



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20005

INSPECTOR GENERAL
FOR TAX
ADMINISTRATION

July 19, 2013

The Honorable Sander M. Levin
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515-6348

Dear Representative Levin:

On June 26, 2013, I responded to your letters dated June 24, 2013 and June 26, 2013 regarding our recent audit report entitled "Inappropriate Criteria Were Used to Identify Tax-Exempt Applications for Review." As a result of additional review of this matter, we would like to clarify two points from our previous response.

Before proceeding, I would like to reiterate that TIGTA did not make any characterizations of any organizations in our audit report as "conservative" or "liberal" and I believe it would be inappropriate for an Inspector General to make such conclusions. Therefore, our audit did not focus on names except for those that the Internal Revenue Service (IRS) informed us that it used to select potential political cases for additional review.¹ We reviewed all 298 potential political cases the IRS identified as of May 31, 2012 and statistical samples of 338 cases out of 4,510 Section 501(c)(4) tax-exempt applications that we identified, to determine if they matched names the IRS included in its criteria.² The analyses we are providing in this letter were conducted subsequent to our audit to respond to concerns expressed by congressional Members.

The first point I would like to clarify concerns a statement in our prior response that a total of 6 out of 20 applications filed between May 2010 and May 2012 including the words "Progress" or "Progressive" in the organization's name were processed as potential political cases. We subsequently found an additional organization whose name had been misspelled by the IRS on the listing it provided to us of 298 potential political cases that we believe should have been included in our analysis of "Progress" or "Progressive."³ Therefore, we now believe that 7 of 21 Section 501(c)(4) tax-exempt applications having the words "Progress" or "Progressive" in their names were included in the 298 cases the IRS identified as potential political cases as of May 31, 2012. Of

¹ Until July 11, 2011, the Rulings and Agreements office referred to these cases as "Tea Party" cases. Afterwards, the Exempt Organizations function referred to these cases as "advocacy" cases.

² Id.

³ The IRS misspelled a word in one organization's name as "Progessive" in the listing it provided to us.

these, three specifically had the word “Progressive” in the organizational name. These figures are based on our research of data for 4,510 Section 501(c)(4) tax-exempt applications that were open as of May 31, 2012 or closed between May 2010 and May 2012.⁴

In addition, we researched the IRS’s listing of 298 potential political cases to determine if any included the word “Occupy.” We determined that none of the 298 organizations included the word “Occupy” in the organization’s name as of May 31, 2012. Furthermore, we determined that there were no applications in the population of Section 501(c)(4) tax-exempt applications that we identified containing the word “Occupy” in the organization’s name. Two organizations with the word “Occupy” were identified as potential political cases by December 2012 after the IRS removed “Occupy” from the Be On the Look Out (BOLO) listings.

In addition, on July 9, 2013, we received two documents from July 2010 that the IRS failed to provide to us during the conduct of our audit which refer to the term “Progressive” in association with “current activities/politics.” In one of the documents, the Determinations Unit specialist responsible for processing potential political cases at the time of the documents states “‘Progressive’ applications are not considered ‘Tea Parties’.” Since we were not aware of the existence of these two documents during our audit, we did not ask questions about them. We are reviewing this matter further.

The second point we would like to clarify concerns a statement in our June 26, 2013 response that 100 percent of the tax-exempt applications filed between May 2010 and May 2012 including the words “Tea Party,” “Patriots,” or “9/12” were subjected to additional scrutiny as potential political cases. To clarify, 100 percent of the Section 501(c)(4) tax-exempt applications in our *statistical samples* with the words “Tea Party,” “Patriots,” or “9/12” in their names were processed as potential political cases.

⁴ To be consistent with our audit, we researched a population of 4,510 Section 501(c)(4) tax-exempt applications. This includes 2,051 applications that the IRS determined required minimal or no additional information that were closed between May 2010 and May 2012. This also includes 2,459 applications that the IRS determined required additional information from the organization applying for tax-exempt status that were closed between May 2010 and May 2012 or open as of May 31, 2012. Additional applications that were open as of May 31, 2012 or closed between May 2010 and May 2012 were not considered as part of our analysis because they did not meet the criteria for our statistical samples, e.g., applications that were returned to organizations because they were incomplete or applications that had not made it through the IRS’s initial review. Three additional applications with the words “Progress” or “Progressive” in the organizational name were open as of May 31, 2012, but were not in the population from which we sampled. None of these applications were included in the 298 cases the IRS identified as potential political cases as of May 31, 2012.

The IRS recently shared with us additional information indicating that some applications with the words “Tea Party,” “Patriots,” or “9/12” in their names were not processed as potential political cases. We conducted additional analyses and determined that 12 of the 4,510 Section 501(c)(4) applications considered as part of our audit with the words “Tea Party” (two cases), “Patriots” (four cases), or “9/12” (six cases) in their names were not processed as potential political cases, as of May 31, 2012.⁵ None of the 12 applications appeared in our statistical samples. We researched data for these 12 applications and determined that four were later processed as potential political cases, one was treated similarly to a potential political case, and one was not a potential political case. Specifically:

- Three of the “9/12” applications and one “Patriots” application were included on a listing of potential political cases prepared after May 2012.
- One “Tea Party” application was transferred to the Exempt Organizations Technical Unit to be processed.
- One application with “Patriots” in its name did not appear to relate to a group involved with political campaign intervention.

The remaining six cases included two that were withdrawn by the organization in Calendar Year 2010, two that were approved in Calendar Year 2010, and two that were approved in Calendar Year 2011.

As the IRS continues to provide us with additional information from its internal review, we will continue to provide you with updates as necessary. If you or your staff have any questions, please contact me at 202-622-6500 or Acting Deputy Inspector General for Audit Michael E. McKenney at 202-622-5916.

Sincerely,



J. Russell George
Inspector General

⁵ Four additional applications with the words “Tea Party,” “Patriots,” or “9/12” in the organizational names were either open as of May 31, 2012 or closed between May 2010 and May 2012, but were not in the population from which we sampled. The IRS returned three of the four applications to the applicants as incomplete. The remaining application required minimal information to process, but had not been closed. None of these applications were included in the 298 cases the IRS identified as potential political cases as of May 31, 2012.