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Wednesday, October 24, 2012

Douglas Shulman, Commissioner  
Internal Revenue Service  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

RE: IRS ongoing failure to act on public complaints about the American Israel Education Foundation raising regulator capture questions

Dear Douglas Shulman,

On September 9, 2011 IRmep filed a complaint that the American Israel Education Foundation (AIEF) was systematically violating IRS regulations governing tax-exempt organizations<sup>1</sup> and gravely undermining democracy and rule of law. **The complaint documented the case for the retroactive revocation of AIEF's tax exempt status.** In early 2012 many Americans also individually contacted the IRS, urging it to take action on AIEF's flagrant violations, particularly its funding for massive congressional junkets to Israel in coordination with the American Israel Public Affairs Committee (AIPAC). On September 9, 2012 the IRS lackadaisically responded to these petitioners with identically non-committal form letters.<sup>2</sup>

**A further analysis reveals that AIEF's representations of proposed activities to the IRS in order to obtain tax exempt status on August 17, 1989 bear no resemblance to actual operations.** Specifically, in its April 6, 1989 application for tax-exempt status<sup>3</sup> (now posted online for public review, PDF page citations below) the AIEF claimed:

1. AIEF's major purposes would be "educational." (pp 16-17 <http://www.irmep.org/09092011AIEF.pdf>). AIEF does not mention at all it would be coordinating with AIPAC **in particular to transport large numbers of Congress members and their staffs to Israel** with millions of tax-deductible contributions—**circumventing vigorously enforced bans on all other lobbyist-funded travel.**
2. AIEF sought tax-exempt status under IRS regulations permitting such status because "organizations formed to promote international understanding serve both charitable and educational purposes." However, like its affiliated organization AIPAC, AIEF **seeks only to advance the interest of a single foreign country and its government—Israel—in the United States.** It is therefore not a bona fide "international educational" organization.
3. AIEF claims it is engaged in "nonpartisan analysis, study and research." **This is not true.** AIEF and AIPAC are both **Israel** partisans, under the definition of "An adherent or supporter of a person, group, party or cause, especially a person who shows a biased, emotional allegiance."<sup>4</sup> As evidenced by AIEF/AIPAC operations, **their observable goal is to seed both major political parties and the government with Israel partisans and initiatives that will advance a single foreign country. This is not an IRS recognized charitable purpose.** AIEF activities violate Section 4945<sup>5</sup> prohibitions on partisan activities by tax-exempt organizations. AIEF specifically engages in partisan lobbying operations designed to perpetuate large foreign aid packages and unconditional U.S. diplomatic

<sup>1</sup> Available online at <http://www.irmep.org/09092011AIEF.pdf>

<sup>2</sup> See [http://www.irmep.org/ila/09102012\\_smith.pdf](http://www.irmep.org/ila/09102012_smith.pdf), [http://www.irmep.org/ila/09102012\\_fritsh.pdf](http://www.irmep.org/ila/09102012_fritsh.pdf), [http://www.irmep.org/ila/09102012\\_saidi.pdf](http://www.irmep.org/ila/09102012_saidi.pdf),

<sup>3</sup> Available online at <http://www.irmep.org/ila/aief/>

<sup>4</sup> The Random House Dictionary of the English Language, 2<sup>nd</sup> Edition, Unabridged

<sup>5</sup> Enacted by Congress as part of the Tax Reform Act of 1969 in reaction to abuses by private foundations.

support to Israel. Any material AIEF distributes through AIPAC cannot meet the “sufficiently full and fair exposition of the pertinent facts” standard of Section 4945 because AIPAC is also an Israel lobbying organization. AIEF’s own “educational” gatherings appear to be closed grassroots lobbying events that attempt to influence legislation over the long term through “calls to action” and training partisan attendees about candidate positions through AIPAC materials such as voter “scorecards” of candidates (filed in our original complaint). Interested members of the public cannot attend AIEF events.

4. Given AIPAC and AIEF’s reportedly tight coordination with the Israeli government, both should also be registering under the 1938 Foreign Agents Registration Act, **especially since both are offshoots of an organization already ordered to register (the American Zionist Council).**<sup>6</sup>
5. In 1989 AIEF promised “All research produced and published will be made available to the general public” and that it would produce “studies, publications, training program, seminars, intern programs and meetings to increase public understanding of international issues.” (see page 20 <http://www.irmep.org/09092011AIEF.pdf>) **But over the past 23 years, AIEF has made no such material available to the public and has never even posted a website.**<sup>7</sup> AIEF’s lack of direct output available to the public is not surprising, since it has no staff or resident scholars but instead is led by AIPAC executives and staffed by AIPAC “volunteers” as noted in our original complaint.
6. AIEF claims that the funds it makes available to AIPAC are spent only on activities exempt under section 501(c)(3). We believe that AIEF funding is being misused in order to skirt well-designed lobbying laws that would otherwise prohibit AIPAC from sending members of Congress on lobbying junkets to Israel. AIPAC maintains an office in Jerusalem where it reportedly coordinates with the Israeli government.<sup>8</sup> AIPAC can then target members of the US congress to lobby and have AIEF use tax-deductible funding to send them to Israel and coordinate lobbying meetings with members of the Israeli government and other lobbyists.

As substantiated in our detailed complaint filed more than one year ago, AIEF fits the IRS definition of a “sham” organization. AIEF now demonstrably functions as little more than a lobbyists travel and publications slush fund and grassroots lobbying organization. The public is gradually becoming aware of this, **as the letters sent to the IRS indicate.** Last year Rabbi Bruce Warshal’s observed that “The AIEF is an amazing organization of which no one has ever heard... It’s amazing that someone hasn’t filed suit to stop this charade.”<sup>9</sup> Although the IRS Commissioner has made lofty public pronouncements<sup>10</sup> that IRS regulations would be strictly enforced, there is no evidence this zeal extends to any Israel lobbying organization openly flouting regulations.

**The IRS’s lack of timely, specific and warranted responses to public petitions raises the question of whether this particular component of the U.S. Treasury Department has suffered from “regulatory capture”, i.e. that partisans of the same cause of the organizations violating the law are now insiders at the upper levels of the IRS and unwilling to properly discharge their constitutional duty to uphold the law.** I call your attention to other cases of regulatory capture, such as at the Security Exchange Commission which ignored over the course of a decade the irrefutable complaints of activist Harry Markopolos that Bernie Madoff was leading a massive Ponzi scheme. The negative impacts of ignoring AIEF/AIPAC are even more disastrous. All Americans are digging much deeper into their assets to offset tax revenue shortfalls created by sham organizations like the AIEF. And yet the IRS sits idly by, choosing to do nothing as public petitions for redress of grievances continue to pile up.

Sincerely,



Grant F. Smith, Director of Research

cc: Barak Obama, President; Eric Holder, AG; Nannette M. Dowling; Director, IRS EO Examinations

<sup>6</sup> <http://irmep.org/ILA/AZCDOJ/default.asp>

<sup>7</sup> AIEF has taken over publication of the “Near East Report” first funded by the Jewish Agency, then housed at AIPAC.

<sup>8</sup> <http://etdisrael.com/Theme-Tours/Kaddish/Speakers/default.aspx?id=100>

<sup>9</sup> Federal courts routinely deny standing to Americans suing the IRS over demonstrated failures to uphold tax exempt regulations, making such legal recourse unlikely.

<sup>10</sup> <http://www.prnewswire.com/news-releases/irs-asked-to-probe-links-between-aipac-weizmann-and-secret-israeli-nuclear-weapons-program-141780383.html>