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CREW Calls for IRS and FEC Investigation

Citizens for Responsibility and Ethics in Washington (CREW) called on the IRS and Federal Election Commission (FEC) to investigate the Commission on Hope, Growth and Opportunity (CHGO) on alleged violation of tax and campaign finance laws. CHGO, which has a 501(c)(4) tax status, spent millions of dollars in campaign advertisements during the mid-term 2010 elections. In addition, CHGO was also alleged to have failed to file the relevant disclosure reports with the FEC.

CREW Executive Director, Melanie Sloan said, “CHGO misled the IRS about its plans to obtain favorable tax status and then violated the law governing c4s by doing little or nothing other than running ads advocating the defeat of Democratic House members. On top of that, CHGO also ignored the law requiring it to report what it spent on political ads to the FEC. While there is nothing wrong with working to elect Republicans, you can’t violate the law to do it.”

In July last year, CHGO submitted an application under penalty of perjury to claim that it had no plans to spend money on the elections. However, in a mere two weeks after it received its tax-exempt status from the IRS, CHGO

through its founder and group lobbyist Scott Reed said the organization planned to spend \$25 million in political ads, and that they have already raised about half of that amount. Not long after that, the ads went live.

The Commission's 501(c)(4) status, CHGO's application not to participate in the elections and the subsequent claim to spend \$25 million in political ads indicate the group was not truthful in its affairs. Sloan said, "For CHGO to tell the IRS it would not participate in the election, but weeks later, turn around and brag about its plans to spend \$25 million on campaign ads suggests the group deliberately lied to the IRS."

According to the law, 501(c)(4) organizations are not allowed to make political campaigning their main focus. Furthermore, if it spends more than \$10,000 on expenditures that mention a candidate by name close to the elections, such expenditure must be disclosed to the FEC. In the mid-term elections, CHGO was alleged to have exceeded the \$10,000 limit in 12 elections yet it did not file a single report with the FEC. The Democratic Congressional Campaign Committee lodged a complaint with the FEC on this in October last year. By its actions, the CHGO may be liable to criminal penalties and fines.