

C A M P A I G N F O R

ACCOUNTABILITY

September 8, 2020

VIA E-MAIL: eoclass@irs.gov

IRS EO Classification
Mail Code 4910DAL
1100 Commerce St.
Dallas, TX 75242-1189

Re: Complaint Against Jobs First Coalition, Inc., EIN 27-0755923

Dear Sir or Madam:

Campaign for Accountability (“CfA”)¹ respectfully submits this Tax-Exempt Organization Complaint (Referral) and supporting documentation to the Internal Revenue Service (“IRS”) regarding the activities of Jobs First Coalition, Inc. (EIN: 27-0755923), a tax-exempt organization under Section 501(c)(4) of the Internal Revenue Code of 1986, as amended (the “Code”). Form 13909 is enclosed with this letter.

Background

The Jobs First Coalition, Inc. (“JFC”)² was established as a Wisconsin non-stock corporation on August 17, 2009.² The IRS determined that the JFC was exempt from taxation under Section 501(c)(4) of the Code on October 22, 2009.³ Robert P. Reddin has served as the executive director of the JFC since 2010.

Mr. Reddin notified the IRS of the creation of the Jobs First Coalition Political Fund (“JFCPF”) as a Section 527 political organization on June 12, 2013. Mr. Reddin stated at that time that he was JFCPF’s administrator and custodian of records and that the political organization was affiliated with the Jobs First Coalition.⁴ On October 21, 2013, Mr. Reddin registered JFCPF as a Wisconsin independent expenditure committee with the Wisconsin Ethics

¹ CfA is a Code Section 501(c)(3) tax-exempt organization (EIN: 54-1850126) that serves as a non-partisan, nonprofit ethics watchdog.

² Original Articles of Incorporation on file with and available from the Office of the Wisconsin Department of Financial Institutions. *Accessible at* <https://www.wdfi.org/apps/CorpSearch/Details.aspx?entityID=T049008&hash=1926734283&searchFunctionID=0799567d-a253-42a3-9177-15564c01eb0e&type=Simple&q=jobs+first+coalition>.

³ IRS Determination Letter, Jobs First Coalition, Inc. (October 22, 2009) *available at* <https://www.documentcloud.org/documents/6999333-FinalLetter-27-0755923-THEJOBSEIRSTCOALITIONINC.html>.

⁴ Jobs First Coalition Political Fund, Political Organization Notice of Section 527 Status, IRS Form 8871 at 1, 3 (June 12, 2013) *available at* <https://www.documentcloud.org/documents/6999071-Jobs-First-Coalition-Political-Fund-Form-8871-6.html>.

Commission. Mr. Reddin served as the treasurer of JFCPF from its inception on June 12, 2013 until January 14, 2020.⁵

Accordingly, at all times pertinent to this complaint, Mr. Reddin served simultaneously as executive director of the JFC and as treasurer of JFCPF.

Transfers From The Jobs First Coalition To The Jobs First Coalition Political Fund

Wisconsin requires independent expenditure committees to file regular reports with the Wisconsin Ethics Commission.⁶ These reports must include an “itemized statement giving the date, full name, and street address of each person who has made a contribution to the independent expenditure committee, together with the amount of the contribution.”⁷

During tax years 2016 through 2018, JFCPF reported to the Wisconsin Ethics Commission that it had received \$920,000 in contributions from JFC for the purpose of making independent expenditures supporting or opposing the election of candidates to the Wisconsin Assembly.

JFCPF reported receiving two contributions of \$300,000 and \$150,000 from JFC on September 19, 2016 and October 14, 2016 respectively.⁸ Those funds were used to make independent expenditures for and against numerous candidates for the Wisconsin Assembly in the weeks leading up to the 2016 general election.⁹ All of these reports were signed by Robert P. Reddin as treasurer of JFCPF.

JFCPF reported receiving three contributions of \$50,000, \$15,000 and \$5,000 from JFC on October 25, 2016, November 2, 2016,¹⁰ and February 18, 2017,¹¹ respectively. The \$50,000 and \$15,000 contributions were used to make independent expenditures supporting and opposing numerous candidates for the Wisconsin Assembly in the final days preceding the 2016 general

⁵ Jobs First Coalition Political Fund, Campaign Registration Statement, Form CF-1 (January 14, 2020) available at <https://www.documentcloud.org/documents/6999082-Jobs-First-Coalition-Political-Fund-CF-1-Form.html>.

⁶ Wis. Stat. § 11.0604(1)(a).

⁷ Wis. Stat. § 11.0604(1)(a)1.

⁸ Jobs First Coalition Political Fund, Fall Pre-Election 2016 Campaign Finance Report, Form ETHCF-2 (October 21, 2016) available at <https://www.documentcloud.org/documents/6999137-Jobs-First-Coalition-Political-Fund-Fall-2016.html>.

⁹ *Id.*; see also Jobs First Coalition Political Fund, Fall Pre-Election 2016 Special Report of Late Independent Expenditure, Form CF-7S (October 11, 2016) available at <https://www.documentcloud.org/documents/6999153-Jobs-First-Coalition-Political-Fund-Fall-2016.html>.

¹⁰ Jobs First Coalition Political Fund, January Continuing 2017 Campaign Finance Report, Form ETHCF-2 (January 17, 2017) available at <https://www.documentcloud.org/documents/6999165-Jobs-First-Coalition-Political-Fund-January-2017.html>.

¹¹ Jobs First Coalition Political Fund, July Continuing 2017 Campaign Finance Report, Form ETHCF-2 (July 14, 2017) available at <https://www.documentcloud.org/documents/6999168-Jobs-First-Coalition-Political-Fund-July-2017.html>.

election.¹² JFC's February 18, 2017 contribution of \$5,000 was used to pay JFCPF's administrative expenses.¹³ All of these reports were signed by Robert P. Reddin as treasurer of JFCPF.

JFCPF reported receiving four identical contributions of \$100,000 from JFC on September 28, 2018, October 4, 2018, October 16, 2018, and October 18, 2018.¹⁴ Those funds were used to make independent expenditures supporting and opposing candidates for the Wisconsin Assembly in the weeks and days leading up to the 2018 general election.¹⁵ All of these reports were signed by Robert P. Reddin as treasurer of JFCPF.

Altogether during tax years 2016 through 2018, JFCPF received \$920,000 in contributions from JFC and it used those funds to pay for hundreds of thousands of dollars in independent expenditures in Wisconsin Assembly races and to pay for the administrative expenses of JFCPF.

JFC failed to report any of this political campaign activity to the IRS.

The Jobs First Coalition's Representations To The IRS

Despite the reports JFC filed with the Wisconsin Ethics Commission, JFC reported to the IRS – under penalty of perjury – that it spent nothing on political campaign activities between 2016 and 2018.

As a Section 501(c)(4) tax-exempt organization, JFC is required to file annual Form 990 tax returns. Tax-exempt organizations engaged in any “direct or indirect political campaign activities on behalf of or in opposition to candidates for public office” must both acknowledge conducting these activities on their Form 990s and file a Schedule C describing the political activities and disclosing the amount spent on them.¹⁶ “Political campaign activities” are defined

¹² Jobs First Coalition Political Fund, Fall Pre-Election 2016 Campaign Finance Report, Form ETHCF-2 (October 21, 2016); Jobs First Coalition Political Fund, Fall Pre-Election 2016 Special Report of Late Independent Expenditure, Form CF-7S (October 11, 2016).

¹³ Jobs First Coalition Political Fund, July Continuing 2017 Campaign Finance Report, Form ETHCF-2 (July 14, 2017).

¹⁴ Jobs First Coalition Political Fund, Fall Pre-Election 2018 Campaign Finance Report, Form ETHCF-2 (October 29, 2018) available at <https://www.documentcloud.org/documents/6999178-Jobs-First-Coalition-Political-Fall-2018-Pre.html>.

¹⁵ *Id.*; see also Jobs First Coalition Political Fund, Fall Pre-Election 2018 Special Report of Late Independent Expenditure, Form CF-7S (October 2, 2018), Jobs First Coalition Political Fund, Report of Independent Expenditures, Form CF-7 (October 29, 2018), Jobs First Coalition Political Fund, January Continuing 2019 Special Report of Late Independent Expenditure, Form CF-7 (October 29, 2018) and Jobs First Coalition Political Fund, January Continuing 2019 Report of Independent Expenditures, Form CF-7 (January 15, 2019) available at <https://www.documentcloud.org/documents/6999187-Jobs-First-Coalition-Political-Fund-Fall-2018.html>, <https://www.documentcloud.org/documents/6999194-Jobs-First-Coalition-Political-Fund-Fall-2018.html>, <https://www.documentcloud.org/documents/6999278-Jobs-First-Coalition-Political-Fund-January-2019.html> and <https://www.documentcloud.org/documents/6999284-Jobs-First-Coalition-Political-Fund-January-2019.html>.

¹⁶ Form 990, Part IV, Question 3; 2019 Instructions for Form 990, at 12; 2019 Instructions for Schedule C, at 1, 3. Accessible at <https://www.irs.gov/pub/irs-pdf/i990.pdf>.

as “[a]ll activities that support or oppose candidates for elective federal, state or local public office.”¹⁷ When an expenditure explicitly advocates for the election or defeat of an individual for public office, the expenditure is direct political campaign activity.¹⁸ Indirect activities include payments for the administrative and fundraising costs of a political action committee.¹⁹

JFC filed Form 990 tax returns for tax years 2016, 2017 and 2018.²⁰ JFC represented on each of the tax returns that it did not engage in any “direct or indirect political activities,” and did not file a Schedule C disclosing its political expenditures for any of these years. JFC executive director, Robert P. Reddin – who was simultaneously serving as the treasurer of JFCPF– signed each of the tax returns under penalty of perjury.²¹ Moreover, Mr. Reddin stated on each of the tax returns that he had reviewed “the forms and engaged in discussions with consultants and legal counsel to insure accuracy.”²²

JFC’s failure to file Schedule C for tax years 2016 through 2018 is especially egregious because it acknowledged that JFCPF was a related tax-exempt Section 527 political organization.²³ The instructions for Schedule C state specifically that “[a] section 501(c) organization that engages a separate segregated fund to conduct political activity should report transfers to the fund in Parts I-A and I-C” of Schedule C.²⁴ The instructions for Schedule C then state that “[s]ection 501(c) organizations should provide a detailed description of their direct and indirect political campaign activities in Part IV” of Form 990.²⁵ The instructions for Line 1 of Schedule C state that if “the section 501(c) organization collects political contributions or member dues earmarked for a separate segregated fund, and promptly and directly transfers them to that fund as prescribed in [Treas. Reg. §1.527-6(e)], don’t report them here,” i.e., on Line 1 of Schedule C.²⁶ Instead, “[s]uch amounts should be reported in Part I-C, line 5e.”²⁷

The instructions for Schedule C do not create an exemption for reporting political contributions or membership dues collected by a Section 501(c)(4) organization and earmarked for a related Section 527 political organization – they merely describe where such contributions should be reported on Schedule C. Moreover, the instructions for Schedule C do not obviate the need for a Section 501(c)(4) organization to report its political campaign activities on Part IV of Form 990.

¹⁷ 2019 Instructions for Form 990, at 69.

¹⁸ Rev. Rul. 2004-06; *see also* Treas. Reg. § 1.527-2(c)(1).

¹⁹ Treas. Reg. § 1.527-2(c)(2).

²⁰ Jobs First Coalition 2016 Form 990; Jobs First Coalition 2017 Form 990; Jobs First Coalition 2018 Form 990 (collectively “Jobs First Coalition tax returns”), available at <https://www.documentcloud.org/documents/6998117-Jobs-First-Coalition-2016-990.html>; <https://www.documentcloud.org/documents/6998118-Jobs-First-Coalition-2017-990.html>; <https://www.documentcloud.org/documents/6998119-Jobs-First-Coalition-2018-990.html>.

²¹ Jobs First Coalition tax returns, Part II.

²² Jobs First Coalition tax returns, Schedule O.

²³ Jobs First Coalition tax returns, Schedule R.

²⁴ 2019 Instructions for Schedule C, at 3.

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

Further, there is no reason to believe JFC informed its supporters that their donations would be treated as either political contributions or membership dues earmarked for a political committee. JFC solicits donations from the general public and there is nothing on its donation page to indicate that donations would be treated as anything other than donations to a Section 501(c)(4) organization – there is no mention of donations being treated as political contributions or membership dues.²⁸ The language on JFC’s donation page currently is identical to that appearing on August 3, 2016.²⁹

Accordingly, it appears that for tax years 2016 through 2018 JFC solicited donations from the general public, deposited those donations into a general fund and then transferred \$920,000 to the JFCPF for direct and indirect political campaign activities. While a Section 501(c)(4) organization may engage in such political campaign activities, they must be reported to the IRS.³⁰ Here, they were not.

Violations

26 U.S.C. §6652

Under the Code, a tax-exempt organization that, without reasonable cause, fails to include any of the information required on a Form 990 tax return or fails to provide the correct information is liable for civil penalties.³¹ The transfers by JFC to JFCPF to pay for independent expenditures supporting or opposing candidates for the Wisconsin Assembly are direct political campaign activity that JFC should have reported on its Form 990 tax returns. Similarly, JFC’s transfers to JFCPF to pay for its administrative expenses are indirect political campaign activity JFC should have reported on its Form 990 tax returns. It can hardly be argued that JFC had no control over how its transfers to JFCPF would be used. The same individual, Robert P. Reddin, served *simultaneously* as executive director of JFC and the treasurer of JFCPF. Accordingly, as executive director of JFC, he directed the transfer of \$920,000 in JFC funds to the JFCPF and then, as treasurer of JFCPF, he directed how those funds would be spent. By failing to report the amount it spent on direct and indirect political campaign activities on its Form 990 tax returns for 2016 through 2018, JFC appears to have violated 26 U.S.C. §6652 and should be subject to monetary penalties.

26 U.S.C. §7206

Under the Code, any person who “[w]illfully makes and subscribes any return, statement, or other document, which contains or is verified by a written declaration that it is made under the penalties of perjury, and which he does not believe to be true and correct as to every material matter,” is guilty of a felony and subject to up to three years in prison and a fine of up to

²⁸ Jobs First Coalition, Get Involved <http://www.jobsfirstcoalition.com/get-involved.aspx> (last accessed July 18, 2020).

²⁹ Compare <https://web.archive.org/web/20160803030902/http://www.jobsfirstcoalition.com/get-involved.aspx> with <http://www.jobsfirstcoalition.com/get-involved.aspx>.

³⁰ Form 990, Part IV, Question 3; 2019 Instructions for Form 990, at 12; 2019 Instructions for Schedule C, at 1, 3.

³¹ 26 U.S.C. §§ 6652(c)(1)(A)(ii), 6652(c)(4); *see also* 2019 Instructions for Form 990, at 7.

\$100,000.³² The money spent on political campaign activities a tax-exempt organization reports to the IRS on its Schedule C is material for several reasons, including: (1) the amounts reported can be used by the IRS to determine whether the organization is complying with its tax-exempt status; (2) the amount an organization expended on Section 527 exempt activities in part determines exempt function taxes the organization must pay; and (3) accurate public disclosure of the amount of political activity conducted by tax-exempt organizations is critical to the objective of transparency that underlies the reporting required on Form 990.³³

JFC's Form 990 tax returns for 2016 through 2018 were signed by Robert P. Reddin, the organization's executive director, under written declarations that each was made under penalty of perjury and that Mr. Reddin had examined the returns and each was true, correct and complete to the best of his knowledge.³⁴ JFC's tax returns appear to be false, incorrect and incomplete as to the material matter of the amount of money JFC spent on political campaign activities in those tax years. Similarly, it is highly likely Mr. Reddin was aware that JFC's tax returns were false, incorrect and incomplete when he signed them. Mr. Reddin was directly involved on both ends of the transfer of funds from JFC to JFCPF. As executive director of JFC, he authorized the transfer of \$920,000 to JFCPF and then, as treasurer of JFCPF, he accepted the transfers and directed how those funds would be used to make independent expenditures in Wisconsin Assembly races and to pay JFCPF's administrative expenses. Therefore, it appears JFC and Robert P. Reddin, individually, voluntarily and intentionally filed false, incorrect and incomplete tax returns for tax years 2016 through 2018 in violation of 26 U.S.C. §7206.

18 U.S.C. §1001

Federal law further prohibits anyone from "knowingly and willfully" making "any materially false, fictitious, or fraudulent statement or representation" in any matter within the jurisdiction of the executive, legislative, or judicial branches.³⁵ The prohibition also includes anyone who "falsifies, conceals, or covers up by any trick, scheme, or device a material fact."³⁶ Violations are punishable by up to five years in prison.³⁷ As already noted, the fact that Mr. Reddin signed multiple JFC tax returns that failed to disclose \$920,000 in transfers to JFCPF while simultaneously serving as the treasurer of JFCPF indicates that JFC and Mr. Reddin, individually, knowingly and willfully concealed a material fact from the IRS in violation of 18 U.S.C. §1001.

Conclusion

JFC omitted \$920,000 in spending on political campaign activities from its 2016-2018 tax returns. The IRS should examine JFC's filings and, should it find that JFC and Mr. Reddin made false or incomplete statements on its tax returns, take appropriate action, including but not

³² 26 U.S.C. § 7206(1).

³³ IRS, *Background Paper, Summary of Form 990 Redesign Process*, at 1 (August 19, 2008). *Accessible at* https://www.irs.gov/pub/irs-tege/summary_form_990_redesign_process.pdf.

³⁴ Jobs First Coalition tax returns, Part II.

³⁵ 18 U.S.C. § 1001 (a)(2).

³⁶ 18 U.S.C. § 1001(a)(1).

³⁷ 18 U.S.C. § 1001(a).

limited to referring this matter to the Department of Justice for prosecution.³⁸ Only vigorous enforcement by the IRS and the Department of Justice will deter other organizations from violating the Code and other federal laws for political gain.

Thank you for your prompt attention to this matter.

Sincerely,

A handwritten signature in black ink that reads "Michelle Kppersmith". The signature is written in a cursive style and is contained within a light gray rectangular border.

Michelle J. Kppersmith
Executive Director

³⁸ During these same tax years there were inconsistencies in the way JFC reported its fundraising expenses. In all three years the JFC reported substantial fundraising expenses totaling \$229,110, including payments to Speaker Robin Vos's now-wife Michelle Litjens of \$93,310 in 2018 and \$74,500 in 2016. But, based on publicly available copies of the JFC's Form 990s, JFC only filed the required Schedule G disclosing details of its fundraising activities in 2016 and 2018, but not 2017, available at <https://www.documentcloud.org/documents/6998117-Jobs-First-Coalition-2016-990.html>; <https://www.documentcloud.org/documents/6998118-Jobs-First-Coalition-2017-990.html>; <https://www.documentcloud.org/documents/6998119-Jobs-First-Coalition-2018-990.html>.