October 5, 2016

Hon. John Koskinen, Commissioner
Internal Revenue Service
1111 Constitution Avenue NW
Washington, DC 20224

Dear Commissioner Koskinen:

Today, the Center for Media and Democracy and Common Cause filed a detailed account, backed up by more than 240 exhibits, of how ExxonMobil has used the American Legislative Exchange Council (ALEC) to promote the oil giant’s climate denial policies and legislative agenda, in gross violation of ALEC’s 501(c)(3) charitable status. (See attached.)

This is the third supplement we have filed to the original submission under the Tax Whistleblower Act. (No. 2012-004434) alleging tax fraud and false claims by ALEC, which purports to spend zero dollars on lobbying when, in fact, promoting legislation on behalf of its corporate members is the group’s primary purpose. That filing, submitted in April 2012, contained more than 4,000 pages of evidence documenting massive underreporting of lobbying activities by ALEC.

In this supplement, we have provided the IRS Whistleblower Office with extensive evidence obtained by open records requests, original research, and public financial documents detailing intentional misuse of ALEC by the ExxonMobil Corporation (hereinafter “Exxon”) to advance legislation of direct benefit to the company.

For most of the past two decades, Exxon has used ALEC as a key asset in its explicit campaign, spelled out in an industry strategy memo, to sow uncertainty about climate science, undermine international climate treaties, and block any legislation that would impose emission reductions. (See Ex. 78.) Exxon has also used ALEC to advance its legislative goals concerning cap-and-trade policies, fracking, the Keystone Pipeline, and the Obama Administration’s Clean Power Plan.

Over a 17-year period, the corporation and its foundation poured more than $1.7 million into ALEC’s operations in order to finance lobbying activity by ALEC on legislation and public policies that interest and benefit the corporation, while improperly and illegally claiming a tax deduction for those expenditures.

Exxon’s collusion with ALEC resulted in the coordinated introduction of scores of bills in state houses across the country, the progress of which ALEC promoted and carefully tracked. ALEC boasted of its efforts to win passage of that legislation in press releases and statements to its members.

For most, if not all, of that period, Exxon paid substantial sums to serve in a leadership capacity at ALEC, both on the group’s corporate board and on energy-related issue task forces, where corporations promote “model” legislation for legislative members to take
back home. In that capacity, Exxon and other fossil fuel companies held de facto veto power over what bills would or would not be promoted by ALEC.

That activity constitutes a gross violation of federal tax laws by Exxon in its own right, and further reinforces the case against ALEC for abuse of its 501(c)(3) charitable status.

In light of the mounting evidence provided to the IRS, and the enormous scale and scope of ALEC’s fraudulent tax scheme, we respectfully urge you to expedite the Whistleblower Office’s open and active investigation into potential civil and criminal liability for both ALEC and Exxon, revoke ALEC’s 501(c)(3) status, impose any necessary civil and criminal penalties, and collect unpaid back and present taxes for nondeductible lobbying activities from both ALEC and its corporate donors.

It has become painfully obvious over the past few years to the press and the public that ALEC is a corporate lobby front group masquerading as a charity—at taxpayer expense. If the laws governing nonprofits are to mean anything, the IRS needs to take action to enforce them in this case.

Respectfully submitted,

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Arn H. Pearson, General Counsel
Center for Media and Democracy

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Karen Hobert Flynn, President
Common Cause