

## Internal Revenue Service

## Department of the Treasury

Date:

Taxpayer Identification Number:

Tax Period(s) Ended:

Contact Person/ID Number:

Contact Telephone Number(s):

Dear Sir or Madam:

We are conducting an examination of your organization. At this time, the focus of our examination is limited to determining whether your organization intervened or participated in a political campaign on behalf of, or in opposition to, a candidate for public office. The information we have that lead to this examination is described in the attached Form 4564, *Information Document Request*.

Organizations exempt under Internal Revenue Code (IRC) section 501(c)(3) are prohibited from directly or indirectly participating or intervening in any political campaign on behalf of, or in opposition to, any candidate for public office. This means, for example, that they cannot (1) endorse any candidate, (2) contribute money, goods, or services to a candidate's campaign, (3) raise funds for or against a candidate, (4) distribute statements for or against a candidate, or (5) conduct any other activity that favors or opposes a candidate for public office. Even activities that encourage people to vote for or against a candidate based on nonpartisan criteria violate the political campaign prohibition of section 501(c)(3).

Whether a charitable organization has engaged in prohibited political campaign activity depends on all the facts and circumstances. If the IRS determines that a section 501(c)(3) organization engaged in prohibited campaign intervention, depending on the gravity of the violation, the organization could lose its tax-exempt status and be subject to an excise tax on the amount spent on that activity.

IRC 4955(a)(1) imposes an initial tax on an organization of 10 percent of each political expenditure. Section 4955(b)(1) imposes an additional tax on the organization of 100 percent of each political expenditure previously taxed and not corrected within the taxable period. Section 4955(d)(1) defines political expenditure as "any amount paid or incurred by a section 501(c)(3) organization in any participation in, or intervention in (including the publication or distribution of statements), any political campaign on behalf of (or in opposition to) any candidate for public office." For more information about the political campaign prohibition for section 501(c)(3) organizations, please see the enclosed Fact Sheet 2006-17 and our website at [www.irs.gov/eo](http://www.irs.gov/eo).

In limited situations involving cases of flagrant violation of the law, IRC section 6852 provides specific statutory authority for the IRS to make an immediate determination and assessment of tax. Also, in very

limited situations, under section 7409, the IRS can ask a federal district court to enjoin the organization from making further political expenditures. The IRS views repeated interventions as a type of conduct that warrants immediate action.

We have received information alleging that you may have engaged in a pattern of repeated acts of political campaign intervention. Accordingly, in order to evaluate the validity of the information, we will be conducting the examination of your organization on an expedited basis.

We realize organizations may be concerned about an examination. We hope we can relieve any concerns you may have about the examination by briefly explaining the examination process and what your appeal rights are if you do not agree with the results. This letter notifies you that our examination has begun. The attached Form 4564 seeks certain information for our review. Depending on your response to this request, we may need additional information, in which case we will issue one or more additional Information Document Requests. When we complete the examination, we will explain our recommendations and how they may affect your exempt status or tax liability. You should fully understand any recommended changes and their ramifications. Please do not hesitate to ask us about anything that is not clear to you.

If we recommend changes involving your tax liability and you agree with the changes, we will ask you to sign an agreement form. By signing the form, you will indicate your agreement to the proposed change, including any additional tax owed. You do not have to agree with our recommendations. You may request a conference at a higher level as explained in the appeal procedures that we will provide you. Section 501(c)(3) organizations are entitled to seek a declaratory judgment if they disagree with a proposed revocation of their status. General instructions about exempt organization appeal procedures for unagreed issues are described in the attached Publication 892, *Exempt Organizations Appeals Procedures for Unagreed Issues*.

Please provide us the name and telephone number of an officer with whom we can discuss this matter. If you wish us to discuss this matter with your representative, you must file a power of attorney in order for your representative to receive or inspect confidential information. You may use Form 2848, *Power of Attorney and Declaration of Representative*, for this purpose.

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please tell us the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Revenue Agent

Enclosures:

Publication 1, *Your Rights as a Taxpayer*

Fact Sheet 2006-17, *Election Activities and the Prohibition on Political Intervention for 501(c)(3) Organizations*

Publication 892, *Exempt Organizations Appeals Procedures for Unagreed Issues*

Form 4564, *Information Document Request*, with attached News Release