CREW's Complaints Against the Center to Protect Patient Rights and Related Groups

- Today, CREW filed:
  - An Internal Revenue Service (IRS) complaint against the Center to Protect Patient Rights (CPPR, now known as American Encore), and its president, Sean Noble. News reports closely link CPPR with the Koch brothers.
  - An Federal Election Commission (FEC) complaint against the American Future Fund (AFF), AFF’s president, Sandy Greiner, Americans for Job Security (AJS), AJS’s president, Stephen DeMaura, the 60 Plus Association (60 Plus), and 60 Plus’s president, Amy Frederick. News reports also link these groups with the Koch brothers.
  - An FBI complaint against CPPR, AFF, AJS, 60 Plus, and their presidents.

- The complaints were prompted by a recent National Review Online report. The report is based in large part on interviews with Mr. Noble revealing internal CPPR activities and strategies not otherwise public. Even where Mr. Noble is not quoted directly, he was almost certainly the source of information about CPPR.

- Based on the news report, it appears Mr. Noble and CPPR lied to the IRS on CPPR’s 2010 tax returns (CPPR filed its initial return in 2011, then amended it in 2013).
  - On both of the tax returns, signed by Mr. Noble under penalty of perjury, Mr. Noble and CPPR answered “no” to the question: “Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office?”
  - CPPR also did not submit a Schedule C, in which tax-exempt organizations are required to report their political campaign activities.

- The NRO story, however, describes CPPR’s extensive political activities in opposition to Democrats running for the House. According to the report, CPPR:
  - made an explicit decision to “set their sights on returning the House to the GOP”;
  - researched and produced “dozens of ads that targeted hundreds of Democratic congressmen in the 2010 midterm elections”;
  - chose to include then-House Speaker Nancy Pelosi (D-CA) in the ads because that made “swing voters . . . more likely to vote against” Democratic candidates;
  - carefully selected the political races in which the ads would be broadcast using a spreadsheet listing Democratic House members ranked “in order of the likelihood of their defeat”;
  - gave tens of millions of dollars to other groups “that paid to put the ads on the air”;
  - adjusted the targets of the ads to include those in seats previously believed to be safe based on political climate increasingly hostile to Democrats; and
  - chose when to run certain ads, in one case deciding an ad broadcast in June and August had driven a Democratic candidate’s approval rating so low, “Noble says, ‘we did not spend another dime in that race from August until Election Day.’”
• It also appears AFF, AJS, and 60 Plus – some of the groups CPPR paid to run the ads – violated federal campaign finance law by failing to disclose CPPR as a contributor.
  o Those three groups filed dozens of independent expenditure and electioneering communications reports with the FEC disclosing campaign spending on television advertisements in House races in 2010.
  o These reports must identify anyone who made a contribution specifically to pay for the campaign spending.
  o None of the reports, however, disclosed CPPR’s contributions which apparently were earmarked to pay for the ads.

• Mr. Noble and CPPR’s falsehoods call into question their other representations to the IRS on CPPR’s tax returns, including claims on the organization’s 2011 and 2012 tax returns that CPPR did not engage in any political activity in those years.
  o CPPR made large grants in 2011 and 2012 to most of the same groups it paid to run advertisements in 2010, and those groups again engaged in extensive political activities.
  o During an investigation of CPPR’s role in a scheme to funnel money to California referendum campaigns in 2012, for which CPPR and another groups eventually paid a $1 million fine, Mr. Noble told a political consultant he had to admit CPPR’s role because “we can’t tolerate an audit of CPPR.”

CREW’s Complaint Against Freedom Partners and Americans for Job Security

• Today, CREW also filed a separate IRS complaint against Freedom Partners Chamber of Commerce Inc. (Freedom Partners) and AJS. Freedom Partners and AJS are closely linked to the Koch brothers.
  o Freedom Partners and AJS also apparently lied on their tax returns, in this case by deliberately mischaracterizing hundreds of millions of dollars of contributions as membership dues.

• The IRS distinguishes contributions from membership dues.
  o Contributions are gifts for which the donor does not receive fair market value in return, while membership dues pay for benefits that compare reasonably to the amount of the dues.
  o The difference is significant because the IRS requires tax-exempt groups to disclose to the IRS – though not the public – the names and addresses of contributors who gave the organization $5,000 or more in a year. This reporting is not required for membership dues.

• On its tax return, Freedom Partners reported receiving $254 million from “membership dues” and a special assessment fund, but less than $1 million in contributions.
  o Freedom Partners does not appear to have provided any membership benefits to its members, and acknowledged on its application for tax-exempt status it “provides no particular services to its members.”
  o Freedom Partners appears to have been intentionally formed as a section 501(c)(6) organization in large part so its financial backers could be classified as “members” whose identities are not disclosed to anyone outside of the group.

• On its last three tax returns, AJS reported receiving $65 million in membership dues and no contributions.
  o AJS does not appear to have provided any membership benefits to its members.