

Tax-Exempt Organization Complaint (Referral)

1. Name of referred organization

National Rifle Association of America

Street address

11250 Waples Mill Road

City Fairfax	State VA	ZIP code 22030	Date of referral 4/18/2019
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2. Organization's Employer Identification Number (EIN)

53-0116130

3. Nature of violation

- Directors/Officers/Persons are using income/assets for personal gain
- Organization is engaged in commercial, for-profit business activities
- Income/Assets are being used to support illegal or terrorist activities
- Organization is involved in a political campaign
- Organization is engaged in excessive lobbying activities
- Organization refused to disclose or provide a copy of Form 990
- Organization failed to report employment, income or excise tax liability properly
- Organization failed to file required federal tax returns and forms
- Organization engaged in deceptive or improper fundraising practices
- Other (*describe*)

Recent reporting indicates the leadership of the National Rifle Association ("NRA") has engaged in a pattern of related party transactions, financial mismanagement, and an utter lack of transparency.

4. Details of violation

Name(s) of person(s) involved

See attached letter for details.

Organizational title(s)

Date(s)	Dollar amount(s) (if known)
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Description of activities

See attached letter for details.

5. Submitter information

Name

Justin Wagner, Senior Counsel

Occupation or business

Everytown for Gun Safety Support Fund

Street address

450 Lexington Ave, #4184

City New York	State NY	ZIP code 10017	Telephone number 440-382-5881
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- I am concerned that I might face retaliation or retribution if my identity is disclosed

6. Submission and documentation: The completed form, along with any supporting documentation, may be mailed to IRS EO Classification, Mail Code 4910DAL, 1100 Commerce Street Dallas, TX 75242-1198, faxed to 214-413-5415 or emailed to eoclass@irs.gov. **Disclaimer Notice:** Your email submission of Form 13909 and attachments are not encrypted for security.



April 18, 2019

IRS Commissioner Charles P. Rettig
1500 Pennsylvania Avenue, NW
Washington D.C., 20229

Dear Commissioner Rettig,

I am writing on behalf of Everytown for Gun Safety Support Fund to supplement the contemporaneously filed IRS Form 13909 Tax-Exempt Organization Complaint. Recent reporting by the New Yorker (hereinafter “NRA Expose”) and other news organizations indicates the leadership of the National Rifle Association (“NRA”) has engaged in a pattern of related party transactions, financial mismanagement, and an utter lack of transparency. *See* Mike Spies, “Secrecy, Self-Dealing, and Greed at the NRA”, The New Yorker, Apr. 17, 2019, available at <https://www.newyorker.com/news/news-desk/secrecy-self-dealing-and-greed-at-the-nra>.¹

The NRA is a purported charity and exempt from federal tax under section 501(c)(4) of the Internal Revenue Code and we write today to alert you to what we believe are activities that clearly fall outside of the NRA’s charitable purpose and mission. After reviewing the facts contained in the NRA Expose, Marc Owens, who for ten years headed the IRS division overseeing tax-exempt enterprises, said, “[t]he litany of red flags is just extraordinary ... The materials reflect one of the broadest arrays of likely transgressions that I’ve ever seen. There is a tremendous range of what appears to be the misuse of assets for the benefit of certain vendors and people in control. ... Those facts, if confirmed, could lead to the revocation of the NRA’s tax-exempt status.”

Accordingly, and for the reasons set forth below, we call on the IRS to commence an investigation into whether (i) the NRA has violated the federal laws governing 501(c)(4) charitable organizations, and (ii) if so, consider what remedies are warranted, including potential revocation of the NRA’s 501(c)(4) status.

The NRA Expose details how “a small group of NRA executives, contractors, and vendors has extracted hundreds of millions of dollars from the nonprofit’s budget, through gratuitous payments, sweetheart deals, and opaque financial arrangements.” According to the NRA Expose, the shocking details include, but are not limited to the following:

- Payments and other financial arrangements with executives and insiders at the NRA that resulted in millions of proceeds going to these executives and insiders;
- Evidence that NRA employees and officers, including NRA President Oliver North, are paid by outside entities - such as public relations firms and insurance companies;
- The revelation that the NRA Board of Directors Audit Committee “retroactively signed off on at least some of the NRA’s problematic [financial] transactions.”

¹ Please note that this letter does not purport to catalog every financial impropriety by the NRA, but instead is intended to document recent reports of financial mismanagement that would be of interest to the Internal Revenue Service.



- Documentation reviewed by the New Yorker, which was purportedly prepared ahead of an emergency meeting of the NRA Board of Directors Audit Committee in July 2018 to discuss “whistleblowing reports,” listed concerns including, “NRA pays overbilled, deceptive, vague invoices to ‘preferred’ vendors and contractors” and “decisions are made in the best interests of vendors.”
- Revelations that NRA Executive Vice President Wayne LaPierre has an arrangement that “provides for consulting services and personal appearances upon the end of his employment, at an annual rate that starts at his currently contracted final base salary and is later reduced” - effectively serving as a salary for life.

Indeed, over the past year, there have been several revelations of NRA executives and insiders involved in questionable financial transactions and/or potential financial improprieties involving their work with the NRA. These issues involve millions in organizational funds and according to recent reports and other public documents include:

- A former NRA Managing Director, Michael Marcellin, was paid **\$978,179** by an insurance company (Lockton Affinity) that conducted business with the NRA from 2016-2017.² These payments occurred in the same years Mr. Marcellin was a highly compensated NRA executive, making **\$645,899** in 2016³ and **\$713,975** in 2017⁴ (according to NRA regulatory filings). The NRA revealed this arrangement for the first time this year, saying the details were “inadvertently excluded” from past financial disclosures.⁵ However, recent reporting indicates that the NRA Board of Directors was not aware that Mr. Marcellin was receiving income from both the NRA and Lockton Affinity.⁶
- Since 2010, the NRA has reportedly paid media production company, “Under Wild Skies,” **\$18 million**⁷, including **\$2,635,000** in 2017 alone⁸. Under Wild Skies’ former

² 2017 IRS 990 of the National Rifle Association [Schedule O](#) (disclosure of income from Lockton).

³ 2016 IRS 990 of the National Rifle Association [Schedule J](#) (noting Mr. Marcellin’s 2016 total compensation of \$645,899).

⁴ 2017 IRS 990 of the National Rifle Association [Schedule J](#) (noting Mr. Marcellin’s 2017 total compensation of \$713,975).

⁵ 2017 IRS 990 of the National Rifle Association Schedule O (disclosure of income from Lockton); 2017 IRS 990 of the National Rifle Association Schedule J (noting Mr. Marcellin’s 2017 total compensation of \$713,975); 2016 IRS 990 of the National Rifle Association Schedule J (noting Mr. Marcellin’s 2016 total compensation of \$645,899); *see also* Mike Spies and John Cook, “NRA Pays Lavish Executive Perks Even as It Cuts Costs”, The Trace, Nov. 28, 2018.

⁶ Mike Spies, “Secrecy, Self-Dealing, and Greed at the NRA”, The New Yorker, Apr. 17, 2019.

⁷ Danny Hakim, “Incendiary N.R.A. Videos Find New Critics: N.R.A. Leaders”, New York Times, [Mar. 11, 2019](#) (“since 2010, the N.R.A. has paid \$18 million to a company that produces “Under Wild Skies,” a hunting show on NRATV. Tyler Schropp, the N.R.A.’s advancement director, came to the organization in 2010 from Ackerman, and had a stake in the production company until at least 2017.”).

⁸ Mike Spies and John Cook, “NRA Pays Lavish Executive Perks Even as It Cuts Costs”, The Trace, [Nov. 28, 2018](#) (reporting Under Wild Skies was paid \$2.635 million in 2017 and that Mr. Schropp was the Treasurer of that organization).



treasurer is the NRA's executive director at the Office of Advancement, Tyler Schropp. Mr. Schropp took home a robust \$622,280 salary from the NRA in 2017.⁹ According to reporting from the New York Times, Mr. Schropp had a stake in Under Wild Skies "until at least 2017."¹⁰

- Between 2016 and 2017, the NRA paid **\$1,395,000** to HWS Consulting Inc., a firm whose owner, Wayne Sheets, is the NRA Foundation's longtime executive director. The NRA admitted that the NRA Foundation had "inadvertently omitted" Mr. Sheets as an executive officer from its previous regulatory filings.¹¹ Reporting from the New Yorker indicates that HWS Consulting's contract stipulated a "base monthly consulting fee" to be paid "regardless of the number of consulting hours provided by the Consultant" and that Mr. Sheets received an *additional* two hundred and forty thousand dollars in expense reimbursements.¹²
- In 2017, the NRA Foundation paid **\$3,065,031** to Crow Shooting Supply, a company owned by former NRA President Pete Brownell.¹³ The Foundation has reportedly been paying Crow Shooting Supply since 2008 (Brownell has owned the company since 2011).¹⁴
- In 2016, the NRA hired Josh Powell as chief of staff, an executive position with the NRA that paid him total compensation in 2017 of **\$779,066** a year.¹⁵ Mr. Powell was previously business partners with Pete Brownell, who was in line to become the NRA president. After investigative reporting in 2018 revealed Powell's history of financial mismanagement in the jobs he held before joining the NRA¹⁶ and that the NRA was reimbursing him for over \$100,000 per year in personal expenses¹⁷, Mr. Powell was reportedly reassigned within the NRA.¹⁸ According to the NRA Expose, Mr. Powell's

⁹ 2017 NRA IRS 990, Part VII, Section A (indicating compensation of \$622,280).

¹⁰ Danny Hakim, "Incendiary N.R.A. Videos Find New Critics: N.R.A. Leaders", New York Times, [Mar. 11, 2019](#) ("since 2010, the N.R.A. has paid \$18 million to a company that produces "Under Wild Skies," a hunting show on NRATV. Tyler Schropp, the N.R.A.'s advancement director, came to the organization in 2010 from Ackerman, and had a stake in the production company until at least 2017.").

¹¹ Mark Maremont, "NRA Awarded Contracts to Firms with Ties to Top Officials", Wall Street Journal, Nov. 30, 2018.

¹² Mike Spies, "Secrecy, Self-Dealing, and Greed at the NRA", The New Yorker, Apr. 17, 2019.

¹³ Part IV, Schedule L, 2017 Form 990, NRA Foundation, [Nov. 5, 2018](#).

¹⁴ Mark Maremont, "NRA Awarded Contracts to Firms with Ties to Top Officials", Wall Street Journal, Nov. 30, 2018; 2017 NRA Foundation IRS 990, Part IV, Schedule L.

¹⁵ NRA IRS 990 2017 Filing, Part VII, Section A (listing Mr. Powell's compensation as \$779,066).

¹⁶ Mike Spies and John Cook, "A Top NRA Executive's Trail of Business Flops and Unpaid Debt", The Trace, [Oct. 1, 2018](#).

¹⁷ Mike Spies and John Cook, "NRA Pays Lavish Executive Perks Even as It Cuts Costs", The Trace, [Nov. 28, 2018](#).

¹⁸ "NRA Sidelines Executive After Revelations of Insider Deals and Lavish Expenses", The Trace, Dec. 3, 2018.



wife worked on the NRA's account as an outside consultant at McKenna & Associates.¹⁹

- Reports indicate that current NRA President Oliver North has a lucrative contract with the NRA's longtime media consultants Ackerman McQueen.²⁰ In addition, public reporting indicates that NRA TV personalities Dana Loesch and Colion Noir also have contracts with Ackerman as well.²¹
- *The New York Times* reported that the NRA has 41 employees, contractors, vendors or consultants that have family relationships to others connected to the NRA.²²

The NRA's questionable business practices not only appear to stray from the norms and rules governing charities, but also threaten the financial health of the organization. For instance, recent reports and documents indicate the NRA's 501(c)(3) sister charitable organization – the NRA Foundation -- transferred **\$19.2 million and \$18.8 million** in tax deductible donations to the NRA (a 501(c)(4) organization that engages in political activity) in 2016²³ and 2017²⁴, respectively. On top of that, the NRA's most recent public disclosures, for 2017, revealed the NRA Foundation gave a **\$5 million loan** to the NRA.²⁵ The NRA reportedly laid off several employees, including some associated with its NRA TV product.²⁶ The NRA Expose indicated that a "financial audit from 2017 revealed that [the NRA] had nearly reached the limit of a twenty-five-million-dollar line of credit" and the NRA was forced to "borrow almost four million from its officers' life insurance policies...."²⁷

In addition to the front pages, the NRA's reported mismanagement and lack of oversight is spilling over to the courts, especially as it pertains to the apparent collapse of the NRA's relationship with its most significant business partner, PR firm Ackerman McQueen, which the NRA sued in Virginia state court last week. Ackerman responded to the lawsuit by saying that the NRA was acting with "malicious intent."²⁸ In 2017, the NRA's aggregate payments to Ackerman McQueen, and its subsidiary the Mercury Group, totaled nearly \$40 million alone

¹⁹ Mike Spies, "Secrecy, Self-Dealing, and Greed at the NRA, The New Yorker, Apr. 17, 2019.

²⁰ Danny Hakim, "Incendiary NRA Videos Find New Critics: NRA Leaders", NY Times, Mar 11, 2019.

²¹ Mike Spies, "Secrecy, Self-Dealing, and Greed at the NRA, The New Yorker, Apr. 17, 2019.

²² Danny Hakim, "Incendiary NRA Videos Find New Critics: NRA Leaders", NY Times, Mar 11, 2019.

²³ Line 2, Part V, Schedule R, [2016 Form 990](#), National Rifle Association of America.

²⁴ Line 2, Part V, Schedule R, [2017 Form 990](#), National Rifle Association of America.

²⁵ Notes Payable and Credit Agreements, Notes to Financial Statements, National Rifle Association of America, [2017 Form 990](#).

²⁶ "NRA's TV Operation Lays Off Several Employees", The Trace, Nov. 28, 2018.

²⁷ Mike Spies, "Secrecy, Self-Dealing, and Greed at the NRA, The New Yorker, Apr. 17, 2019.

²⁸ "OKC Ad Agency Ackerman McQueen Sued by the NRA," The Journal Record (Oklahoma City), April 15., 2019.



(12% of the NRA’s overall expenses),²⁹ and financial reports indicate Ackerman McQueen has netted well-over \$100 million in payments since 2012.

To put a finer point on this, former NRA fundraiser Aaron Davis went on record criticizing the NRA in fairly stark terms, including describing lavish dinners “where wine was pouring freely, and [he was] going to dinners with other NRA executives where the bill would be a thousand dollars.” Davis added “I just thought, if the typical NRA member knew that this is how the organization really works, then there’s just no way they would give money.”³⁰

In order to uphold the law and protect members, we believe you – as a regulator of charitable institutions – should ask a similar set of questions to the NRA by investigating whether the organization violated the federal laws governing 501(c)(4) charitable organizations.

Sincerely,

A handwritten signature in black ink that reads "Justin Wagner". The signature is written in a cursive, flowing style.

Justin Wagner

Senior Counsel for Everytown for Gun Safety

²⁹ *NRA v. Ackerman McQueen*, Civil Complaint, filed Apr. 15, 2019, para.13.

³⁰ Mike Spies, “Secrecy, Self-Dealing, and Greed at the NRA,” *The New Yorker*, Apr. 17, 2019.