

# COMMENTARY

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SECTION B

By Terrence Scanlon

While Americans rightly have been appalled by the ugly details of the Internal Revenue Service crackdown on conservative groups, another scandal much longer in the making has been festering. Left-wing nonprofits such as ACORN's successor groups are flouting federal law by spending tax-exempt funds for partisan political activities, using "fiscal sponsorship" to shift those funds through a shell game of various activist groups. That's the finding of Cause of Action, a nonpartisan good-government group, in its new report, "Conprofit: How the IRS' Failed Enforcement Allows Nonprofit Money Laundering."

"Significant loopholes in the tax code have opened the door to abuse for organizations to funnel money, fabricate tax documents, and destroy charities by abusing fiscal sponsorship," says Cause of Action's executive director, Dan Epstein.

Building on the research of the Capital Research Center, which has tracked ACORN since 1998, congressional investigators determined in 2010 that ACORN used its labyrinthine organizational structure to shield its activities and funding streams from view. ACORN moved taxpayer funds and tax-exempt donations between tax-exempt and non-exempt organizations within its network in order to illegally underwrite political activities, according to the report. President Obama used to work for former ACORN affiliate Project Vote, a Democratic get-out-the-vote group still in close contact with White House officials.

According to Cause of Action, similar abuses continued even after ACORN filed for bankruptcy in November 2010.

Its newly incorporated state chapters in California, New York and Texas — now known as Alliance of Californians for Community Empowerment, New York Communities for Change, and Texas Organizing Project — engaged in conduit funding and used tax-exempt donations for political activity. Cause of Action's probe "found patterns of behavior that mirror ACORN's past abuse of the tax code." Within these new groups, "the corrupt fiscal sponsorship schemes, which ACORN organizations previously instituted, reappear[ed] without amelioration."

A fiscal sponsor typically serves as a financial clearinghouse for groups that haven't incorporated themselves as nonprofit organizations. Individual donors contribute to the groups' tax-exempt sponsor and deduct the donations from their income tax. Fiscal sponsors take a percentage of donations as administrative fees and transfer the rest to the new group.

Lax IRS enforcement allows left-wing nonprofits to use fiscal

## The other IRS scandal

### *The tax man can't find the pea in a shell game*

sponsorship to skirt the law and spend tax-exempt funds, which aren't supposed to go to partisan purposes, on explicitly political activities.

Nonprofit law expert Kenneth Brier says fiscal-sponsorship abuse is common. "I have seen so many charities think that if you funnel money through somebody who's got a 501(c)(3) status, that there's just no problem. I've seen private foundations spend money earmarked for lobbying,

in Occupy Wall Street protests. In a November 2011 letter to the U.S. Attorney for the Eastern District of New York, Mr. Issa implied the organization was merely an extension of the now-defunct New York state chapter of ACORN. "NYCC's office is located in a space formerly held by ACORN, and NYCC employs many former ACORN staffers, including New York's former ACORN director," he wrote.

The month before, Cause of Action asked the IRS to investigate New York Communities for Change. That group, like New York ACORN, may participate in "improper fiscal-sponsorship arrangements" with related 501(c)(3) entities, including the New York Communities Organizing Fund Inc., American Environmental Justice Project, and New York Agency for Community Affairs. Note that the latter two groups were official ACORN affiliates in the old, now-disbanded ACORN network.

In an annual report, New York Communities Organizing Fund Inc. described New York Communities for Change as its "sister organization." The groups are headquartered at the same address in Brooklyn, which is the same office occupied by New York ACORN. New York Agency for Community Affairs, which has been accused of abusing its tax-exempt status, is related to the old ACORN affiliate known as the Mutual Housing Association of New York, a 501(c)(3) nonprofit that owns and operates housing projects. It received federal housing grants, and New York Agency for Community Affairs may now enjoy federal funding.

Last year, The New York Times reported that New York Communities for Change's organizing director, Jonathan Westin, "design[ed]" an "anti-Romney campaign." This "blatant electioneering activity" should not only subject the organization to taxation, but also "impute liability to any 501(c)(3) entity that acts as a sponsoring organization of NYCC's political activities."

New York Communities for Change's legal problems are just the tip of the iceberg. Other rebranded ACORN state affiliates engage in similar dubious practices, Cause of Action reports.

It's unlikely the Obama administration will investigate these abuses. Attorney General Eric H. Holder Jr.'s Justice Department never lifted a finger to investigate an allegation of a nearly \$1 million misappropriation from ACORN by Dale Rathke, the younger, socialite brother of ACORN founder Wade

Rathke. The younger Rathke purportedly spent his ill-gotten gains, including ACORN employees' pension money, on parties, limousines and shopping trips to New York.

With Benghazi, Operation Fast and Furious, National Security Agency spying and countless other scandals raging, the Obama administration has its hands full at the moment.

Terrence Scanlon is president of Capital Research Center.



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but think they had no problem because they sent it through a (c)(3) public charity, and I've seen private foundations spend money for other non-charitable purposes but think they didn't have a problem because the money was funneled through a (c)(3) public charity."

House Oversight Committee Chairman Darrell E. Issa, California Republican, has sounded the alarm, accusing New York Communities for Change (NYCC), a 501(c)(4) social-welfare organization, of engaging in political activities forbidden under the tax code by participating