



Buyers Up • Congress Watch • Critical Mass • Global Trade Watch • Health Research Group • Litigation Group
Joan Claybrook, President

September 20, 2004

The Honorable Mark Everson
Commissioner
Internal Revenue Service
1111 Constitution Ave.
Washington, D.C. 20224

Dear Commissioner:

Public Citizen's Congress Watch has recently completed a comprehensive study of the electioneering activities of 501(c) non-profit groups, which has been forwarded to you.¹ In addition to that comprehensive study, we have also highlighted in a separate report the electioneering practices of a select group of 501(c) non-profits that are particularly troublesome: the United Seniors Association (USA), 60 Plus Association, the Seniors Coalition, and America 21. These groups appear to be heavily, if not primarily, financed by a single special interest organization – the Pharmaceutical Research and Manufacturers of America (PhRMA).

To explain our concerns, Public Citizen has produced the enclosed report, entitled *Big PhRMA's Stealth PACs: How the Drug Industry Uses 501(c) Non-Profit Groups to Influence Elections*, which analyzes the financial relationships among these entities and documents their political activities.

Although our broader report on electioneering by 501(c) non-profit groups recommends that the IRS generally not focus on enforcement actions for past reporting violations, the apparent violations by these four groups (which in at least one case may be ongoing) appear so egregious as to warrant a special investigation by the IRS.

Public Citizen believes that these four groups and their likely benefactor may have violated the Internal Revenue Code in 2002. Specifically:

- The four groups engaged in enough activities intended to influence elections to raise the question of whether they violated the prohibition against making political activity their *primary* purpose.
- In 2002, PhRMA appears to have channeled as much as \$41 million to the four groups – the largest single bloc of funds from a single special interest group documented in Public Citizen's study of politically-active 501(c) non-profit groups. Most of that money appears to

¹ Public Citizen, *The New Stealth PACs: Tracking 501(c) Non-Profit Groups Active in Elections* (2004).

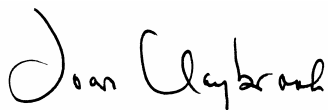
have been used for electioneering activities. Money from the drug industry's association appears to have enabled United Seniors Association, 60 Plus Association, the Seniors Coalition and America 21 to broadcast ads and send direct mail in 39 U.S. Senate and House contests that year, most of them highly competitive. These ads consistently focused on candidate elections.

- Each of the four groups declared zero political expenditures to the IRS, claiming that none of their 2002 communications were intended to influence elections. These claims do not seem plausible given the content of the groups' television commercials and direct mailings, the timing of their messages, and the groups' decisions to direct the messages disproportionately to voters who lived in particularly competitive election districts.
- PhRMA failed to disclose its grants to USA and 60 Plus, perhaps as much as \$20.1 million and \$11 million, respectively, to whom it is known to have given money in 2002. The same would be true if PhRMA was the source of the other large contributions to the Seniors Coalition and America 21 in 2002 (an estimated \$6 million and \$3.65 million, respectively) identified in this report.

News reports suggest that at least one of these groups – USA – continues to be very active in the 2004 elections, having advertised recently in at least 17 congressional races. It is certainly possible that the others may also be attempting to influence the outcome of the 2004 elections through direct mail and other less public activities.

Given the extent of potential abuses of the tax code by PhRMA and its affiliated stealth PACs, Public Citizen respectfully requests that the IRS consider initiating a formal investigation into the financial transactions and electioneering activities of these 501(c) non-profit groups and act to prevent any such abuses in the future.

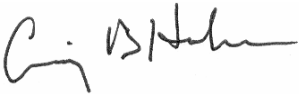
Sincerely,



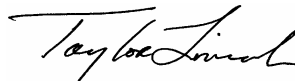
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