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IRS Questioned by GOP Senators for Targeting Donors

In a recent action, the IRS sent letters to donors who contributed to advocacy groups that have been supporting political causes. As a result, a group of Republican Senators wrote to the IRS requesting to see internal correspondences and other information on the matter. They sought for the names of any IRS staff members involved in that decision, along with internal documents and any correspondence with White House officials.

These Republican Senators are all members of the Senate Finance Committee that oversees the IRS. According to them, their purpose was to investigate if political concerns have played a role in the IRS' action in targeting the donors.

The IRS letters state that the contributions may have been subject to a federal gift tax that has been part of the law but not enforced for ages. At least 5 such letters were sent out recently to donors but it is unclear which individuals received them.

Part of the letter stated, "This pattern of non-enforcement over a period of nearly three decades, coupled with the troubling issues regarding the adverse impact that enforcement might have on the exercise of

constitutionally protected rights, raises important questions regarding the timing of the decision to enforce the gift tax on these contributions. Retroactive enforcement of the gift tax in this highly politicized environment raises legitimate concerns and demands further explanation.”

The letter was signed by Senator Orrin G. Hatch of Utah, the ranking member of the Finance Committee, and five other members of the Finance Committee.

In view of the 2012 Presidential elections, large nonprofit organizations formed under section 501(c)(4) of the tax law are expected to play a major role in how the political parties fare. Section 501(c)(4) allows such nonprofit organizations to raise vast amounts of money while their donors remain anonymous. These organizations can also engage in some aspects of political advocacy even though their function is apolitical. It is no secret that such organizations helped the Republicans gain control of the House in elections last year.

President Obama and the Democrats have been highly critical of such organizations but have themselves initiated the formation of their own version of such organizations to match the Republican ones.

Last September, Democrat Senator Max Baucus of Montana, as chairman of the Finance Committee, sent his own letter to the IRS requesting that they investigate these tax-exempt organizations involved in unlawful political activity.