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Pro-Jewish Group Launches Suit against IRS

A pro-Israel group called “Z Street” has sued the IRS for allegedly impeding or denying applications for tax-exempt status by groups that oppose the government’s policies towards Israel. However, most tax law experts are of the opinion that the group’s allegations are not reasonable.

“Z Street” feels that a letter they received from an IRS agent was outside the scope of a normal IRS enquiry. The group’s tax lawyers feel that the tenor of the letter was targeting pro-Israel groups. Among the questions asked of the group in their application for tax-free status was, “Does your organization support the existence of the nation of Israel?” This question was posed by IRS agent Tracy Dornette. Another one was, “Describe your organization’s religious belief system toward the land of Israel”.

In Z Street’s complaint filed in a court of law, the group also alleged that IRS agent Diane Gentry said that organizations dealing with Israel related issues will have their applications “sent to a special unit in the D.C. office to determine whether the organization’s activities contradict the administration’s public policies.”

Some tax law experts have speculated that the IRS may be trying to determine if Z Street is an educational organization which is a requirement

for being granted tax exempt status.

An application for tax-exempt status is sent to Washington for the IRS quality assurance office to vet through if it involves terrorist countries or if a third party submits a petition to deny the application. That was what could have happened to Z Street's application.

Mark Whittington, a Yahoo! Contributor Network, says that the Obama Administration's pro-Arab stance gives Z Street's charge some credibility. Other tax law experts agree that the questions posed by the IRS to Z Street were unusual at best, but stopped short of agreeing that the IRS is biased against pro-Israel groups. Former IRS Commissioner Sheldon Cohen expressed skepticism over Z Street's motives in bringing the lawsuit on the IRS instead of taking up the matter in the tax court. However, Cohen did concede that the IRS questions were 'unusual'. A California lawyer, Ofer Lion said he thought a misguided agent worded the questions and which are not uncommon.