

NAACP Will Challenge IRS in Federal Court

Baltimore (April 3, 2006) - The National Association for the Advancement of Colored People announced that it is taking measures to challenge the Internal Revenue Service's examination of the association's tax-exempt status.



In February, the IRS released a report on the agency's examination of political activity by tax-exempt organizations during the last major election. In connection with the report, the agency also unveiled new guidance for the 2006 election season. According to the NCAAP, the IRS threatened to revoke the NAACP's tax-exempt status because its chairman, Julian Bond, criticized the Bush administration's policies in a 2004 speech.

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The association's general counsel, Dennis Courtland Hayes, said although the agency has not contacted the NAACP in more than a year, the group was alarmed by the IRS's new guidance. He said the NAACP had filed a claim for a refund of \$17.65 and that if the IRS failed to respond to the request within 6 months, the group will seek review of the refund claim in federal court.

In a statement, president Bruce S. Gordon also accused the agency of dragging its feet on several outstanding Freedom of Information Act requests and went on to characterize the legal scrap as a battle over First Amendment rights. "We must defend the principles at stake and demand better treatment on behalf of the countless organizations in our sector that need clear guidance in this area," he said.

As a protective measure, the NAACP said that it filed a form with the IRS in September to report and pay the estimated amount of tax related to Bond's speech as if it had constituted campaign intervention -- thus its request for a refund.

The IRS began an audit examination of the NAACP in October 2004, one month before the election and three months before the end of the NAACP's 2004 tax year. In the letter initiating the examination, the IRS asserted that the NAACP had "flagrantly" violated the proscription against political campaign intervention in the Internal Revenue Code. The association has refused to provide any documents or information, on the grounds that the timing of the examination is both procedurally flawed and politically motivated.

The NAACP's tax-exempt status remains in place.

— WebCPA staff

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