



The League of Women Voters of Portland

618 NW Glisan Street, Suite 303, Portland, OR 97209

503-228-1675 • info@lwvpdx.org • www.lwvpdx.org

Date: December 9, 2019

To: Commissioner Rettig

From: League of Women Voters of Portland
Debbie Kaye, president

Re: **“Guidance Under Section 6033 Regarding the Reporting Requirements of Exempt Organizations” (IRS-2019-0039)**

Dear Commissioner Rettig:

The League of Women Voters of Portland, Oregon respectfully writes to comment on this proposed rule, which threatens to invite more foreign money into U.S. elections.

Over approximately the past decade, political spending by “dark money” nonprofits that keep their donors hidden from the public has reached nearly \$1 billion.¹ These nonprofits provide an avenue for wealthy foreign interests to launder money into U.S. elections without detection. Although the lack of public disclosure makes foreign money schemes difficult to identify, there is substantial evidence of foreign nationals seeking to interfere in U.S. elections,² and of using dark money corporations in order to do so.³

Earlier this year, the House passed the “For the People Act,” H.R. 1, which includes provisions that would ensure public disclosure of large political donors. But the Senate has refused to take up the bill. In the absence of Congressional action guaranteeing real transparency about the wealthy special interests spending big money on elections, the IRS’s long-standing non-public reporting requirements have offered one of the few means by which federal regulators can

¹ Anna Massoglia, *State of Money in Politics: Billion-dollar ‘dark money’ spending is just the tip of the iceberg*, OPENSECRETS.ORG: OPEN SECRETS BLOG (Feb. 21, 2019),

<https://www.opensecrets.org/news/2019/02/somp3-billion-dollar-dark-money-tip-of-the-iceberg>.

² See Special Counsel Robert S. Mueller, III, Report On the Investigation Into Russian Interference In The 2016 Presidential Election: Volume 1 (March 2019).

³ See, e.g. Liam Stack, *Fugees Rapper Pras Michel and Financier Charged in Illegal Scheme to Raise Money for Obama*, N.Y. Times (May 10, 2019), <https://www.nytimes.com/2019/05/10/us/pras-michel-jho-low-campaign-finance.html> (describing how a Malaysian financier directed contributions to a super PAC through an LLC); see also Investigations Team, *Exclusive investigation: Donald Trump faces foreign donor fundraising scandal*, THE TELEGRAPH (Oct. 24, 2016),

<https://www.telegraph.co.uk/news/2016/10/24/exclusive-investigation-donald-trump-faces-foreign-donor-fundrai> (undercover investigation showing representatives of a super PAC offering to help a fictitious Chinese businessman illegally give \$2 million by first routing the funds through a consulting firm and then through two separate 501(c)(4)s to avoid public disclosure).

efficiently detect foreign money in U.S. elections. This proposed rule would eliminate that crucial protection against foreign interference.

For over 40 years, all nonprofits organized under Section 501(c) of the tax code have been required to confidentially report the names and addresses of their “substantial contributors” or donors who give over \$5,000 annually.⁴ For many (and very likely, most) politically active nonprofits, these confidential filings are the only reports filed with any federal agency disclosing their sources of income. As a result, these confidential donor reports offer one of the most efficient ways for law enforcement to identify and investigate foreign contribution schemes without tipping off implicated organizations. And these confidential disclosure requirements likely help deter politically active 501(c) organizations from accepting illegal foreign political donations in the first place.

Foreign actors have sought to interfere in U.S. elections in the past and they will do so again in the future. The already-challenging task of preventing foreign money from flowing into U.S. elections becomes harder if the IRS eliminates these minimal reporting requirements.

Recent polls show that 83% of voters across partisan lines support publicly disclosing contributions to organizations involved in elections, with a majority (56%) strongly in support.⁵ Yet rather than adopting rules to strengthen transparency by preventing dark money groups from abusing their tax-exempt status to secretly influence elections, the IRS is trying to eliminate its minimal non-public disclosure requirements.

For these reasons, The League of Women Voters of Portland, Oregon urges you not to adopt the proposed rule.

⁴ Substantial contributors are reported on Schedule B of a nonprofit’s annual return, filed on Forms 990 and 990-EZ.

⁵ AIG Research and GS Strategy Group, *Poll Finds Overwhelming Support for Public Disclosure of Political Contributions to Organizations* (Nov. 13, 2019), <https://campaignlegal.org/sites/default/files/2019-11/CLC%20DISCLOSURE%20MEMO.pdf>.