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Take Politics Away From the I.R.S.

By [THE EDITORIAL BOARD](#)

President Obama's [decision on Wednesday](#) to dismiss the acting commissioner of the Internal Revenue Service was a largely symbolic demonstration of anger and authority. The official, Steven Miller, was not directly involved in [the misguided decision to single out Tea Party groups for special scrutiny](#) in granting tax exemptions. What is more important is Mr. Obama's promise to clarify the extremely vague tax laws, which are the root cause of the problems in both the I.R.S. and the political system.

[The report issued Tuesday by the Treasury Department's inspector general](#) said no one outside the I.R.S. had pressured staff members to look more closely at Tea Party groups. The agency's mistake was made in-house, and the report uncovered no evidence that it was the result of political pressure from the White House, as many Republicans are charging.

Instead, it was a group of midlevel employees who decided to search for the phrase "Tea Party" and other key words used by conservative groups in identifying and evaluating applications to become tax-exempt "social welfare" groups. Conservative groups were questioned, rejected or left pending with no decision. Those employees "did not consider the public perception of using politically sensitive criteria when identifying these cases," the report said, adding that "ineffective management" allowed this poor decision-making to go on for 18 months.

The practice was inexcusable, because social-welfare groups of all political stripes, known in the tax code as 501(c)(4) organizations, had for years abused their tax exemptions through excessive political activity, and the I.R.S. should have cracked down on them without regard to ideology. In July 2011, the director of the exempt organizations office, Lois Lerner, told the employees to stop singling out Tea Party groups and instead focus on whether any group might be more active in politics than social welfare, the report said. Yet, just a few months later, the employees were back to using ideological tests.

Nonetheless, there is a clear reason this problem kept arising at the I.R.S., and it is the same reason that social welfare groups were allowed to overrun the political process with secret cash in the last three elections. There are no clear standards for how much political activity a 501(c)(4) group can undertake, or even a clear definition of what political activity is.

For years, the I.R.S. ignored the activities of these groups; when it finally decided to crack down, it did so in a dangerous way.

The tax code says these groups must engage only in social welfare work, but decades ago the I.R.S. began allowing them to dabble in politics, working for or against candidates, as long as that was not their primary activity.

Some groups carefully spend only 49 percent of their money on politics, while others, including the one founded by Karl Rove, do nothing but politics while claiming they are engaged in social welfare work. The I.R.S. employees didn't understand the rules, the inspector general said, largely because the rules barely exist.

Given the confusion, and the years of abuse, it's time for the I.R.S. to return to the [original language of the statute](#) and require these groups to operate "exclusively for the promotion of social welfare," and not engage in politics. But since even that definition can be squishy, Congress also needs to require that all these groups disclose their donors. Most want the 501(c)(4) designation precisely because it allows secrecy for their donors; otherwise they would take the far easier step of becoming standard political organizations, known as 527 groups, which have to reveal their contributors.

The best way to prevent abuse is to reform this vague statute and eliminate the agency's discretion. Republicans and Democrats should be joining forces in taking this important step.