

As Sharpton Rose, So Did His Unpaid Taxes

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By Russ Buettner

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The Rev. Al Sharpton, who came to prominence as an imposing figure in a track suit, shouting indignantly at the powerful, stood quietly on a stage last month at the Four Seasons restaurant, his now slender frame wrapped in a finely tailored suit, as men in power lined up to exclaim their admiration for him.

Mayor Bill de Blasio and Gov. Andrew M. Cuomo hailed him as a civil rights icon. President Obama sent an aide to read a message commending Mr. Sharpton's "dedication to the righteous cause of perfecting our union." Major corporations sponsored the lavish affair.

It was billed as a "party for a cause," in honor of Mr. Sharpton's 60th birthday. But more than a birthday celebration, or a fund-raiser for his nonprofit advocacy group National Action Network, the event in Manhattan seemed to mark the completion of Mr. Sharpton's decades of transition from consummate outsider to improbable insider.

"I've been able to reach from the streets to the suites," he said that night.

Indeed, Mr. Sharpton's influence and visibility have reached new heights this year, fueled by his close relationships with the mayor and the president.

Obscured in his ascent, however, has been his troubling financial past, which continues to shadow his present.

Image



Rachel Noerdlinger, then Mr. Sharpton's communications director, held a New York Post article in 2005 on his campaign contributions. Credit Kathy Willens/Associated Press

Mr. Sharpton has regularly sidestepped the sorts of obligations most people see as inevitable, like taxes, rent and other bills. Records reviewed by The New York Times show more than \$4.5 million in current state and federal tax liens against him and his for-profit businesses.

And though he said in recent interviews that he was paying both down, his balance with the state, at least, has actually grown in recent years. His National Action Network appears to have been sustained for years by not paying federal payroll taxes on its employees.

With the tax liability outstanding, Mr. Sharpton traveled first class and collected a sizable salary, the kind of practice by nonprofit groups that the United States Treasury's inspector general for tax administration recently characterized as "abusive," or "potentially criminal" if the failure to turn over or collect taxes is willful.

Mr. Sharpton and the National Action Network have repeatedly failed to pay travel agencies, hotels and landlords. He has leaned on the generosity of friends and sometimes even the organization, intermingling its finances with his own to cover his daughters' private school tuition.

He has been in the news as much as ever this year, becoming a prominent advocate on behalf of the families of Eric Garner, a Staten Island man who died in police custody, and Michael Brown, the unarmed black teenager who was killed by a white police officer in Ferguson, Mo. He also has a daily platform through his show on MSNBC.

Image



Mr. Sharpton in 1988 with Tawana Brawley, whose accusations were later discredited. Credit Chester Higgins Jr./The New York Times

Behind the scenes, he has consulted with the mayor and the president on matters of race and civil rights and even the occasional high-level appointment. He was among a small group at the White House when Mr. Obama announced his nomination of Loretta E. Lynch,

the United States attorney for the Eastern District of New York, to become the next attorney general.

Mr. Sharpton's newly found insider status represents a potential financial boon for him, furnishing him with new credibility and a surge in donations. His politician-heavy birthday party, at one of New York City's most expensive restaurants, was billed as a fund-raiser to help his organization. Mr. Obama also spoke at the organization's convention in April, its primary fund-raising event.

But the recent troubles of Rachel Noerdlinger, Mr. Sharpton's closest aide for many years and more recently a top official in the de Blasio administration, served as a reminder of Mr. Sharpton's fraught history and how easily it can spill over into the corridors of power in which he now travels.

Ms. Noerdlinger took a leave of absence from her post on Monday, after her teenage son's arrest on trespassing charges. The decision capped weeks of scrutiny after news accounts revealed that she had failed to disclose a live-in boyfriend with a criminal record on a background questionnaire when she became the top adviser to Mr. de Blasio's wife, Chirlane McCray.

The omission was unrelated to Mr. Sharpton, but it is the kind of paperwork oversight that has been a trademark of his nonprofit, where Ms. Noerdlinger built her career.



At a protest rally on Staten Island in August, a besuited and slimmed-down Rev. Al Sharpton looked back over his career in political activism, spanning more than a quarter of a century.

Mr. Sharpton acknowledged his financial troubles in recent telephone interviews. He said all of the debts were being paid, thanks to vastly increased revenues from donors. And he pointed out that he had lent the organization money himself, while at times not taking a salary.

"You can say I'm not a great administrator," he said. "You can't say that I'm not committed."

Seen as Inflaming Tensions

Mr. Sharpton got his start preaching in Brooklyn churches at age 4. As a young man, he worked at the side of the soul singer James Brown, where he met a backup singer, Kathy, who would become his wife. By the 1980s, however, he was becoming increasingly involved in fiery activism on behalf of black people hurt by the police or members of other racial groups, sometimes making outlandish accusations. He accused an upstate New York prosecutor, Steven A. Pagonis, of being part of a group of white men whom he said had abducted and raped the teenager Tawana Brawley, an allegation that a grand jury report showed had been fabricated.

He often used strident language that many saw as inflaming racial tensions. During rallies at the Slave Theater in Brooklyn, he characterized black people who disagreed with him as "yellow niggers" and called white people "crackers." After a car in a prominent Hasidic rabbi's

motorcade jumped a curb in the Crown Heights section of Brooklyn and killed a 7-year-old black boy in 1991, Mr. Sharpton referred to the neighborhood's Hasidic Jews as "diamond merchants." In 1995, he referred to a Harlem businessman who wanted to expand his store into a space that had been occupied by a black-owned business as a "white interloper."

Problems keeping his personal and professional affairs in order have threatened Mr. Sharpton's rise from the streets for decades.

Image



Marching in Queens in 1998 to protest a racially offensive Labor Day float
CreditEdward Keating/The New York Times

In 1990, he was acquitted of felony charges that he stole \$250,000 from his youth group. Then in 1993 he pleaded guilty to a misdemeanor for failing to file a state income tax return. Later, the authorities discovered that one of Mr. Sharpton's for-profit companies, Raw Talent, which he used as a repository for money from speaking engagements, was also not paying taxes, a failure that continued for years.

In 1998, Mr. Sharpton lost a defamation suit brought by Mr. Pagonis and was ordered to pay a judgment of \$65,000. He said he did not have enough money to pay all at once, and after years of a slow trickle of money from wage garnishments, Mr. Sharpton was forced to testify under oath about his finances.

He said he had no assets, save for a watch and a ring. Everything else, including some of his suits, was owned by a for-profit business, Revels Communications, he said. He testified that he put nearly all of his \$73,000 in take-home pay from the National Action Network into Revels, which in turn paid many of his expenses, including his daughters' private school tuition and some of the rent on his house. Even though state law prohibits nonprofits from making loans to officers, Mr. Sharpton said National Action Network had also once lent him money to cover his daughters' tuition.

During the deposition, Mr. Sharpton coyly suggested he was not really sure who owned the Brooklyn house where he lived with his wife and two daughters. "Well, I haven't checked the deed," he said.

In fact, Mr. Sharpton knew his landlord, Bishop E. Bernard Jordan, quite well. Mr. Sharpton had performed the wedding ceremony of Mr. Jordan's daughter at Zoe Ministries, the Upper West Side church where Mr. Jordan is the pastor. Mr. Jordan, who makes millions of dollars a year offering prophecies about his followers, and his wife, Debra, had been among only three couples to give the maximum allowable amount to Mr. Sharpton's 1997 mayoral campaign, records show.

Image



At the Democratic presidential candidates' debate in 2003. CreditShaun Heasley/Getty Images

It also appears from property records that Mr. Sharpton got a deal on the six-bedroom house, which he said at the time he wanted in order to dispel questions of his residency in the city before starting his mayoral campaign. He testified that he paid \$1,500 a month. He moved there from a two-bedroom apartment in Englewood, N.J., where years earlier he had been paying the same amount, according to court records.

But he still insisted he could not pay off the Pagones judgment. In 2001, friends paid it for him.

With the National Action Network's finances always tenuous, that year it quietly paid \$70,000 toward the judgment against one of Mr. Sharpton's co-defendants in the case, Alton H. Maddox Jr., a lawyer who was suspended for refusing to cooperate with a grievance committee investigating his conduct in the Brawley case. Mr. Sharpton acknowledged the payment in an interview last week, saying the nonprofit's board had supported the idea that Ms. Brawley deserved to be represented. Tax lawyers told The Times that because the payment benefited just one person, it could have led the Internal Revenue Service to revoke the group's nonprofit status.

A Move Into the Mainstream

Even with his recurring legal problems, Mr. Sharpton was by then already evolving into more of a mainstream figure. He had expressed regret for some of his past incendiary comments and surprised many with his performances in the 1992 and 1994 United States Senate races and his 1997 mayoral campaign. Mr. Sharpton received national exposure with his adroit performance in the debates among the Democratic candidates for president in the 2004 race.

But the messiness of his financial affairs continued to lurk in the background.

With Mr. Sharpton focused on the 2004 presidential race, National Action Network's finances were reaching crisis levels, tax documents and other public records show. The group's revenues totaled just over \$1 million in 2004, about half of what they had been two years earlier. Nevertheless, it picked up expenses from Mr. Sharpton's presidential bid: \$181,115 in consulting and other costs that should have been charged to his campaign, the Federal Election Commission later found. The group also faced court judgments for several hundred thousand dollars in unpaid office rent and hotel bills.

To stay afloat, the nonprofit became reliant on money that was supposed to go to payroll taxes, according to its financial statements. The amount National Action Network underpaid the federal government in taxes went from about \$900,000 in 2003 to almost \$1.9 million by 2006, records show. Mr. Sharpton, making more money from a new radio contract, tried to help by forgoing a salary from 2006 through 2008 and giving the organization a \$200,000 no-interest loan.

Image



Mr. Sharpton with President Obama in April. Credit Gabriella Demczuk/The New York Times

In financial statements for 2007 and 2008, the group's accountant noted that its "existence has been dependent upon" loans from Mr. Sharpton and "the nonpayment of payroll tax obligations."

"These circumstances create substantial doubt about the organization's ability to continue as a going concern," the accountant wrote.

In 2009, when the group still owed \$1.1 million in overdue payroll taxes, Mr. Sharpton began collecting a salary of \$250,000 from National Action Network. The recent Treasury report that called that sort of practice abusive also said only 1,200 organizations in the nation owed more than \$100,000 in unpaid payroll taxes, which would put Mr. Sharpton's group among the most delinquent nonprofit organizations in the nation.

Mr. Sharpton denied in a recent interview that the payroll tax shortfall was intentional. Contradicting the statements by the group's accountants that this was how the organization was surviving, he said the underpayment stemmed from disagreements over how to classify certain workers, after the I.R.S. began investigating in late 2007. The agency demanded that some people who were working as independent contractors be treated as employees, he said, so the organization needed to retroactively turn over their payroll taxes.

“It cost us a lot to go through the investigation,” Mr. Sharpton said. “If we didn’t have the legal fees, we could have paid all the taxes.”

Image



The Rev. Al Sharpton during a rally with his advocacy group, the National Action Network, in Harlem on Saturday. It appears to have survived by not paying federal payroll taxes. Credit Michael Appleton for The New York Times

Sued by His Landlord

On the personal front, Mr. Sharpton separated from his wife, Kathy, in 2004 and moved to an apartment in Manhattan. She stayed in the Brooklyn house owned by the Jordans. Once again, even though the landlord was a friend, problems arose paying the rent.

In 2006, the Jordans sued the Sharptons for \$56,000 in Brooklyn Housing Court. They did so again in 2007 for \$42,000. The outcome of the suits is not clear. Mr. Jordan and his lawyer did not return calls for comment.

There were apparently no hard feelings. The two men have helped each other in numerous public appearances and explored a partnership in a multilevel marketing company.

Today, Mr. Sharpton still faces personal federal tax liens of more than \$3 million, and state tax liens of \$777,657, according to records. Raw Talent and Revels Communications owe another \$717,329 on state and federal tax liens.

Mr. Sharpton said the federal liens resulted from a demand by the I.R.S. that he pay taxes on earnings from speaking engagements that he had turned over to National Action Network. He said he was up to date on payment plans for both the federal and state liens, so, he said, the outstanding balance was much lower than records showed.

But according to state officials, his balance on the state liens is actually \$220,000 greater now than when they were first filed during the years 2008 through 2010. A spokesman for the State Department of Taxation and Finance said state law did not allow him to provide any further details.

An I.R.S. spokesman said federal law prohibited the agency from providing information about individual taxpayers.

National Action Network's revenue has increased sharply, to more than \$4 million in both 2011 and 2012, the year of the group's most recent tax filing.

Much of that revenue appears to be from large corporate sponsors. A person who handled solicitations at a company that has supported the group said National Action Network often requested \$50,000 or \$100,000 to sponsor events.

Mr. Sharpton said his birthday party grossed about \$1 million, enough to clear up the organization's tax debts, removing a cloud that has long hung over the group and himself.

"I think it shows we were able to continue to fund-raise, despite it being challenging," he said. "We were able to turn it around."