



August 22, 2012

**VIA CERTIFIED MAIL**

The Honorable Douglas L. Shulman  
Commissioner  
Internal Revenue Service  
1111 Constitution Avenue NW  
Washington, DC 20224

**RE: REQUEST FOR THE REVOCATION OF TAX-EXEMPT STATUS OF THE ALLIANCE OF CALIFORNIANS FOR COMMUNITY EMPOWERMENT, THE ACCE INSTITUTE, THE APPLIED RESEARCH CENTER AND REQUEST FOR INVESTIGATION OF ALLIANCE OF CALIFORNIANS FOR COMMUNITY EMPOWERMENT**

Dear Commissioner Shulman:

We write on behalf of Cause of Action, a nonprofit, nonpartisan organization that uses investigative, legal, and communications tools to educate the public on how government accountability and transparency protects taxpayer interests and economic opportunity.

On February 27, 2012, we wrote to you requesting an investigation into the Alliance of Californians for Community Empowerment (ACCE). We wrote again on April 2, 2012 reporting that ACCE might be using its 501(c)(3) tax-exempt affiliate, the ACCE Institute, as a conduit for receiving tax-deductible contributions for improper activities. We write to provide you with additional examples that raise concern about ACCE's potential improprieties.

On September 16, 2011, the Fair Political Practices Commission (FPPC), a body tasked with enforcing the provisions of California's Political Reform Act, issued a warning letter to ACCE after finding that ACCE had violated the Political Reform Act's lobbying reporting provisions.<sup>1</sup> The warning letter describes how ACCE failed to timely report lobbying activities between October 1, 2010 and December 31, 2010.

Cause of Action previously reported that the Applied Research Center (ARC), an affiliate of the Association of Community Organizations for Reform Now (ACORN), may have served as

---

<sup>1</sup> Letter from Gary Winuk, Chief, Enforcement Division, Fair Political Practices Commission, to Marina Delgado, Executive Director, Alliance for Californians for Community Empowerment (Sept. 16, 2011), *available at* [http://www.fppc.ca.gov/enf\\_letter/09-26-11/ENF021.pdf](http://www.fppc.ca.gov/enf_letter/09-26-11/ENF021.pdf).

Mr. Douglas Shulman

August 22, 2012

Page 2

a fiscal sponsor of ACCE.<sup>2</sup> ACCE, which identifies itself as a 501(c)(4),<sup>3</sup> and its 501(c)(3) affiliate, ACCE Institute, share an address.<sup>4</sup> We are concerned about ACCE's financial relationships with these 501(c)(3) entities. ACCE may actually have legal control over these 501(c)(3) entities and might be using them as a tax-deductible funnel for ACCE's political and electioneering activities. One such group, Community Partners, gave ACCE \$447,495 of the \$712,938 total funds it granted in 2010.<sup>5</sup> The funds granted to ACCE were purportedly for "California Alliance Summer 2010 Voter Engagement Programs" and an "Education and Training Program."<sup>6</sup>

ACCE has spent its funds heavily on political purposes. ACCE recently posted a job opportunity announcement online looking for a "Political Field Director" to "support candidates and issues that reflect [its] membership's values[.]"<sup>7</sup> Moreover, ACCE is a member of Catalist, a data-based organization which helped elect President Obama in 2008.<sup>8</sup> According to the 2009 Catalist report on member activities, "Obama did better where more progressive registration and persuasion work occurred[.]"<sup>9</sup>

The Internal Revenue Service (IRS) requires tax-exempt entities to pay a tax for electioneering activities. Treasury Regulation § 1.527-6(b)(1) states that electioneering expenditures are taxable to the extent provided by regulation. However, the Treasury Department has not yet promulgated any regulations that specifically address the taxation of electioneering expenditures.<sup>10</sup> According to the Congressional Research Service, "[u]ntil the regulation addresses this matter, it appears a § 501(c) organization may engage in

---

<sup>2</sup> See APPLIED RESEARCH CENTER, FORM 990, at 2, *available at* <http://guidestar.org/FinDocuments/2010/942/759/2010-942759879-0783f452-9.pdf>. See Letter from Daniel Epstein, Executive Director, Cause of Action, to J. Russell George, Treasury Inspector General for Tax Administration, Department of the Treasury (April 2, 2012) (enclosed).

<sup>3</sup> See ALLIANCE OF CALIFORNIANS FOR COMMUNITY EMPOWERMENT, FORM 990, at 1, *available at* <http://www.guidestar.org/FinDocuments/2010/271/482/2010-271482731-07713268-9O.pdf>.

<sup>4</sup> See GUIDESTAR WEBSITE, *available at* [www.guidestar.org](http://www.guidestar.org) ("ACCE Institute" in search function); ALLIANCE OF CALIFORNIANS FOR COMMUNITY EMPOWERMENT, FORM 990, at 1, *available at* <http://www.guidestar.org/FinDocuments/2010/271/482/2010-271482731-07713268-9O.pdf>.

<sup>5</sup> See Letter from Daniel Epstein, Executive Director, Cause of Action, to J. Russell George, Treasury Inspector General for Tax Administration, Department of the Treasury (Feb. 27, 2012) (on file with author).

<sup>6</sup> *Id.*

<sup>7</sup> Job Description, Political Field Director/Coordinator, Alliance of Californians for Community Empowerment (ACCE) (Posted Feb. 13, 2012). (For your convenience, a copy is enclosed).

<sup>8</sup> See "Our Client list," CATALIST WEBSITE, *available at* <http://catalist.us/clients>.

<sup>9</sup> REPORT, AGGREGATE ACTIVITIES OF PROGRESSIVE ORGANIZATIONS IN 2008: COMPILATION OF DATA FROM CATALIST SUBSCRIBERS (Summer 2009) (on file with author).

<sup>10</sup> TREAS. REG. § 1.527-6(B)(3).

Mr. Douglas Shulman  
August 22, 2012  
Page 3

[electioneering] activities without tax consequences under IRC § 527(f).”<sup>11</sup> The IRS has thus spoken out of both sides of its mouth on the issue.

In sum, Community Partners and other 501(c)(3) groups may be improperly sponsoring ACCE and its political activities in violation of the Internal Revenue Code. ACCE might be conducting electioneering activities with funds generated from tax-deductible contributions to 501(c)(3) organizations, which might have tax consequences for both ACCE and its affiliates. ACCE and ACCE Institute’s activities may be inconsistent with the Internal Revenue Code and may warrant revocation of their tax-exempt statuses. For all of these reasons, and in light of ACCE’s failure to comply with California’s Political Reform Act, we urge further investigation of ACCE and its relationships with the ACCE Institute, Community Partners, and ARC.

Should you have any questions, comments, or concerns, please do not hesitate to contact Jack Thorlin (Jack.Thorlin@causeofaction.org) or myself (Karen.Groen.Olea@causeofaction.org) at 202-507-5880. Thank you for your attention to this matter.

Sincerely,



KAREN GROEN  
CHIEF COUNSEL FOR OVERSIGHT

Encl. Letter from Daniel Epstein, Executive Director, Cause of Action, to J. Russell George, Treasury Inspector General for Tax Administration, Department of the Treasury (April 2, 2012).

Job Description, Political Field Director/Coordinator, Alliance of Californians for Community Empowerment (ACCE) (Posted Feb. 13, 2012).

---

<sup>11</sup> MEMORANDUM FROM L. PAIGE WHITAKER, LEGISLATIVE ATTORNEY, CONGRESSIONAL RESEARCH SERVICE AND ERIKA LUNDER, LEGISLATIVE ATTORNEY, CONGRESSIONAL RESEARCH SERVICE, 2 (Aug. 4, 2009) (on file with author). See T.D. 7744, 1981-1 C.B. 360 (stating that when the matter is eventually addressed, the regulation will apply on a prospective basis); see also JUDITH E. KINDELL AND JOHN FRANCIS REILLY, ELECTION YEAR ISSUES, IRS 2002 EO CPE TEXT, AT 437 (2002), available at <http://www.irs.gov/pub/irs-tege/eotopici02.pdf>.