

April 16, 2013

Mr. Steven T. Miller
Internal Revenue Service
Acting Commissioner

Mr. Richard Weber
Internal Revenue Service
Chief, Criminal Investigation

Internal Revenue Service
1111 Constitution Ave NW
Washington, DC 20224

Dear Acting Commissioner Miller and Mr. Weber,

On March 31, 2013, the ESPN investigative unit "Outside the Lines," released the findings of an in-depth look into 115 charitable organizations founded by prominent athletes. In a long exposé,¹ ESPN provides extensive details of the investigation, which revealed "74 percent of the nonprofits fell short of one or more acceptable nonprofit operating standards."

I am writing today to ask for an official review of this matter, including an audit of a sample of the charities similar to those included in the ESPN report. During a time of fiscal scrutiny and budgetary shortfalls, Congress and the administration should work together to ensure tax benefits intended for charity are not abused as tax havens for the well-to-do.

Many of ESPN's findings raise cause for concern regarding the tax filings of these particular entities. For example, several charitable organizations stopped filing tax returns altogether, while others provided misinformation on their IRS filings. In one instance, a phone number provided to the IRS by professional football player Randy Moss' charities "...rings to a private residence in Manitoba, where a woman who answered the phone said, over dogs barking in the background, that she's never heard of Randy Moss." In yet another case, the IRS eventually revoked the tax-exempt status of famous Yankees player Alex Rodriguez's two charities, which had failed to file a tax return since 2006.

¹ Outside the Lines, ESPN.com, "Athlete charities often lack standards," http://espn.go.com/espn/otl/story/_/id/9109024/top-athletes-charities-often-measure-charity-experts-say-efficient-effective-use-money.

In some examples, “Outside the Lines” work found some athlete “charities” had given very little grant money or charitable assistance or had very little cash on hand with which to provide assistance to those they promised.

There is an appearance that some star athletes are using the organizations not only as tax havens, but as a way to pay for lavish spending habits and entertainment activities—all while receiving special tax-exempt status from the federal government.

Los Angeles Lakers basketball star Lamar Odom’s cancer research charity has failed to provide “a dime in grant money to any cancer entity in its eight-year history.” ESPN explains, “But eight years of tax records reveal that Cathy’s Kids never gave any grant money to cancer-related causes and that the charity primarily existed to finance two elite youth basketball travel teams. Of the \$2.2 million raised by the charity, at least 60 percent -- \$1.3 million -- went to those AAU teams.”

Athletic superstars are not the only ones taking advantage of the tax-exempt status preferences in the tax code, resulting in millions of dollars in lost revenue each year. Many professional sports leagues, such as the National Hockey League, the PGA tour, and the NFL, which are clearly organized for profit to promote their specific brands, receive tax-exempt status from the IRS. Collectively with their subsidiaries, the NFL, NHL, PGA tour, and LPGA generate an estimated \$13 billion in annual revenue. The tax-exempt offices of these leagues earned \$184.3 million, \$89.1 million, \$1.4 billion, and \$73.6 million in 2010, respectively. Allowing these organizations to continue as tax-exempt agencies forces taxpayers to subsidize the operations of the multibillion sports industry that is wildly successful on its own.

While middle class families are struggling to make ends meet and pay their share of taxes, it is outrageous well-to-do superstars are evading paying taxes by harboring income in fake charities that benefit few others than the stars themselves. I would ask for your response to several questions to help me gain a better understanding on how the IRS oversees these charitable organizations and other nonprofits. In addition to a full review of the organizations findings and a sample audit as mentioned previously, please provide responses to the following questions:

- 1) How many tax exempt charitable organizations currently exist? How many existed ten years ago?
- 2) How many tax exempt charitable organizations are currently delinquent on filing at least one or more tax form?
- 3) In each of the five past years, beginning in 2008, how many charitable organizations have had their tax-exempt status revoked by the IRS.
- 4) What actions have the IRS taken since the “Outside the Lines” report was released in late March, to examine the allegations?
- 5) Has the IRS received allegations of problems at any charitable organizations founded by prominent athletes? If so, please explain what actions were taken by the IRS?
- 6) What challenges does the IRS face overseeing tax exempt charitable organizations?

- 7) How many criminal investigations of tax exempt charitable organizations has the IRS conducted since 2010?
- 8) Has the IRS had problems with U.S. Attorneys' offices in prosecuting tax exempt charitable organizations?

I look forward to your response and appreciate your efforts on this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Coburn", with a long horizontal flourish extending to the right.

Tom A. Coburn, M.D.

United States Senate

cc: Treasury Inspector General, Russell George
Treasury Secretary Jacob Lew