OCTOBER 27, 2014 - TACOMA, WASHINGTON --  The tax exempt status of the Freedom Foundation, a right wing group that has exclusively supported Republican candidates and causes in Washington State, has been challenged by an attorney in Tacoma.

The Freedom Foundation is accused of conducting attacks on Democratic politicians and progressive issues, intervening in political campaigns and conducting excessive partisan political activity while it supports Republican candidates and promotes conservative and right wing causes.

Attorney Brooke Johnson filed the complaint. Her cover letter to the IRS states, "It has become clear that the Foundation is operating far outside the scope of activities permitted a 501(c)(3) organization -- and has been for some time.  The most grievous of these activities is the Foundation's repeated willingness to engage in sharply partisan activities, which have included intervention in a number of political campaigns ... the law clearly demonstrates that the Foundation's activities are not only inappropriate, but have led to exempt status denials or revocations for similar organizations in the past."

The complaint notes that the abuse of the tax-exempt charity status has affected residents of Washington and taxpayers across the United States. As the U.S. Supreme Court ruled in 1997:

"Both tax exemptions and tax-deductibility are a form of subsidy that is administered through the tax system.  A tax exemption has much the same effect as a cash grant to the organization of the amount of tax it would have to pay on its income.  Deductible contributions are similar to cash grants of the amount of a portion of the individual's contribution."

Essentially, the Foundation benefits from a virtual government subsidy as they pay no taxes while they actively denounce government subsidies for others.

Johnson has been retained by JZ Knight and JZK Inc., owners of Ramtha’s School of Enlightenment (RSE) in Yelm, Washington. Knight is the president of JZK, Inc. and the unique channel of Ramtha. She was first attacked by the Foundation in the 2012 election cycle after she made donations to the Washington State Democratic Party, along with local and state candidates.  Among other political maneuvers, the Foundation disseminated excerpts of pirated videos from events at RSE in an effort to embarrass the Democrats.

According to IRS regulations, in order to qualify as exempt from federal taxation under 501(c)(3), an organization like the Freedom Foundation must be organized and operated exclusively for educational purposes.  Regulations specifically exclude "action organizations" defined as groups that devote a substantial amount of time "attempting to influence legislation by propaganda or otherwise."

Action organizations are also defined as one that "contacts, or urges the public to contact, members of a legislative body for the purpose of proposing, supporting, or opposing legislation," and one that advocates for the adoption or rejection of legislation.

The IRS notes that an organization that cannot qualify for tax exempt status if it "participates or intervenes, directly or indirectly, in any political campaign on behalf of or in opposition to any candidates for public office."  Johnson noted in her complaint that "based on this definition, the Foundation easily qualifies as an 'action organization' .... and is therefore ineligible to be treated as a 501(c)(3) organization."

The Freedom Foundation has ties to conservative benefactors the Koch Brothers, the right wing funding group, Donors Trust  and to the American Legislation Exchange Council (ALEC), which the New York Times described as a "Conservative Nonprofit (that) acts as a stealth business lobbyist."

Jeff Rhodes, the managing editor of the Freedom Foundation, recently boasted in the comments section of the Tacoma News-Tribune of the Foundation's ties to ALEC.  "Oh by the way -- the Freedom Foundation isn't just similar to ALEC.  We actually played a large role in the creation of that fine organization.  And we take great pride in it."

Foundation CEO Tom McCabe recently posted a letter on the Foundation's website inviting Ted Nugent for an all-expenses-paid trip to speak at the Northwest Freedom Shootout.  The open letter, titled "Dear Ted: We'd be proud to have you as our guest at the NW Freedom Shootout" for gun enthusiasts, was recently taken down.   Nugent called President Obama a "sub-human mongrel," which McCabe said in his letter was "absolutely not racist."

The Washington State Public Disclosure Commission lists the following groups, all conservative in nature, that have contributed to the Freedom Foundation:

\* Yakima County Republican Central Committee

\* Kittitas County Republican Party

\* Kitsap County Republican Party

\* Mason County Republicans

\* Klickitat County Republican Central Committee

\* Grant County Republican Central Committee

\* 32nd District Republicans

\* Property Fairness Coalition (right wing group)

\* John Clark (republican candidate)

\* Lois McMahan (republican candidate)

\* Timothy Matthes (republican candidate)

\* Linda Darnell (republican candidate)

\* Robert McKenna (republican candidate)

\* Joel Kretz (republican candidate)

\* Matthew Swindell (republican candidate)

\* Joyce Mulliken (republican candidate)

\* John Groen (conservative judicial candidate)

\* David Taylor (republican candidate)

\* Matthew Shea (republican candidate)

The Supreme Court ruling above shows that these donors benefited from the equivalent of a government cash grant in the amount of the tax savings from their deduction, a virtual government subsidy to groups and individuals who rail against government subsidies to less fortunate recipients.

Please let me know if you are interested in a copy of the request for review sent to the IRS, or to set up an interview with attorney Brooke Johnson or Michael Wright of the Ramtha School.  Thank you.

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Robert Wynne  
[www.wynnepr.com](http://www.wynnepr.com)  
[rob@wynnepr.com](mailto:rob@wynnepr.com)  
310.540.7204