

United States Senate

WASHINGTON, DC 20510

October 2, 2019

The Honorable Charles Rettig
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Commissioner Rettig,

The Internal Revenue Service (IRS) is responsible for administration of federal tax laws, including the enforcement of Internal Revenue Code rules governing the activities of tax-exempt organizations. These rules exist not only to protect the federal tax system, but also to ensure that tax-exempt organizations and their resources are used exclusively in furtherance of their exempt purpose. Congress has long been concerned about foreign adversaries' potential exploitation of tax-exempt organizations to undermine American interests.¹

On July 15, 2018, Maria Butina was arrested in Washington, DC and charged by the federal government with conspiracy to act as an agent of the Russian Federation within the United States as part of an effort to gain political access within the United States utilizing a "GUN RIGHTS ORGANIZATION," understood to be the National Rifle Association of America (NRA)—a section 501(c)(4) tax-exempt organization. In April 2019, she pleaded guilty to one count of conspiracy to act as a foreign agent in the United States without registering with the U.S. Department of Justice (DOJ) and was sentenced to 18 months in prison. Following these developments the Finance Committee Ranking Member and other Democratic colleagues initiated an investigation into the NRA's interactions with Russian nationals, including Butina, other Russian nationals, including some sanctioned by the U.S. Government and officials of the Russian government, both in the U.S. and during the NRA delegation's 2015 trip to Moscow.

The investigative report released by the Finance Committee minority staff last week confirms the extensive interactions between Butina, and her Russian government sponsor—Alexander Torshin,² and the NRA cited by the DOJ. These findings raise questions about whether certain NRA activities violated the organization's social welfare requirements. Specifically, in addition to multiple meetings between Russian individuals and NRA officials that took place within the U.S., NRA officials and donors met with a number of Russian companies, government officials and oligarchs closely connected to the Kremlin during the 2015 trip to Moscow. The individuals and companies involved in the Moscow meetings included some that were the subject of U.S. sanctions at the time of those meetings.

The report also raises concerns about potential private inurement and use of exempt resources for non-exempt activities. Evidence in the report confirms that some members of the NRA delegation participated in the Moscow trip primarily or solely for the purpose of advancing personal business interests, rather than advancing the NRA's tax-exempt purpose. The findings of the report further suggest that NRA officials' use of the organization to advance personal business interests may have exposed the NRA to further involvement by Butina and Torshin. Accordingly, we transmit to you today the Finance Committee minority staff report on NRA's interactions with Russian nationals for your use in any examinations of the NRA's activities and exempt status.

¹ See for example, Records Sought About Tax-Exempt Organizations for Committee's Terror Finance Probe by Chairman Grassley and Ranking Member Baucus, January 14, 2004; <https://www.finance.senate.gov/chairmans-news/records-sought-about-tax-exempt-organizations-for-committees-terror-finance-probe>; tax code section 501(p), which provides for the suspension of the tax-exempt status of any terrorist organization or organization that supports terrorism; IRC § 501(p), enacted Pub. L. 108-121, Sec. 108.

² Torshin was subsequently listed as a Specially Designated National (SDN) in 2018.

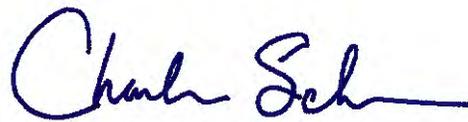
As you are aware, public reporting also suggests that the NRA may have been engaged in other significant and persistent acts of potential private inurement and other impermissible acts.³ Given this report's concerning findings and other allegations of potential violations of tax exempt law by the NRA, it is incumbent on the IRS to fully investigate the organization's activities to determine whether the NRA's tax exemption should be disallowed.

Russia's interference in the 2016 elections represented an unprecedented attack on American democracy. Russia will continue to target U.S. elections in 2020 and beyond, using social media, disinformation and hacking, as well as other espionage and cyber operations, according to Director of National Intelligence Dan Coats' 2019 Worldwide Threat Assessment.⁴ In light of the continued efforts of Russia to undermine American democracy, IRS must use its full authority to prevent foreign adversaries from again exploiting tax-exempt organizations to undermine American interests.

Sincerely,



Ron Wyden
Ranking Member
Senate Committee on Finance



Charles E. Schumer
Minority Leader
U.S. Senate

³ Allegations related to NRA Executive Vice President Wayne LaPierre charging NRA ad agency Ackerman McQueen more than \$240,000 for expenses related to international trips to locations including the Bahamas, Italy, and Reno, Nevada with inadequate documentation (*Wall Street Journal*, "NRA Chief Wayne LaPierre Questioned on Travel Expenses," May 2, 2019); allegations contained in a memo prepared by NRA accountants and presented to NRA's audit committee, including: payments to an IT consulting firm with links to NRA's CFO and Treasurer Woody Phillips, a \$1.8 million rental of a home belonging to a film producer who had a relationship with Executive Vice President Wayne LaPierre, "senior management override of internal controls" that led to violations of accounts payable procedures and HR policy, reimbursement of expenses relating to apartments and living expenses beyond the NRA HR Policy Manual stipulations and on a permanent basis (*New Yorker*, "An Internal Memo Raises New Questions About Self-Dealing at the N.R.A.," May 7, 2019); allegations of extortion related to alleged financial improprieties involving more than \$200,000 in wardrobe purchases by NRA Executive Vice President Wayne LaPierre (*Wall Street Journal*, "NRA's Wayne LaPierre Says he is being Extorted, Pressured to Resign, April 26, 2019); allegations of financial mismanagement by NRA leadership that led NRA President Oliver North to express concerns about NRA losing its nonprofit status (*The Daily Beast*, "NRA Suspends Top Lawyer as Infighting Roils Group," April 27, 2019); allegations of multiple instances of sexual harassment by NRA senior official Josh Powell and allegations that NRA used tax-exempt funds to pay a settlement (*ProPublica*, "The NRA Used Funds to Settle a sexual Harassment Claim Against a Top Official – and then he was Accused Again," August 28, 2019); allegations that the NRA approved excessive payments to advertising firm Ackerman McQueen (*Wall Street Journal*, "NRA Files Suit against Ad Agency in Rift With Key Partner," April 15, 2019); allegations NRA approved excessive payments to outside law firm of William a Brewer III (*ProPublica*, "New Documents Raise Ethical and Billing Concerns about the NRA's Outside Counsel," July 30, 2019); allegations NRA explored purchasing \$6.5 million mansion in a gated golf community for CEO Wayne LaPierre, including establishing an LLC to purchase the home and sending a \$70,000 check from NRA to the LLC in connection with the possible purchase of the home (*Wall Street Journal*, "NRA Promised \$6.5 Million to Buy Mansion for CEO Wayne LaPierre, Document Shows," August 13, 2019); allegations, including an official IRS complaint relating to NRA conducting business with an insurance company that also paid NRA Managing Director, Michael Marcellin nearly \$1 million, \$18 million in payments to a media production company in which Tyler Schropp, executive director of NRA's Office of Advancement held a financial interest, \$1.4 million in consulting fees paid to a company owned by Wayne Sheets, executive director of the NRA Foundation, \$3 million in NRA payments to a shooting supply company owned by NRA President Pete Brownell, a reported contract between NRA President Oliver North and NRA's longtime media consultants Ackerman McQueen, and as many as 41 employees, contractors, vendors, or consultants that have family relationships to others connected to the NRA, transfers from the 501(c)(3) NRA foundation to the 501(c)(4) NRA organization of 19.2 million in 2016 and 18.8 million in 2017, and a \$5 million loan from the NRA Foundation to the NRA 501(c)(4) organization (Form 13909 Filing (Tax-Exempt Organization Complaint (Referral)) filed by Everytown for Gun Safety Support Fund, April 18, 2019).

⁴ Worldwide Threat Assessment of the U.S. Intelligence Community, Statement by Daniel R. Coats, Director of National Intelligence before the Senate Select Committee on Intelligence, January 29, 2019; <https://www.dni.gov/files/ODNI/documents/2019-ATA-SFR---SSCI.pdf>.