

C A M P A I G N F O R

ACCOUNTABILITY

February 20, 2024

VIA E-MAIL: eoclass@irs.gov

TEGE Referral Group
1100 Commerce Street
MC 4910 DAL
Dallas, TX 75242
FAX: (214) 413-5415

Re: Complaint Against Conservative Partnership Institute, Inc. (EIN: 82-1470217)

Dear Sir or Madam:

Campaign for Accountability (“CfA”)¹ respectfully submits this Tax-Exempt Organization Complaint to the Internal Revenue Service (“IRS”) regarding the activities of Conservative Partnership Institute, Inc. (“CPI,” EIN: 82-1470217), a Delaware corporation that is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”).² Form 13909 is enclosed with this letter.

EXECUTIVE SUMMARY

CfA suspects that CPI indirectly engages in political campaign activity through a for-profit subsidiary that provides services to former President Donald Trump’s political campaign, as well as other Republican candidates, committees, and certain other partisan entities. Additionally, CfA has evidence, originally published by Accountable.US, suggesting CPI operates for private benefit, as opposed to a public interest, by offering its core program services primarily or exclusively to Republican elected officials, their staff, and certain other partisan entities. For these reasons, CfA urges the IRS to investigate CPI to determine whether the organization should have its Section 501(c)(3) tax-exempt status revoked, as well as suffer other applicable penalties.

FACTUAL BACKGROUND

CPI is a Delaware corporation formed on May 10, 2017, whose principal office address is in Washington, D.C., nearly adjacent to Capitol Hill. CPI received an IRS determination letter, recognizing it as a Code Section 501(c)(3) tax-exempt organization, on October 12, 2017, which was retroactive to CPI’s formation date.

CPI Appears to Indirectly Engage in Political Campaign Activity through a Controlled Affiliate

CPI controls a for-profit corporation that appears to engage in political campaign participation and/or intervention by providing legal services exclusively or primarily to Republican

¹ CfA is a Code Section 501(c)(3) tax exempt organization (EIN: 81-4080431) that serves as a non-partisan, nonprofit ethics watchdog.

² References to Section or § are references to sections of the Code, unless otherwise noted.

candidates, committees, and certain other partisan entities, including former President Donald Trump and his political action committee, “Save America.” On March 24, 2021, CPI caused the formation of Compass Legal Services, Inc., a Delaware nonstock corporation (“CLG”), which changed its name to “Compass Legal Group, Inc.” effective May 22, 2022. Although CLG is a nonstock corporation (*i.e.*, it does not have equity owners under applicable state law), it is a for-profit C corporation for federal income tax purposes.³ CPI controls CLG under Section 512(b)(13),⁴ presumably because CLG’s Boards of Directors substantially overlaps with CPI directors, officers, and other insiders, creating a parent/subsidiary or brother/sister relationship.⁵

CPI’s interconnections with CLG are not limited to mere control under Section 512(b)(13). The organizations have extensive interactions, including with respect to partisan political activity. CPI reports CLG’s primary activity as “shared services.”⁶ CPI’s use of the word “shared” may imply that CLG’s services for political candidates and or campaigns are on behalf of or in conjunction with CPI. CLG leads trainings, on behalf of CPI, which are offered exclusively to Republican members of Congress and their staffs.⁷ CPI reports that CLG performed over \$149,012 and \$1,089,021 of services directly for CPI in 2021 and 2022, respectively.⁸ CPI and CLG also engage in other extensive financial transactions. In 2021 and 2022, CPI reported loans to CLG of \$250,000 and \$200,000, respectively.⁹ CLG operates out of CPI’s offices, located at 300 Independence Ave SE, Washington, D.C., 20023, a short walk from congressional office buildings.¹⁰ In 2021 and 2022, CLG appears to have paid CPI \$12,500 and \$50,000 in rent, respectively.¹¹

CLG describes itself as a law firm that provides legal guidance to public officials, nonprofit organizations, and political candidates in the areas of campaign finance, government ethics, and nonprofit tax and governance.¹² Based on publicly available information, CLG does not provide its services on a neutral basis to all public officials, political candidates, and nonprofit organizations, regardless of partisan political affiliation. Since October 2021, CLG has collected nearly \$700,000 from federal campaigns and political committees, including over \$250,000 from

³ CPI 2021 Form 990, Schedule R, Part IV, *available at*: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 194.

⁴ *Id.*

⁵ According to its 2021 Delaware Annual Franchise Tax Report, CPI’s directors were Cameron Seward, Cleta Mitchell, Don Workman, and Charlotte Davis. According to CPI’s 2020 and/or 2021 Forms 990, Cameron Seward was the “General Counsel Director of Operations,” Cleta Mitchell was the “Board Secretary,” and Charlotte Davis was a “Director,” *available at*: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 6-7; 244-255.

⁶ CPI 2021 Form 990, Schedule R, Part IV, Column (b), *available at*: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 194.

⁷ *See, e.g.*, U.S. House of Representatives Committee on Ethics, Member/Officer Post-Travel Disclosure Forms regarding a “Conservative Members Retreat” that occurred February 10-12, 2022, *available at*: <https://disclosures-clerk.house.gov/gtimages/MT/2022/500024003.pdf>; U.S. House of Representatives Committee on Ethics, Member/Officer Post-Travel Disclosure Forms regarding an “Effective Oversight Training Retreat” that occurred May 5-6, 2022, *available at*: <https://disclosures-clerk.house.gov/gtimages/ST/2022/500024524.pdf>.

⁸ CPI 2021 Form 990, Schedule R, Part V, Line 1(m), *available at*: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 195.

⁹ CPI 2021 Form 990, Schedule R, Part V, Line 2, *available at*: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 195

¹⁰ 2021 and 2022 Delaware Annual Franchise Tax Reports of CLG, *available at*: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 244-255.

¹¹ CPI 2021 and 2022 Forms 990, Schedule R, Part V, Line 2 (the amounts may also have been interest, annuities, or royalties), *available at*: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 195.

¹² CLG’s website, accessed on January 9, 2024, *available at*: <https://compasslegal.org/#services>.

former President Donald Trump's 2024 campaign.¹³ Substantially, all of these political campaigns and committees were Republican and/or partisan entities affiliated with Republicans.¹⁴

CfA reasonably suspects, but does not have the specific, direct evidence to determine, whether CLG's activities and political extend beyond operating as a law firm that provides guidance to public officials, nonprofit organizations, and political candidates in the areas of campaign finance, government ethics, and nonprofit tax and governance. Specifically, CfA surmises CLG's activities may constitute direct political campaign participation or intervention on behalf of or in opposition to candidates for public office (*e.g.*, directly helping clients develop their strategies and communications in support of or in opposition to candidates). CPI and CLG insiders, such as CPI Senior Legal Fellow and Secretary and CLG Director Cleta Mitchell and CLG President and Chief Counsel Scott Gast, have participated in several notorious, headline grabbing political activities. Illustratively, Ms. Mitchell was on the phone call between former President Donald Trump and Georgia Secretary of State Brad Raffensperger when the former president told the Secretary of State to "find" 11,780 votes to flip the state's 2020 presidential election result.¹⁵

Although Ms. Mitchell was not among those indicted on felony racketeering and other charges related to efforts to overturn Georgia's 2020 presidential election results,¹⁶ she appears to have been compelled to abruptly resign as a partner with her prestigious, white shoe law firm because she helped former President Trump pressure election officials.¹⁷ Former President Donald Trump personally praised Ms. Mitchell's work for CPI, CLG, and affiliated entities, specifically noting that she was going to be "very important" for the next election and beyond.¹⁸ Mr. Gast served as former President Trump's legal representative, when the former president was withholding classified documents from the National Archives,¹⁹ and, now, through CLG, is reportedly part of the Donald Trump's 2024 presidential campaign's "core team."²⁰

As a third-party, nonprofit ethics watchdog, CfA does not have the ability to require CPI or CLG to produce any nonpublic documentation regarding their potential direct and/or indirect political campaign activity. Additionally, CfA does not have access to the information necessary to evaluate whether: (a) CLG's business transactions with CPI have been completed on arm's length terms, such that CPI never paid more than fair market value for goods or services; or (b) CLG's activities should be attributed to CPI (*e.g.*, because CLG is the alter ego or integral part of

¹³Accountable.US, *Conservative Partnership Institute's Shady Arrangement & Disclosures*, Jan. 18, 2024, available at: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 9-11

¹⁴ *Id.*

¹⁵ Jane C. Timm, *Inside the right's effort to build a voter fraud hunting tool*, NBC NEWS, Aug. 17, 2023, available at: <https://www.nbcnews.com/politics/2024-election/conservatives-voter-fraud-hunting-tool-eagleai-cleta-mitchell-rcna97327>.

¹⁶ *Id.*

¹⁷ Michael S. Schmidt and Maggie Haberman, *Lawyer on Trump Election Call Quits Firm After Uproar*, NEW YORK TIMES, Jan. 5, 2021, available at: <https://www.nytimes.com/2021/01/05/us/politics/cleta-mitchell-foley-lardner-trump.html>.

¹⁸ Adam Rawnsley and Asawin Suebsaeng, *Inside Trump's Plot to Corrupt the 2024 Election With 'Garbage' Data*, ROLLING STONE, Dec. 8, 2023, available at: <https://www.rollingstone.com/politics/politics-features/trump-election-plans-corrupt-voter-registration-eric-eagleai-1234920083/>.

¹⁹ Heidi Pryzbyla, *Inside the Trump world-organized retreat to plot out Biden oversight*, POLITICO, Mar. 16, 2023, available at: <https://www.politico.com/news/2023/03/16/trump-allied-group-bootcamp-biden-00087395>.

²⁰ Michael C. Bender and Maggie Haberman, *As Trump Prepares to Announce White House Run, He Tells Iowa Crowd to 'Get Ready'*, NEW YORK TIMES, Nov. 3, 2022, available at: <https://www.nytimes.com/2022/11/04/us/politics/trump-campaign-2024.html>.

CPI). The IRS, with its summons, investigatory, and other related enforcement powers, may be able to compel CPI and/or CLG to produce documents and other information that would assist in each of these determinations.

CPI's Program Services Primarily Support Republican Elected Officials and their Staff

CfA believes that CPI may operate primarily to benefit Republican party elected officials. Since its formation, CPI appears to have self-identified compliance issues with how it has described its mission and program services. CPI (or its legal and tax advisers) may have attempted to address these issues by substantially revising descriptions of CPI's mission and activities on its Form 990 exempt organization returns. On its first four Form 990 exempt organization returns, CPI described its primary tax-exempt mission and purpose as follows:

“to provide the conservative movement with the tools, tactics, resources, and strategies to help make it successful in advancing conservative policy solutions.”²¹

Beginning with its 2021 Form 990, CPI broadened its mission statement to suggest CPI's mission involved public benefits beyond the “conservative” movement:

“The Conservative Partnership Institute (CPI) is dedicated to providing a platform for **citizen leaders**, the conservative movement, Members of Congress, congressional staff and **scholars** to be connected. The Organization works to provide these leaders with the tools, tactics, resources, and strategies to help make them more successful in advancing conservative policy solutions.”²² (emphasis added)

CPI's initial mission statement was clear and succinct, suggesting CPI was narrowly focused on providing assistance to the “conservative movement” and advancing “conservative policy.” CPI's revised mission statement implies it provides a greater public benefit, namely connecting “citizen leaders” and “scholars,” who could be members of the general public.

CfA suspects CPI's mission statement may have included the phrase “conservative movement” as a thinly veiled euphemism for the Republican party (or a particularly conservative subset thereof) and “conservative policy solutions” as a euphemism for the Republican party legislative agenda in Congress (or the legislative agenda of a subset of the Republican party). CfA believes CPI's mission statement revision may constitute a tacit admission that CPI's purpose, as initially described, was not to advance a public interest, but rather to serve the private interests of so-called “conservatives” (Republican legislators) and their legislative priorities. Even in the revised mission statement, CPI emphasizes that it provides a platform to connect “Members of Congress” and “congressional staff.” CfA suspects all or substantially all of those members of Congress and staff may be Republican legislators and their office personnel.

²¹ CPI 2017, 2018, 2019, and 2020 Form 990, Part I, Line 1, *available at*: <https://projects.propublica.org/nonprofits/organizations/821470217>

²² CPI 2021 and 2022 Form 990, Part III, Line 4(a), *available at*: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 154; 198.

From 2017 through 2019, CPI described its primary program services in manner that suggested the organization primarily provided services to “conservative” members of Congress and their staff. In 2020 and 2021, CPI began to shift its program services descriptions to suggest some or all of the organization’s activities had broader public benefits. On its Form 990 exempt organization returns, CPI has described its primary program service areas as follows:

- Helping individuals find jobs in the offices of “conservative” members of Congress
 - 2017: “CPI worked to assist conservative job seekers to find positions in Washington offices[.]”²³
 - 2018: “In 2018, CPI worked with 514 conservative job seekers. . . and constructed personalized staffing recommendations for 29 federal office holders.”²⁴
 - 2019: “CPI also worked to place conservative staff in public policy positions.”²⁵
 - 2020: “CPI also worked to place qualified staffers in **public policy positions in government and other nonprofit organizations.**”²⁶ (emphasis added)
 - 2021: “CPI also works to place qualified staffers in public policy positions in government and other nonprofit organizations. . . CPI’s staffing services team helped fill more than 200 open positions.”²⁷
 - 2022: “CPI also works to place qualified staffers in public policy positions in government and other nonprofit organizations.”²⁸
- Training conservative members of Congress and their staff.
 - 2017: “CPI conducted training programs for Congressional offices[.]”²⁹
 - 2018: “The Conservative Partnership Institute exists to train, equip, and unite conservatives on Capitol Hill[.] In 2018, hosted 11 multi-week seminars and courses

²³ CPI 2017 Form 990, Part III, Line 4(a), available at: https://projects.propublica.org/nonprofits/display_990/821470217/07_2019_prefixes_77-82%2F821470217_201712_990_2019072416519240, p. 2.

²⁴ CPI 2018 Form 990, Part III, Line 4(a), available at: https://projects.propublica.org/nonprofits/display_990/821470217/02_2020_prefixes_81-82%2F821470217_201812_990_2020021217139217, p. 2.

²⁵ CPI 2019 Form 990, Part III, Line 4(a), available at: <https://projects.propublica.org/nonprofits/organizations/821470217/202110639349300421/full>, p.2.

²⁶ CPI 2020 Form 990, Part III, Line 4(a), available at: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 115.

²⁷ CPI 2021 Form 990, Part III, Line 4(a), available at: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 154.

²⁸ CPI 2022 Form 990, Part III, Line 4(a), available at: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 198.

²⁹ CPI 2017 Form 990, Part III, Line 4(a), available at: https://projects.propublica.org/nonprofits/display_990/821470217/07_2019_prefixes_77-82%2F821470217_201712_990_2019072416519240, p. 2.

for over 170 staff on the technical knowledge required to be an effective public policy staffer.”³⁰

- 2019: “The Conservative Partnership Institute exists to train, equip, and unite conservatives on Capitol Hill. In 2019, CPI hosted multi-week seminars for staff on the technical knowledge required to be an effective public policy staffer.”³¹
- 2020: “The Conservative Partnership Institute **educated the public, government leaders and staffers, nonprofit leaders and staffers, and advocates on Capitol Hill**. Specifically, CPI hosted multi-week seminars for government and nonprofit staffers on the technical knowledge required to be an effective public policy staffer.”³² (emphasis added)
- 2021: “The Conservative Partnership Institute (CPI) educates the public, government leaders and staffers, nonprofit leaders and staffers, and advocates on Capitol Hill. Specifically, CPI hosts multi-week seminars for government and nonprofit staffers on the technical knowledge required to be an effective public policy staffer. . . Through CPI’s seminars and training programs, the organization trained 49 members of congress, 246 congressional staff members from 132 congressional offices during 2021.”³³
- 2022: “The Conservative Partnership Institute (CPI) educates the public, government leaders and staffers, nonprofit leaders and staffers, and advocates on Capitol Hill. Specifically, CPI hosts multi-week seminars for government and nonprofit staffers on the technical knowledge required to be an effective public policy staffer.”³⁴
- Hosting conservative legislators to coordinate communications and legislative strategy.
 - 2017: “CPI works with conservative communicators to coordinate and improve messaging on the issues facing Congress. In November 2017, CPI hosted conservative leaders from the House and senior White House officials for a retreat on strategy related to end-of-year policy battles.”³⁵
 - 2018: “In 2018, CPI sought to unite the conservative movement through weekly communications and policy meetings, and by opening an office space for

³⁰ CPI 2018 Form 990, Part III, Line 4(a) (typos in original). *available at*: https://projects.propublica.org/nonprofits/display_990/821470217/02_2020_prefixes_81-82%2F821470217_201812_990_2020021217139217, p. 2.

³¹ CPI 2019 Form 990, Part III, Line 4(a), *available at*: <https://projects.propublica.org/nonprofits/organizations/821470217/202110639349300421/full>, p. 2.

³² CPI 2020 Form 990, Part III, Line 4(a), *available at*: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 115.

³³ CPI 2021 Form 990, Part III, Line 4(a), *available at*: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 154.

³⁴ CPI 2022 Form 990, Part III, Line 4(a), *available at*: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 198.

³⁵ CPI 2017 Form 990, Part III, Line 4(a), *available at*: https://projects.propublica.org/nonprofits/display_990/821470217/07_2019_prefixes_77-82%2F821470217_201712_990_2019072416519240, p. 2.

conservative leaders around the country to gather and debate policy on Capitol Hill.”³⁶

- 2019: “CPI sought to help unite the conservative movement through weekly communications, policy meetings, and by opening an office space for conservative leaders from around the country to gather and debate policy on Capitol Hill.”³⁷
- 2020: “CPI hosted policy meetings and informal gatherings and provided space for **government leaders and staffers, nonprofit leaders and staffers, and advocates** to meet and debate policy.”³⁸ (emphasis added)
- 2021: “CPI hosts policy meetings and informal gatherings and provided space for government leaders and staffers, nonprofit leaders and staffers, and advocates to meet and debate policy.”³⁹
- 2022: “CPI hosts policy meetings and informal gatherings for advocates, government leaders, nonprofit leaders, and their staffers to meet and debate policy.”⁴⁰

With respect to the job placement program, CPI initially suggested it helped “conservative job seekers” find positions in “Washington offices” and/or with “federal office holders” (presumably, placing staff in the offices of Republican members of Congress). CPI later revised the description to suggest it more broadly placed “qualified staffers in public policy positions in government and nonprofit organizations.” With respect to the training program, CPI at first indicated it conducted training programs for “Congressional offices” or “Conservatives on Capitol Hill.” CPI subsequently changed the description to suggest it “educated the public,” as well as “government leaders” and “nonprofit leaders and staffers.” With respect to the hosting program, CPI initially noted it hosted “conservative leaders” from the House of Representatives and White House (when the president was a Republican). CPI revised the description to suggest it generally hosts policy meetings and gatherings for “government leaders, nonprofit leaders, and their staffers.” CfA is not aware of any evidence that CPI’s job placement programs, training programs, and meetings and gatherings are open to the general public, as opposed to only certain Republican elected officials and their staff.

Striking a sharp contrast to CPI’s revised program service descriptions, which suggest the organization serves public, as opposed to private interests, CPI has been described publicly as an organization focused on “furthering pro-Trump Republicans in Washington,”⁴¹ as well as a

³⁶ CPI 2018 Form 990, Part III, Line 4(a) (typos in original). *available at*: https://projects.propublica.org/nonprofits/display_990/821470217/02_2020_prefixes_81-82%2F821470217_201812_990_2020021217139217, p. 2.

³⁷ CPI 2019 Form 990, Part III, Line 4(a), *available at*: <https://projects.propublica.org/nonprofits/organizations/821470217/202110639349300421/full>, p. 2.

³⁸ CPI 2020 Form 990, Part III, Line 4(a), *available at*: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 115.

³⁹ CPI 2021 Form 990, Part III, Line 4(a), *available at*: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 154.

⁴⁰ CPI 2022 Form 990, Part III, Line 4(a), *available at*: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 198.

⁴¹ Terry Gross (interview with Maggie Severns), *How the CPI became the most powerful messaging force in the MAGA universe*, NATIONAL PUBLIC RADIO, Jul. 21, 2022, *available at*: <https://www.npr.org/2022/07/21/1112699295/how-the-cpi-became-the-most-powerful-messaging-force-in-the-maga-universe>.

“Trump-aligned conservative group.”⁴² CPI describes its headquarters in Washington, D.C. as a space for the House Freedom Caucus and other aligned legislators and staff to meet “to plan their methods and means of attack on the Left. . .”⁴³ In 2021, CPI claimed it hosted over 600 gatherings for such individuals.⁴⁴ When listing notable frequenters of CPI facilities, CPI provided the names only of Republican legislators who made CPI’s headquarters their “home away from home.”⁴⁵ As of early 2023, Republican members of Congress had reportedly been gathering at CPI’s headquarters for many months, where CPI provided them with resources, facilities, and staff.⁴⁶

Since 2021, CPI has sponsored at least 17 trainings and retreats for members of Congress and their staff. After attending offsite events organized by third parties, members of the House of Representatives are generally required to file disclosure forms, which report information regarding the primary sponsor(s), itinerary, and list of attendees.⁴⁷ Senators are subject to separate but generally similar disclosure requirements.⁴⁸ CfA has comprehensively reviewed the disclosures related to CPI’s trainings and retreats for members of Congress and determined the only attendees were Republican members of Congress and their staff.⁴⁹ Media reports confirm CfA’s findings, noting only Republican members of Congress and their staff are invited to CPI’s trainings and retreats, which are neither open to the public nor available to non-Republicans.⁵⁰ The House Republican Conference coordinates with CPI, formally inviting its Capitol Hill staffers to CPI briefings.⁵¹

⁴² Lachlan Markay and Sophia Cai, *Top Trump-aligned conservative group buys up prime D.C. office space*, AXIOS, Jan. 17, 2023, available at <https://www.axios.com/2023/01/18/conservative-partnership-institute-trump-offices>.

⁴³ 2021 CPI Annual Report, p. 2, available at <https://www.cpi.org/2021-annual-report/>.

⁴⁴ *Id.*

⁴⁵ 2021 CPI Annual Report, p. 7, available at <https://www.cpi.org/2021-annual-report/> (“Rep. Marjorie Taylor Greene, Sen. Rand Paul, Sen. Ted Cruz, Rep. Andy Biggs, Sen. Marsha Blackburn, and Rep. Byron Donalds.”)

⁴⁶ Jon Ward, *House members blocking McCarthy speaker bid meet at offices of ex-Trump chief Mark Meadows*, YAHOO NEWS, Jan. 6, 2023, available at <https://news.yahoo.com/house-members-blocking-mc-carthy-speaker-bid-meet-at-offices-of-ex-trump-chief-mark-meadows-162229890.html>.

⁴⁷ U.S. House of Representatives Committee on Ethics, Instructions for Completing the Traveler Form, available at: <https://ethics.house.gov/sites/ethics.house.gov/files/documents/Instructions%20for%20TRAVELER%20form%20-%20FINAL.pdf>.

⁴⁸ U.S. Senate Select Committee on Ethics, Regulations and Guidelines for Privately Sponsored Travel, available at: https://www.ethics.senate.gov/public/_cache/files/674e33d3-9372-4ee1-9f12-e6939d4e58b7/regulations-and-guidelines-for-privately-sponsored-travel.pdf.

⁴⁹ See, e.g., (i) Disclosures for February 2021 retreat in Miami, Florida, available at: <https://disclosures-clerk.house.gov/gtimages/MT/2021/500023089.pdf> (attendee list on page 14), (ii) Disclosures for February 2022 retreat on Amelia Island Florida, available at: <https://disclosures-clerk.house.gov/gtimages/MT/2022/500024003.pdf> (attendee list on pages 12-13), (iii) Disclosures for May 2022 training retreat in Cambridge, Maryland, available at: <https://disclosures-clerk.house.gov/gtimages/ST/2022/500024524.pdf> (attendee list on page 17), (iv) Disclosures for June 2022 Senate Strategy and Procedure Symposium, available at: <https://gift-rule-disclosure.senate.gov/media/2022/R0xuWGz1XUyqv1KtMZGaZQ.pdf> (attendee list on page 8), (v) Disclosures for July 2022 Congressional staffer symposium, available at: <https://disclosures-clerk.house.gov/gtimages/ST/2022/500024960.pdf> (attendee list on pages 14-15), and (vi) Disclosures for August 2022 Congressional staff training, available at: <https://disclosures-clerk.house.gov/gtimages/ST/2022/500025085.pdf> (attendee list on page 9) (a comprehensive summary of disclosures for CPI events is available upon request), (vii) Accountable.US, *Conservative Partnership Institute’s Shady Arrangement & Disclosures*, Jan. 18, 2024, available at: <https://accountable.us/cpi-shady-arrangement-disclosures/>, p. 39

⁵⁰ David Armiak, *MAGA Group Grooms Members of Congress and Their Staff for America First Movement*, EXPOSED BY CMD: THE CENTER FOR MEDIA AND DEMOCRACY, Sept. 13, 2022, available at: <https://www.exposedbycmd.org/2022/09/13/maga-group-grooms-members-of-congress-and-their-staff-for-america-first-movement/>.

⁵¹ *The CPI-House Republican Alliance*, PUNCHBOWL NEWS, Dec. 8, 2023, available at: <https://punchbowl.news/article/house-republican-alliance-conservative-partnership-institute/>

Potentially further hinting at the partisan, political nature of CPI's activities, former President Donald Trump's Save America PAC donated \$1 million to CPI in 2022.⁵² Although candidates, campaigns, and political action committees are generally permitted to donate to charity, amounts donated to a charitable organization cannot be used for purposes that personally benefit a candidate.⁵³ Save America PAC's contribution to CPI stands out with respect to both its large size and timing, occurring shortly after the House of Representatives voted to establish a select committee to investigate the January 6th, 2021 Capitol attack.⁵⁴

CfA is deeply concerned that "conservative," as used in CPI's program service descriptions may be a poorly disguised euphemism for Republican (as it was for CPI's mission statement). In other words, with respect to the program services described above, CfA is concerned CPI may primarily:

- Help job seekers find jobs in the offices of Republican members of Congress.
- Train Republican members of Congress and their staffs.
- Coordinate communications and strategy to advance Republican party legislative priorities.

The fact that CPI materially changed its program services descriptions after three to four years of operation, hints that CPI's (or its legal and tax advisors) recognized it was inappropriate for an Section 501(c)(3) organization to describe itself as primarily operating to support a single political party (or a subset thereof), regardless of whether the organization used a euphemism or catchphrase to refer to that political party (or subset thereof).

With respect to CPI's program services, other than congressional trainings and retreats for which there is public disclosure, CfA, as a third-party, nonprofit ethics watchdog, does not have the ability to require CPI to produce documentation to confirm or disprove whether such services primarily or exclusively benefit Republican party elected officials. The IRS, with its summons, investigatory, and other related enforcement powers, may be able to compel CPI to produce information about its activities to determine if CPI primarily or exclusively provides services to Republicans.

Compensation for CPI Officers and Executives Has Sharply Increased from Year-to-Year

CPI pays very high levels of compensation to several of its officers and executives. In addition, CPI has sharply increased their remuneration on a year-to-year basis. Several of the executives, have seen their salaries almost double over a four-year period.⁵⁵

⁵² Jonathan Allen, *Trump gave \$1M to Meadows nonprofit weeks after Jan. 6 panel's creation*, NBC NEWS, Feb. 1, 2022, available at <https://www.cnn.com/2022/02/01/trump-gave-1m-to-meadows-nonprofit-weeks-after-jan-6-panels-creation.html>.

⁵³ How to Report Charitable Donations, Federal Election Commission, available at: <https://www.fec.gov/help-candidates-and-committees/filing-reports/charitable-donations/>.

⁵⁴ *Id.*

⁵⁵ CPI 2018 through 2022 Form 990, Part VII, available at: <https://accountable.us/cpi-shady-arrangement-disclosures/>, p. 204

	Annual Compensation⁵⁶			
Year	Chairman James DeMint	President & CEO Edward Corrigan⁵⁷	General Counsel Cameron Seward⁵⁸	Senior Partner Mark Meadows
2018	\$371,314	\$212,740	\$101,859	N/A
2019	\$500,000	\$349,858	\$153,312	N/A
2020	\$525,300	\$377,456	\$171,689	N/A
2021	\$530,900	\$366,900	N/A	\$522,620
2022	\$652,476	\$378,441	\$203,497	\$846,887
Total Increase (Percentage Increase)	\$281,162 (75.72%)	\$165,701 (77.89%)	\$101,638 (99.78%)	\$324,267 (62.05%)

CPI Appears to Engage in Lobbying Activity While Reporting No Lobbying Activity

CPI appears to take the position it has never engaged in any lobbying activity because the organization has never reported any lobbying activity on its Form 990 exempt organization returns. CPI responded “no” to Form 990, Part VI, Line 4 for 2017 through 2022 and did not attach Schedule C.

Several of CPI’s direct and indirect activities may constitute lobbying. In 2021, CPI “launched” the Center for Renewing America, Inc., a Delaware corporation and Section 501(c)(3) public charity (“CRA”).⁵⁹ CPI describes CRA’s activities as follows: “push anti-CRT legislation not just at the federal level but in 22 states. . . CRA was also the lead policy catalyst pushing back on COVID fascism, the vaccine mandate, in particular, calling for states to pass legislation to protect their citizens. Florida, under the leadership of Gov. Ron DeSantis, passed such legislation

⁵⁶ CPI Form 990 2018 - 2022, Part VII, Section A, Line 1(a), Column D.

⁵⁷ Edward Corrigan’s title changed over time. His title in 2018 through 2020 was “Executive Director.” In 2021 and 2022, it was “President & CEO.”

⁵⁸ Cameron Steward’s title changed over time. His title in 2018 through 2020 was “General Counsel & Director of Operations”. In 2022, it was “General Counsel/Secretary.”

⁵⁹ CPI 2021 Annual Report, p. 38, available at <https://www.cpi.org/2021-annual-report/>.

as a model for the rest of the country.”⁶⁰ In 2021 and 2022, CPI granted \$583,701 and \$1,347,000, respectively, to CRA for “mission and program support”.⁶¹

CPI’s 2022 Annual Report suggests it provided “training and support” to various state freedom caucuses that allowed them to defeat several pieces of state legislation CPI opposed.⁶² CPI’s “training and support” helped:

- The Georgia Freedom Caucus to “fight against a Republican-led bill that would have mandated insurance coverage for transgender surgeries, counseling for pedophiles, and a greater ability for the state to seize guns from law-abiding citizens. In the end, because of the GAFC’s pressure campaign, Republican leaders were forced to remove all of these bad provisions.”⁶³
- The South Carolina Freedom Caucus to use “FOIA requests and a proposed bill banning sex-reassignment to succeed in getting a South Carolina hospital to shut down its ‘pediatric transgender unit.’”⁶⁴
- The Mississippi Freedom Caucus to “fight against a crony capitalism bill that would have created an unelected bureaucracy with the power to levy taxes, issue taxpayer-backed bonds, and seize property through eminent domain. . . Remarkably, the Mississippi State Senate passed this horrible bill *unanimously*. But the Mississippi Freedom Caucus created such a firestorm against the bill when it came to the State House that its supporters were forced to withdraw the bill, killing it instantly.”⁶⁵

CPI’s reported lobbying activities have not been limited to indirect action through affiliated or unaffiliated organizations. *The Washington Examiner* reported CPI hired Cleta Mitchell to lead CPI’s Election Integrity Coalition for the specific purpose of defeating H.R. 1, a bill introduced in the 117th Congress (2021-2022) as the “For the People Act of 2021.”⁶⁶ More generally, CPI refers to its historic building and adjacent properties in Washington, D.C., which are a half mile from the U.S. Capitol, as the “Conservative Partnership Center” (“CPC”).⁶⁷ CPI’s 2021 Annual Report states it uses the CPC: (1) as a “strategy center” for “conservative groups” and “elected officials” to identify “legislative options” to oppose Biden administration policies, such as the vaccine mandate; and (2) as a “strategy center against socialist spending bills.”⁶⁸ CPI explains it specifically “encouraged House staffers to post content about Build Back Better and to tell their bosses-and their counterparts in the Senate-the lasting damage it would do.”⁶⁹

⁶⁰ *Id.* at p. 17.

⁶¹ 2021 and 2022 CPI Form 990, Schedule I, Part II, available at: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 154; 198

⁶² CPI 2022 Annual Report, p. 27, available at <https://www.cpi.org/2022-annual-report/>

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ *Id.*

⁶⁶ Paul Bedard, *Conservative team targets HR 1, ballot fraud in Georgia and elsewhere*, *Washington Examiner*, Mar. 16, 2021, available at: <https://www.washingtonexaminer.com/washington-secrets/gop-team-targets-hr-1-ballot-fraud-in-ga-elsewhere>.

⁶⁷ CPI 2021 Annual Report, p. 38, at p. 2, available at: <https://www.cpi.org/2021-annual-report/>.

⁶⁸ CPI 2021 Annual Report, pp. 6-7, available at: <https://www.cpi.org/2021-annual-report/>.

⁶⁹ *Id.*

Each of the aforementioned activities – in which CPI directly or indirectly supported or opposed specific pieces of legislation – strongly indicates CPI engaged in lobbying. CfA respectfully suggests the IRS use its summons, investigatory, and other related enforcement powers to determine the full extent of CPI’s direct and indirect lobbying activities, given that CPI has never reported any lobbying activity on its Form 990 tax-exempt organization returns.

ALLEGED VIOLATIONS

Alleged Violation 1: Through CLG, CPI appears to indirectly engage in political campaign activity, which should jeopardize CPI’s tax-exempt status.

An essential definitional requirement for qualifying as a Section 501(c)(3) tax-exempt organization is that the organization must “not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.” Any organization that “participates or intervenes, directly or indirectly, in any political campaign on behalf of or in opposition to any candidate for public office” is considered an “action organization” not operated for one or more Section 501(c)(3) tax-exempt purposes.⁷⁰

This strict prohibition against participation or intervention in a political campaign is absolute.⁷¹ Therefore, it is not material that the participation or intervention is an insubstantial part of an organization’s activities or that the other activities of the organization would, by themselves, support exemption under Section 501(c)(3).⁷² Unlike activities like lobbying for which there is an insubstantiality threshold (*i.e.*, a Section 501(c)(3) tax-exempt organization generally may engage in lobbying, so long as lobbying is not the primary purpose of the organization), there is no insubstantiality, primary purpose, or other de minimis threshold or allowance for any political campaign activity whatsoever.⁷³ The Chief Counsel of the IRS has proclaimed “an organization described in section 501(c)(3) is precluded from engaging in any political campaign activities.”⁷⁴

When an organization is an “action organization” or is otherwise not organized and operated exclusively for purposes described in Section 501(c)(3), “it is not exempt.”⁷⁵ The IRS has the authority to revoke a determination letter, recognizing an organization as exempt, if the organization no longer qualifies as exempt under the Code section for which it originally applied for recognition of tax-exempt status.⁷⁶

Based on publicly available information, CfA suspects CLG’s activities may include direct political campaign activity, such as working with political candidates, campaigns, and political action committees to develop communications and strategies. CfA surmises CLG would argue it

⁷⁰ Treas. Reg. § 1.501(c)(3)-1(c)(3)(iii).

⁷¹ TAM 9609007 (Mar. 1, 1996)

⁷² See *United States v. Dykema*, 666 F.2d 1096, 1101 (7th Cir. 1981), cert. denied, 456 U.S. 983 (1982) and *Association of the Bar of the City of New York v. Commissioner*, 858 F.2d 876 (2nd Cir. 1988), cert. denied, 490 U.S. 1030 (1989).

⁷³ Treas. Reg. § 1.501(c)(3)-1(c)(3).

⁷⁴ Gen. Couns. Mem. 39694 (Feb. 1, 1988). (Emphasis added).

⁷⁵ Treas. Reg. § 1.501(c)(3)-1(a)(1).

⁷⁶ Rev. Proc. 2022-5, 2022-1 I.R.B. 256, Section 12.01.

is not engaged in political campaign activity because its core services of providing legal guidance to public officials, nonprofit organizations, and political candidates in the areas of campaign finance, government ethics, and nonprofit tax and governance are equivalent to those of a law firm that offers legal services to clients. In general, law firms are not considered to be engaged in political activity when advising clients who are engaged in political activity. CLG's situation is unique, however, because it is controlled by CPI, a Section 501(c)(3) tax-exempt organization.

If CPI directly engaged in the activities that CLG publicly acknowledges (advising political candidates and political organizations regarding compliance issues), CPI would be considered to violate the prohibition on political campaign activity for a Section 501(c)(3) exempt organization. The IRS has established that a Section 501(c)(3) exempt organization is generally engaged in participation or intervention in a political campaign if: (i) it provides, goods, services, or facilities to a candidate in a given election and such goods, services, or facilities are not available to all candidates in the same election on an equal basis; (ii) it provides goods, services, or facilities only to candidates and not the general public; and/or (iii) the fees charged to candidates are not at the organization's customary and usual rates.⁷⁷ As described above, CLG appears to provide its legal services primarily or exclusively to Republican candidates, committees, and other partisan entities. Therefore, CPI would be engaged in political campaign activity if it directly offered the legal services CLG offers to the types of clients CLG serves because these clients appear to have been chosen on a partisan, party-line basis.

Where a for-profit subsidiary of Section 501(c)(3) tax-exempt organization is engaged in political campaign activity (*e.g.*, by operating a political action committee), the IRS has ruled that the Section 501(c)(3) tax-exempt organization is engaged in political campaign intervention or participation if it provides services and other resources to the subsidiary.⁷⁸ As summarized above, CPI provides numerous services and other resources to CLG. Illustratively, CLG operates out of CPI's offices, located at 300 Independence Ave SE, Washington, D.C., 20023.⁷⁹ In 2021 and 2022, CPI reported loans to CLG of \$250,000 and \$200,000, respectively.⁸⁰ Moreover, CPI specifically describes CLG's primary activity as "shared services."⁸¹ For these reasons, CfA urges the IRS to conclude CLG's provision of legal services primarily or exclusively to Republican candidates, committees, and other partisan entities constitutes participation or intervention in a political campaign by CPI.

CfA believes CPI and CLG's fact pattern presents a uniquely abusive situation. CLG effectively operates as the primary legal services provider for Republican candidates and committees with close ties to former President Donald Trump's political movement. As noted above, former President Donald Trump's Save America PAC donated \$1 million to CPI in 2022,⁸²

⁷⁷ Rev. Rul. 2007-41, 2007-1 CB 1421 (Analysis of Factual Situations - Business Activity).

⁷⁸ PLR 202005020.

⁷⁹ 2021 and 2022 Delaware Annual Franchise Tax Reports of CLG.

⁸⁰ CPI 2021 Form 990, Schedule R, Part V, Line 2, available at: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 195.

⁸¹ CPI 2021 Form 990, Schedule R, Part IV, Column (b), available at: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 194.

⁸² Jonathan Allen, *Trump gave \$1M to Meadows nonprofit weeks after Jan. 6 panel's creation*, NBC NEWS, Feb. 1, 2022, available at: <https://www.cnbc.com/2022/02/01/trump-gave-1m-to-meadows-nonprofit-weeks-after-jan-6-panels-creation.html>.

and from 2021 through 2022 CLG has collected over \$250,000 from former President Donald Trump's 2024 campaign.⁸³ If the IRS determines CLG's provision of legal services exclusively or primarily to Republicans does not constitute political campaign activity, then this would effectively offer tacit approval for any Section 501(c)(3) tax-exempt organization to create a controlled, for-profit subsidiary that offers goods or services on a partisan basis to political candidates. For example, a Section 501(c)(3) tax-exempt organization could create a for-profit subsidiary that is a (i) consulting company, advising political candidates and committees regarding election strategy, (ii) canvassing company, offering door knocking or phone banking services in support of or opposition to political candidates, (iii) communications company, creating advertisements or other partisan communications supporting or opposing political candidates, or (iv) media company, sharing advertisements and other political communications with the general public. Moreover, the Section 501(c)(3) tax-exempt organization would presumably be permitted to subsidize such a for-profit subsidiary with shared office space at the tax-exempt organization's headquarters, as well as large capital contributions and/or loans to cover its initial and ongoing operating expenses.

CLG's activities also could be attributed to CPI under the alter ego or integral part doctrine. In general, a parent corporation is not automatically attributed the activities of a corporate subsidiary, so long as the purpose for which the subsidiary is formed are reflected in authentic and bona fide business activities.⁸⁴ In other words, the activities of a separately incorporated subsidiary cannot ordinarily be attributed to its parent Section 501(c)(3) tax-exempt unless the facts provide clear and convincing evidence the subsidiary is in reality an arm, agent, or integral part of the parent.⁸⁵ A determination regarding whether an organization is without economic substance and an alter ego or integral part of another is based on a multi-factor, facts-and-circumstances analysis.

"Alter ego means 'other self' — where one person or entity acts like, or, for another to the extent that they may be considered identical."⁸⁶ Generally, federal courts will look to state law to determine whether an entity is an alter ego of a taxpayer.⁸⁷ CPI and CLG are Delaware corporations with their headquarters and primary activities located in Washington, D.C. District of Columbia courts generally apply an alter-ego or piercing the corporate veil doctrine when there is "(1) unity of ownership and interest, and (2) use of the corporate form to perpetrate fraud or wrong, or other considerations of justice and equity justify it."⁸⁸ A commonly referenced, though not exhaustive, list of factors for determining when alter ego liability or piercing of the corporate veil is appropriate includes: "(1) whether corporate formalities have been disregarded, (2) whether corporate funds and assets have been extensively intermingled. . . , (3) inadequate initial capitalization, and (4)

⁸³ Accountable.US, *Conservative Partnership Institute's Shady Arrangement & Disclosures*, Jan. 18, 2024, available at: <https://accountable.us/cpi-shady-arrangement-disclosures/> p. 9-11.

⁸⁴ See e.g., *Comm'r Bollinger*, 485 U.S. 340 (1988); *Nat'l Carbide Corp. v. Comm'r*, 336 U.S. 422 (1949); *Universal Church of Jesus Christ, Inc. v. Comm'r*, 55 T.C.M. 143 (1988).

⁸⁵ PLR 200132040.

⁸⁶ *Baum Hydraulics Corporation v. U.S.*, 280 F. Supp 2d 910 (DC NE Sept. 8, 2003); *U.S. v. Scherping*, 187 F.3d 796 (8th Cir, Aug. 11, 1999).

⁸⁷ See *Loving Saviour Church v. U.S.*, 556 F. Supp. 688 (DC SD, Feb. 9, 1983) (at 1086 citing *Aquilino v. U.S.*, 363 U.S. 509, 512-13 (1960)).

⁸⁸ *Estate of Raleigh v. Mitchell*, 947 A.2d 464, 470 (D.C. 2008) (quoting *Bingham v. Goldberg. Marchesano. Kohlman. Inc.*, 637 A.2d 81, 93 (D.C. 1994) (citation omitted) (internal quotation marks omitted)).

fraudulent use of the corporation to protect from the claims of creditors.”⁸⁹ The difference between District of Columbia and federal alter ego law is relatively modest.⁹⁰

There may be some factors indicating that CLG is the alter ego of CPI, including the possibility CPI dominates and controls CLG, CPI and CLG share partially overlapping slates of director and officers, and the fact that CPI and CLG share office space, which could mean CPI is involved in CLG’s day-to-day activities. Unfortunately, CfA does not have access to sufficient internal information about the governance, finances, and operations of CPI and CLG to definitively determine if CLG should effectively be treated as the same entity as CPI. CfA urges the IRS to review whether CLG is an alter ego or integral part of CPI, whose activity should be attributed to CPI as if the entities were not separate.

Regardless of the ultimate outcome of any alter ego or integral part analysis, under applicable IRS authorities, CPI has engaged in political campaign activity merely by providing services and other resources to CLG, which offers legal and tax compliance services exclusively or primarily to Republican candidates, committees, and other partisan entities.⁹¹ CfA urges the IRS to investigate the activities and relationship of CPI and CLG to determine if the entities are directly or indirectly engaged in political campaign activities. Given the absolute prohibition on political campaign activities by Section 501(c)(3) tax-exempt organizations, CfA urges the IRS to revoke CPI’s tax-exempt status if the IRS confirms that political campaign activity occurred.⁹²

Alleged Violation 2: By primarily supporting Republicans, CPI appears to be operating in violation of the prohibition on private benefit, which should result in the revocation of its tax-exempt status.

An organization is exempt under Section 501(c)(3) only if it is primarily operated for exempt purposes (*e.g.*, religious, charitable, scientific, educational, etc.).⁹³ Under the private benefit doctrine, an organization is not operated primarily for one or more exempt purposes unless it serves a public rather than a private interest.⁹⁴ A Section 501(c)(3) tax-exempt organization must establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.⁹⁵

American Campaign Academy v. Comm’r, 92 T.C. 1053 (1989) is a principal case in applying the private benefit doctrine.⁹⁶ The case concerned a school that trained individuals for

⁸⁹ *Id.* at 470-471.

⁹⁰ Where a case implicates a federal interest, “[t]he question whether to disregard the corporate form . . . proceeds in two steps: ‘(1) is there such unity of interest and ownership that the separate personalities of the corporation and the individual no longer exist?; and (2) if the acts are treated as those of the corporation alone, will an inequitable result follow?’” *United States ex rel. Hockett v. Columbia/HCA Healthcare Corp.*, 498 F.Supp.2d 25, 60 (D.D.C. 2007) (quoting *Labadie Coal Co. v. Black*, 672 F.2d, 92, 97 (D.C. Cir. 1982)).

⁹¹ See *e.g.*, Rev. Rul. 2007-41, 2007-1 CB 1421; PLR 202005020.

⁹² Treas. Reg. § 1.501(c)(3)-1(c)(3)(iii).

⁹³ Treas. Reg. § 1.501(c)(3)-1(c)(1).

⁹⁴ Treas. Reg. § 1.501(c)(3)-1(d)(1)(ii).

⁹⁵ *Id.*

⁹⁶ Bruce R. Hopkins, *THE LAW OF TAX-EXEMPT ORGANIZATIONS* (2019), p. 509.

careers as political campaign professionals. The school offered classrooms, materials, and qualified instructors for its training program. While teaching a useful subject in a structured, formal way generally would be seen as operating for educational purposes, all American Campaign graduates went on to work for Republican Party committees, candidates, and related entities. The Tax Court revoked American Campaign Academy's tax-exempt status because the court concluded the true purpose of the organization was to benefit private interests, namely such Republican party candidates and related entities. If American Campaign Academy had been truly non-partisan (*e.g.*, if graduates had gone on to work for more than one party and its candidates), it might not have lost its Section 501(c)(3) tax-exempt status under the private benefit doctrine.⁹⁷

CPI violates the private benefit doctrine in substantially the same manner as American Campaign Academy did. As summarized above, CfA's understanding from CPI's Form 990 tax-exempt organization returns, CPI's own annual reports, and a comprehensive review of congressional disclosures regarding the identities of all attendees at CPI's trainings and retreats reveals that all or substantially all of (i) CPI's job placement services place individuals in the offices of Republican members of Congress or Republican party-aligned organizations; (ii) the individuals going through CPI's training programs are Republican members of Congress and their staffs; and (iii) the attendees at CPI's communications and policy meetings are Republican members of Congress and their staffs strategizing to defeat Democratic legislative and political agendas. For these reasons, it appears CPI may be operating in violation of the private benefit doctrine.

Regarding CPI's program services, other than congressional trainings and retreats for which there is comprehensive public disclosure, CfA, as a third-party, nonprofit ethics watchdog, does not have the ability to require CPI to produce documentation to confirm or disprove whether such services primarily or exclusively benefit Republican members of Congress and certain other Republican-aligned entities. The IRS, with its summons, investigatory, and other related enforcement powers, may be able to compel CPI to produce additional information about its activities to determine if CPI operates in a manner that violates the private benefit doctrine. The IRS has the authority to revoke CPI's tax-exempt status if the IRS determines CPI operates for private benefit or another substantial non-exempt purpose.⁹⁸

Alleged Violation 3: By paying excessive compensation to certain officers and key executives, CPI appears to have violated the prohibition on private inurement, which should result in revocation of its tax-exempt status and potentially monetary penalties under the excess benefit regime.

The prohibition against private inurement is a statutory criterion for an organization to qualify as a Section 501(c)(3) tax-exempt organization.⁹⁹ An organization "is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the

⁹⁷ IRS 2001 EO CPE Text, PRIVATE BENEFIT UNDER IRC 501(c)(3), <https://www.irs.gov/pub/irs-tege/eotopich01.pdf>

⁹⁸ Treas. Reg. §§ 1.501(a)-1(a)(2) and 1.501(c)(3)-1(f)(2); Rev. Proc. 2011-9, 2011-2 IRB 283.

⁹⁹ Section 501(c)(3) ("... no part of the net earnings of which inures to the benefit of any private shareholder or individual").

benefit of private shareholders or individuals.”¹⁰⁰ For purposes of the private inurement doctrine “private shareholder or individual” generally means a person having a personal and private interest in the activities of the organization (such as a director, trustee, officer, founder, key employee, or major contributor who can control the decisions of the entity, hereinafter an “**Insider**”).¹⁰¹ As directors, officers, or key employees of CPI, James DeMint, Chairman, Edward Corrigan, President & CEO, Cameron Seward, General Counsel, and Mark Meadows, Senior Partner meet the definition of Insider.

A finding of excessive compensation generally results in a finding of private inurement.¹⁰² Whether an amount of compensation is reasonable is a question of fact, determined based on the facts-and-circumstances of each case. Treasury Regulations applicable to business expense deductions¹⁰³ and the intermediate sanctions regime¹⁰⁴ define reasonable compensation as the amount that would ordinarily be paid for like services by like enterprises under like circumstances.¹⁰⁵ In certain situations, the absolute amount of compensation paid annually may be reasonable, but the year-to-year increases cannot be justified. Rapidly rising salaries year-after-year may constitute excessive compensation.¹⁰⁶

Determining whether the amount of compensation paid to each of CPI’s officers, directors, and key employees would require a comprehensive, facts-and-circumstances analysis focusing on various context-specific factors.¹⁰⁷ Regardless of whether the absolute levels of compensation are justifiable in any given year, based on the enormous year-to-year increases in the compensation of CPI officers and executives, CfA believes these officers and executives may be receiving excessive compensation. From 2018 to 2022, CPI increased the salaries of Chairman James DeMint, President & CEO Edward Corrigan, and General Counsel Cameron Steward by \$281,162 (75.72% increase), \$165,701 (77.89% increase), and \$101,638 (99.78% increase). CPI increased the salary of Senior Partner Mark Meadow’s by \$324,267 (62.05% increase) from 2021 to 2022 alone.

CPI reports it determines compensation based on budget, performance, and comparable data from similar organizations in the same geographic area and that compensation is reviewed

¹⁰⁰ Treas. Reg. § 1.501(c)(3)-1(c)(2).

¹⁰¹ Treas. Reg. Section 1.501(a)-1(c).

¹⁰² See, e.g., *Harding Hospital v. U.S.*, 505 F.2d 1068 (6th Cir. 1974).

¹⁰³ Treas. Reg. § 1.162-7(b)(3).

¹⁰⁴ Treas. Reg. § 53.4958-4(b)(1)(ii)(A).

¹⁰⁵ *Id.*

¹⁰⁶ Bruce R. Hopkins, *THE LAW OF TAX-EXEMPT ORGANIZATIONS* (2019) (“The factors commonly applied in the private inurement setting (and similar settings) to ascertain the reasonableness of compensation are. . . whether there has been a sharp increase in the individual’s compensation (a spike) from one year to the next. . .”).
The Incorporated Trustees of the Gospel Worker Society v. U.S., 510 F. Supp. 374, 379 (D.D.C. 1981), *aff’d* 672 F.2d 894 (D.C. Cir. 1981), *cert den.*, 456 U.S. 9444 (1982) (“The officers of a tax-exempt organization may of course receive remuneration for their services without jeopardizing the exemption. See *Pulpit Resource v. Commissioner*, supra, 70 T.C. at 612.15 However, the substantial amount of the salaries at present and the rapidity of their rise is troubling. While they may not be directly indicative of profits inuring “to the benefit of any private sharehol[d]er or individual” as prohibited by section 501(c)(3) and the regulations thereunder, they are at least suggestive of a commercial rather than non-profit operation.”

¹⁰⁷ Illustratively, the analysis would review the levels of compensation paid by similar organizations (tax-exempt and taxable) for functionally comparable positions (with a focus on entities in the same city or region), the service provider’s qualifications (e.g., education and experience), whether the compensation was the result of arm’s length bargaining (e.g., approval by an independent Board of Directors), whether compensation spiked a large amount from one year to the next, the service provider’s performance, and the amount of time that the service provider devotes to the position.

and approved by the Board of Directors, whose deliberations and decisions are contemporaneously documented.¹⁰⁸ CfA does not have access to CPI's internal records to verify CPI's statements about review of comparable data, Board of Directors approval, and contemporaneous documentation are accurate. CfA urges the IRS to review whether, given the dramatic year-to-year increases, the compensation paid to CPI's Insiders is reasonable or whether it violates the prohibition against private inurement. The IRS generally has discretion to revoke the exempt status of a Section 501(c)(3) tax-exempt organization that has been determined to have violated the prohibition on private inurement.¹⁰⁹

Instead of or in addition to revoking the tax-exempt status of CPI, the IRS could impose intermediate sanctions under Section 4958. Under Section 4958, so-called intermediate sanctions may be imposed when a Section 501(c)(3) public charity¹¹⁰ provides an economic benefit to a "disqualified person" that exceeds the value of the consideration that the exempt organization received in exchange for providing the benefit (the amount of such excess, the "**Excess Benefit**").¹¹¹ For these purposes, a disqualified person is generally someone in a position to exercise substantial influence over the affairs of the exempt organization.¹¹²

The initial penalty for an Excess Benefit transaction is:

- 25% of the Excess Benefit, imposed on the disqualified person receiving the Excess Benefit; and
- 10% of the Excess Benefit, imposed on any organizational manager who participated in it, knowing it was an Excess Benefit transaction (unless such participation was not willful and due to reasonable cause.¹¹³

The IRS would generally be able to impose such penalties on the amount of excess compensation (if any) paid to any CPI Insider on the basis that such individuals were in a position to exercise substantial influence of the affairs of the organization.

Alleged Violation 4: CPI may have engaged in undisclosed lobbying and/or political campaign activities, which potentially should result in revocation of tax-exempt status and/or monetary penalties for nondisclosure.

A Section 501(c)(3) tax-exempt organization that engages in lobbying or political campaign activities is required to disclose and report the amount of those activities on Form 990, Schedule C.¹¹⁴ Under Section 6652(c)(1)(ii), a tax-exempt organization that, without reasonable cause, fails to include any of the information required on a Form 990 or fails to provide the correct information is liable for civil penalties. CPI has never disclosed any lobbying activities on its Form

¹⁰⁸ CPI 2022 Form 990, Schedule O.

¹⁰⁹ Treas. Reg. § 1.501(c)(3)-1(f)(2).

¹¹⁰ Section 4958(e)(1).

¹¹¹ Section 4958(c)(1).

¹¹² Section 4958(f)(1).

¹¹³ Section 4958(a).

¹¹⁴ Form 990, Part IV, Lines 3 and 4.

990 exempt organization returns. Yet, as described above, CPI appears to have potentially engaged in activities that either independent news organizations or CPI itself have described as intended to directly or indirectly influence legislation.

CfA urges the IRS to examine whether CPI has engaged in lobbying activity. If CPI has engaged in lobbying activities, CfA urges the IRS to determine if the amount of such lobbying constitutes a “substantial part” of CPI’s activities and should result in revocation of tax-exempt status.¹¹⁵ Regardless of whether CPI exceeded the substantial part test, if CPI engaged in lobbying, CfA urges the IRS to penalize CPI under Section 6652(c)(1)(A)(ii) because CPI reported on each of its Forms 990 from 2017 through 2022 that it did not engage in any lobbying activities. Given that CPI had annual gross receipts over \$1,000,000 each of those years, the monetary penalty should be \$100 per day, while the failure continued (*i.e.*, the failure to report lobbying activity on Form 990, including Schedule C), up to a maximum of \$50,000 per Form 990 or \$200,000 for the four years at issue.

CONCLUSION

In summary, CfA asks the IRS to investigate CPI in light of substantial evidence CPI may have violated the (i) strict prohibition on political campaign activities by providing substantial services and resources to CLG, a purported law firm that offers legal and tax compliance services exclusively or primarily to Republican candidates, committees, and certain other partisan entities; and (ii) the private benefit doctrine by operating primarily to serve the private interests of Republican members of Congress, their staff, and certain other partisan organizations. CPI also appears to have failed to disclose its direct and indirect lobbying and political campaign activity and may have violated the prohibition on private inurement through excessive compensation.

The activities of CPI and CLG appear particularly egregious because CLG specifically holds itself out as a law firm that advises public officials, candidates, nonprofit organizations and others regarding campaign finance, government ethics, and nonprofit tax and governance. It is appalling for such an entity, specializing in helping others comply with the law and staffed with experienced attorneys familiar with the limits of permissible activity, to appear to participate in a scheme to push the envelope on political campaign activity by an affiliate of a Section 501(c)(3) tax-exempt organization beyond the breaking point. CfA urges the IRS to use its summons, investigatory, and other related enforcement powers to examine the CPI’s activities to uncover further evidence of direct or indirect political campaign activity, private benefit, undisclosed lobbying, unreasonable compensation, and/or other activities that violate the Code and CPI’s tax-exempt status. CfA asks the IRS to take appropriate enforcement action if violations are confirmed and to refer CPI to the Department of Justice for further investigation if appropriate.

Sincerely,

¹¹⁵ Treas. Reg. § 1.501(c)(3)-1(c)(3).

IRS EO Classification
Conservative Partnership Institute, Inc.
February 20, 2024
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A handwritten signature in black ink that reads "Michelle Koppersmith". The signature is written in a cursive style with a large initial "M".

Michelle J. Koppersmith
Executive Director

Enclosures:
Form 13909