

Fact Sheet on the IRS Whistleblower Complaint against ALEC

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Background

Common Cause filed an [IRS whistleblower complaint](#) against the American Legislative Exchange Council (ALEC) in April 2012, charging the organization with tax fraud as it operates as a corporate lobbying group while registered as a 501(c)(3) nonprofit charity. The complaint included thousands of pages of ALEC records as exhibits detailing ALEC's lobbying activities. Common Cause, along with the Center for Media and Democracy submitted [supplemental evidence](#) to the IRS in July 2013 regarding ALEC's misrepresentations about its corporate-funded "scholarship" schemes, about which ALEC had misled the IRS and the public for many years.

May 2015 Supplemental Submission

On May 12, 2015, Common Cause, in conjunction with the Center for Media and Democracy, filed a second supplemental submission to the IRS with new evidence of how ALEC exists to provide a vehicle for corporations to lobby and influence state legislators. The new submission, supported by more than 220 pages of new evidence, includes:

- Statements, letters, and correspondence from 20 past and present corporate members and/or sponsors of ALEC explicitly admitting that they joined and maintained membership in ALEC to influence legislation and gain access to lawmakers. The corporation admissions included are by: Yelp, Pfizer, AT&T, Verizon, Comcast, Honeywell, Yahoo, eBay, Eli Lilly, Duke Energy, Altria, American Electric Power, Anheuser-Busch, BP, Chevron, Cox Communications, CSX Corporation, ExxonMobil, Overstock, and Peabody Energy.
- An analysis of ALEC's new 501(c)(4) spin-off organization, the Jeffersonian Project, and how the creation of the new organization does not cure ALEC's tax status problem, and in fact is a tacit admission that its prior behavior was improper and unlawful. ALEC's internal discussions about the Jeffersonian Project's role include apparent admissions that, for much of its previous forty years of existence, ALEC has been violating its tax-exempt status and misleading the IRS about its lobbying activities. However, despite shifting some of its lobbying efforts to the new affiliate, which ALEC fully controls, ALEC's primary purpose continues without change – to develop and advance legislation that benefits its corporate members.
- A decision by the Minnesota Campaign Finance and Public Disclosure Board concluding, after an in-depth investigation, that ALEC's primary purpose is to influence and pass legislation.
- Communications between ALEC's private-sector members and ALEC's legislative members documenting how lobbying groups are calling the shots within ALEC, with the private sector providing complete scripts for legislators to parrot and slideshows to present when proposing lobbyist-drafted model legislation.
- An analysis of ALEC's recent tax filings demonstrating how the organization continues to misreport its lobbying activities to the IRS.

In sum, the 2015 submission argues that ALEC is still structured to advance the private interests of its funders by providing a venue for corporate interests to access and influence state legislators and promote model legislation that benefits their bottom line. This is anything but "charitable."

The 2015 submission reiterates Common Cause's and the Center for Media and Democracy's request that the IRS:

- Conduct an immediate investigation of ALEC's compliance with federal tax law
- Revoke ALEC's 501(c)(3) status
- Impose all necessary civil and criminal penalties
- Collect unpaid back and present taxes for ALEC's corporate lobbying that is inconsistent with its 501(c)(3) tax-exempt nonprofit status.