and overwhelming abuse of tax-exempt status by the NRA. Schneider also continues to call on the NRA to end the stonewalling and cooperate with requests for documents in the interest of transparency and accountability.

IRS Must Investigate NRA

If the IRS has not yet begun an investigation of the NRA's tax-exempt status, it must do so immediately. If one is underway, the agency should endeavor to complete a thorough investigation without delay and as expeditiously as possible. Failing to investigate the NRA following so many public and serious allegations calls into questions the enforcement capability of the agency.

NRA Must End Stonewalling, Cooperate with Requests for Documents

The NRA should cooperate with Schneider's June 2019 request for documents related to allegations of wrongdoing, and lift their block preventing the cooperation of Ackerman McQueen with Schneider's August 2019 request for documents.

ⁱ Mark Maremont, "NRA Chief Wayne LaPierre Questioned on Travel Expenses," *The Wall Street Journal*, May 2, 2019.

ⁱⁱ Mark Maremont, "Leaked Letters Reveal Details of NRA Chief's Alleged Spending," *The Wall Street Journal*, May 11, 2019.

ⁱⁱⁱ Carol D. Leoning *et al*, "NRA Chief Sought Purchase of \$6 Million Mansion in Wake of Parkland Shooting," *The Washington Post*, August 7, 2019.

^{iv} *NRA v. Ackerman McQueen*, Civil Amended Counterclaim and Third Party Complaint, filed Nov. 15, 2019 in federal court in the Northern District of Texas, para. 79 and 49.

^v Danny Hakim, "Incendiary N.R.A. Videos Find New Critics: N.R.A. Leaders", *New York Times*, March 11, 2019.

^{vi} Mark Maremont, "Under Wild Skies Sues National Rifle Association," *The Wall Street Journal*, September 11, 2019.

^{vii} Danny Hakim, "Incendiary N.R.A. Videos Find New Critics: N.R.A. Leaders", *New York Times*, March 11, 2019.

^{viii} Josh Kovensky, "Letter Shows Ackerman Issuing New Broadside Against NRA Fundraiser", *Talking Points Memo*, Aug. 20, 2019.

^{ix} Mark Maremont, "NRA's Unusual Travel Setup Spotlights Governance Gaps," *The Wall Street Journal*, November 4, 2019.

^x Mark Maremont, "Private Jets Ferried Relatives of NRA Chief Executive," *The Wall Street Journal*, August 26, 2019.

^{xi} *NRA v. Ackerman McQueen*, Civil Amended Complaint, filed Apr. 24, 2019 in Virginia, para. 33 ("the NRA Bylaws do not provide for the President to receive a salary").

^{xii} *NRA v. Ackerman McQueen*, Answer and Counterclaim, filed July 16, 2019 in Virginia, para. 37 (“LaPierre negotiated the terms of the North Contract directly with Lt. Col. North and a detailed term sheet was sent to [Ackerman] for competition of the formal agreement... Wilson (“Woody”) Phillips, then-Treasurer of the NRA, reviewed and approved the North Contract to assure compliance with the term sheet”).

^{xiii} Danny Hakim, “Inside Wayne LaPierre’s Battle for the N.R.A.”, *New York Times*, December 18, 2019.

^{xiv} *Id.*

^{xv} Beth Reinhard *et al*, “NRA Money Flowed to Board Members,” *The Washington Post*, June 9, 2019.

^{xvi} Mark Maremont, “NRA Awarded Contracts to Firms With Ties to Top Officials,” *Wall Street Journal*, November 11, 2018.

^{xvii} Mike Spies, “Secrecy, Self-Dealing, And Greed At The N.R.A.”, *The New Yorker*, April 17, 2019.

^{xviii} Mark Maremont, “NRA’s Wayne LaPierre Says He is Being Extorted, Pressured to Resign,” *The Wall Street Journal*, April 26, 2019.

^{xix} Apr. 25, 2019 Letter from Wayne LaPierre to the NRA Board, *available at* https://www.wsj.com/public/resources/documents/LaPierreletter042519.pdf?mod=article_inline.

^{xx} Peter Stone and Ben Wieder, “NRA spent more than reported during 2016 election,” *McClatchy*, October 6, 2017.

^{xxi} Mike Spies, “The NRA’s Questionable Charitable Giving”, *The New Yorker*, May 30, 2019.

^{xxii} See <https://projects.propublica.org/nonprofits/organizations/530116130>.