

House Committee on Ways and Means
Subcommittee on Oversight
Oversight Hearing on IRS Audit Selection Process and Internal Controls within the
Tax Exempt and Government Entities Division
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Thank you Chairman Roskam for inviting me to appear before your Subcommittee this morning to tell you about the IRS audit of the Clare Boothe Luce Policy Institute.

I am president of the Clare Boothe Luce Policy Institute a nonprofit educational Section 501(c)(3) tax exempt organization that I founded 22 years ago, with a mission to prepare and promote conservative women leaders. We work primarily with young women in college, some in high school and some who are post-school.

I was a federal government official myself for 12 years -- winning Senate confirmation from a Democrat-controlled U. S. Senate; then served 4 years as a state official in Virginia. I know the responsibility of government first hand and that there is a proper role for investigation. I also know it is possible for government to act inappropriately.

I became an attorney working my way through night law school at American University, graduating in 1980. As part of my Continuing Legal Education I have attended Georgetown University's Nonprofit Tax Seminars -- which in the past often featured Lois Lerner as a speaker. The IRS and Lois Lerner have preached that transparency is part of good non-profit management. But we have come to learn that transparency isn't practiced at the IRS.

I have been extraordinarily careful both as President of the Institute and as an attorney to follow IRS rules for tax exempt organizations, having heard about the horrors of an IRS audit from several other conservative organizations. I was confident I had done everything I was supposed to do.

Nonetheless, in January 2011 -- Happy New Year -- a woman from the IRS telephoned me to say our Form 990 from the fiscal year 2008 had been “selected for examination.” She was telling me that the Clare Boothe Luce Policy Institute was going to be subjected to an IRS audit! The IRS agent who called refused to tell me how or why we were selected – that was “private” she said. She claimed the IRS just wanted to insure the activities of the Institute were proper under our tax exempt status.

Now in 2008, the fiscal year the IRS selected for auditing the Institute, I temporarily resigned as President of the Institute, left the staff and our Headquarters office, and went off the payroll for several weeks, to volunteer my time to work for Sarah Palin’s candidacy for Vice-President. My work for the Palin campaign was undertaken and executed in consultation with our corporate attorney, taking every precaution to protect the Institute while exercising my First Amendment rights as a citizen.

I never believed that the IRS “randomly” selected the Institute for an audit for the 2008 fiscal year. We have never been given access to any information as to how or why the IRS decided to audit the Clare Boothe Luce Policy Institute – or why the 2008 fiscal year was the focus of our “random” audit. Since neither the public nor Congress has been privy to Lois Lerner’s emails, we may never know what she said about the Clare Boothe Luce Policy Institute.

The first part of our audit began with the arrival of two IRS agents at our Virginia Headquarters to conduct an interview of me. The IRS agents asked a series of probing questions like -- what does the Clare Boothe Luce Policy Institute do?

After the interview they asked for a tour of our headquarters. When they came to my office door the male agent spotted a photograph on my office wall of me with President Reagan -- with whom I had the honor of working during the 8 years of his Administration. The agent’s eyes widened and his jaw dropped in dismay.

Why would an IRS agent be so shocked and dismayed at a photo of me and a president of the United States?

In the very first of seven separate requests for massive amounts of documents, the IRS asked for a "List of contributors and Amounts."

I would note here that in Lois Lerner's May 2013 admission of wrongdoing, she confessed that the requests to applicants for exempt status for contributor names were not appropriate.

I vigorously objected to releasing to the intrusive IRS auditors the names of our financial supporters. Our donors are such tremendous patriotic Americans, and I knew it was worth the effort to preserve their privacy.

And I am especially glad now that we protected our supporters' privacy since we've learned the IRS leaked information about conservative organizations like the National Organization for Marriage to leftwing advocates, which then used the information to write "slash and burn" stories about conservative supporters of the groups.

To comply with the seven massive document requests from the IRS, the Institute had to provide boxes and boxes and reams of documents. (For example, they made us provide copies of bank statements, list broker statements, check registers, a schedule of accounts payable, a schedule of accounts receivable, credit card statements and on and on.) This took the greater part of 2011 and cost tens of thousands of dollars in attorney, accountant, and staff time to comply with the IRS demands.

And, of course, it kept us doing less of what we exist for -- preparing young women for conservative leadership. I would note that 2011 was, very coincidentally according the IRS, the year before the country was about to select its national leadership.

What other groups that educate people in conservative ideas were randomly selected for audits in 2011 I wonder? It is all a secret with the IRS and it makes a thoughtful person very skeptical.

The IRS auditors must not have found what they were looking for in our 2008 records, because before they had completed the audit of 2008, the IRS then demanded 2009 records as well.

More paper, more time, more money were spent on a random audit, instead of on our mission of preparing and promoting conservative women leaders.

At the end of all this harassment, the IRS concluded initially that while the

Institute "continues to qualify for exemption from Federal income tax" that the Institute owed taxes from past years and in future years because the IRS claimed we were operating a list rental business. It was a truly bizarre determination as we have a small staff, we use a mailing company to make list rental decisions for our mailings and have nothing to do with approving or processing list rentals.

After additional thousands of dollars more in legal costs to appeal this finding, we were finally, totally, cleared by the IRS.

Tens of thousands of dollars later, with so much lost opportunity to prepare and promote conservative women leaders, I was in fact right; I had done everything that I should have done, properly and correctly.

To add insult to injury, after all this intrusion and diversion of our precious time and money, in December of 2011 the IRS sent a cheery request that we help them improve their service to the public by answering a questionnaire about their audit. Their letter read "...Your name was selected through a scientific random sampling process to receive this survey because IRS recently completed an examination (audit) of your organization. We want to know your opinions regarding that experience and the service you received from IRS. Your responses are critical to the accuracy of this evaluation"

I told our attorney "I want to eliminate the IRS, not help improve their service." Our attorney told me that this was the one communication from the IRS to which I had no obligation to respond.

The May 2013 admission by the IRS was shocking. You may recall Tax Exempt Division Director Lois Lerner had planted a question with her friend -- about IRS handling of Tea Party exemption applications. Lerner admitted publicly that the actions by the IRS against these conservative groups were "absolutely inappropriate." I immediately called our attorney and said I want to go public now to discuss our harassing audit, and he said, "Go right ahead -- someone has to fight back."

Many organizations, however, do not want it known that they have been selected for an audit. Or that they spent tens of thousands of dollars of donor funds defending an audit. Or that the IRS examined not just one year, but two.

Have any of you or your family or business been subject to an IRS audit? -- How did you feel about the audit? Pretty proud about that?

If I leave you with no other thought, please let it be this:

If the great majority of IRS audits are truly random, as the IRS claims, the IRS should publish on January 1 a list of all the groups and individuals that they plan to do these random audits on through the year.

Then, we could see if the audits are truly random, or whether they are focused on those nonprofits which oppose the policies of the incumbent Administration. If Lois Lerner had been required to be transparent, the public would have been able to see much sooner whether her selection of nonprofit organizations to audit was truly random as she claimed – until she finally owned up to her serious “inappropriate” selection criteria.

And, at least, then the stigma would be gone – “hey, it is just my bad luck to be selected for a random audit.” Then the motivation that many nonprofits feel to keep an IRS audit a secret is gone. You don’t need to worry about your supporters thinking you are doing something wrong if they find out about the audit. All those negatives that automatically come with an audit would be gone.

The IRS should be required to publish the list of their random audits to take away the mystery.

These are outrageous abuses of governmental power. Even though Lois Lerner and her apologists are still trying to hide what happened, there is every reason to believe that the IRS has abused its power over nonprofits. As this IRS scandal continues, with the perpetrators still unpunished, citizens lose confidence in their government and are reluctant to cooperate with government enforcement. When you see open hostility and disrespect from a government agent looking at a picture of me and President Reagan, you get the sense they exercise governmental power less like umpires and more like partisans. This is truly corrosive to good governance.

This experience with the IRS illustrates what we at the Clare Boothe Luce Policy Institute have been teaching young people for decades – just how far we have come from the vision of the founding fathers who viewed citizens as the masters, and government workers as their servants.

The Clare Boothe Luce Policy Institute is a growing and influential conservative organization with unique outreach to women through our annual Great American

Conservative Women calendar, our Woman of the Year and other awards for Conservative Women, our campus lecture program, conferences, seminars and our various other programs effectively preparing young conservative women for greater leadership.

Over the past couple of years, hearing of the IRS abuses of other conservative groups, I wanted to share our organization's experience with IRS abuse with you.

But I hope that Members of this Sub-Committee who do not agree with our conservative message would be equally outraged by IRS abuses. If the IRS under the Obama Administration can go after conservative organizations, then the precedent would be established for the IRS to be used to achieve partisan, political objectives under any Administration -- completely ending anything resembling the rule of law at the IRS.

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