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Opening Statement Congressman Matt Cartwright

Subcommittee on Economic Growth, Job Creation and Regulatory Affairs Hearing on "The Administration's Proposed Restrictions on Political Speech: Doubling Down on IRS Targeting"

February 27, 2014

Thank you Mr. Chairman. And thank you to the panel for being here.

Today's hearing is intended to discuss the merits of the IRS and Treasury Department's proposed rule clarifying the definition of political campaign activity for 501(c)(4) organizations. This rule is a positive first step towards providing much needed clarity and guidance for tax-exempt social welfare organizations.

Unfortunately, the title of today's hearing, is a not-so-subtle clue that some Members will use these proceedings as another opportunity to lob baseless accusations at the Obama Administration.

As I explained yesterday, after multiple hearings, extensive witness interviews, and the review of thousands of documents, this Committee has uncovered no evidence that the White House was involved in the treatment of tax-exempt applications.

Likewise, the Treasury Inspector General for Tax Administration has repeatedly testified that he found no evidence of outside influence, White House or otherwise, in how IRS personnel processed applications.

What TIGTA's report on Exempt Organizations did find is that applications experienced delays, not because of political bias, but in part because IRS employees struggled without specific guidance on how to determine whether social welfare was the "primary activity" of these organizations. As TIGTA explained:

"Treasury regulations state that IRC Section c4 organizations should have social welfare as their 'primary activity'; however, the regulations do not define how to measure whether social welfare is an organization's 'primary activity.'"

As a result of this longstanding ambiguity, the IG recommended that the IRS create better guidance on how to process c4 applications and work with Treasury to develop guidance on how to measure “primary activity.”

In direct response to the IG’s recommendation, the IRS and Treasury developed a proposed rule to clarify the definition of political campaign activity and requested public input to ensure the standards are clear and can be applied consistently.

Despite these facts, on February 4th, Chairmen Jordan and Issa demanded that IRS Commissioner Koskinen withdraw the proposed rule, claiming it was an attempt to “stifle political speech by conservative c4 organizations.”

There is no evidence to support my colleagues’ partisan accusation, but it seems that House Republicans will stop at nothing to keep the American public in the dark about dark money.

Furthermore, there is nothing in the proposed rule that restricts any form of political speech. Political groups can still be tax-exempt organizations, if they file as so-called 527’s; they simply would be required to disclose their donors.

So let’s talk about what this whole effort is really about. This is about groups doing everything they can to hide where they get their money, obscure what they are really up to and to anonymously influence the political process. Anonymous money in politics is something I’ve said time and time again disrupts the democratic process in this country, and something I would like to see changed.

To this end, I have introduced the OPEN Act, which would require both corporations and unions to disclose their political spending to shareholders and members. The bill would also cap political spending by c4 organizations at 10% of annual expenditures. This legislation will help to shine a light on the dark money funding political activities.

Regardless of our specific views on the proposed rule, I hope we can at least agree that IRS employees and organizations seeking c4 status need to have clear, easy-to-follow guidance.

I look forward to hearing from the witnesses today on this important issue, I yield back.