

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND REFORM

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October 16, 2019

Mr. Richard E. Zuckerman
Principal Deputy Assistant Attorney General
Tax Division
U.S. Department of Justice
950 Pennsylvania Avenue, N.W.
Washington, D.C. 20530-0001

Dear Mr. Zuckerman:

We are writing regarding troubling reports of self-dealing, private inurement of earnings, and possible financial fraud on the part of the National Rifle Association (NRA) and its senior leadership. These activities appear to defraud NRA members and taxpayers. These apparent abuses are so widespread and systemic that even Oliver North, former NRA President, warned: “There is a clear crisis that needs to be dealt with quickly and responsibly.” In response to numerous accounts of financial mismanagement, he stated: “If true, the NRA’s nonprofit status is threatened.”¹

Many NRA members and employees are our constituents, and the NRA is headquartered in Chairman Connolly’s district in Northern Virginia. We write to refer this information to you for further investigation of the NRA’s potential violations of the Internal Revenue Code (IRC).

Staggering Amounts of Spending Funneled to NRA Board Members

According to recent reporting, several NRA board members have personally profited by rendering services to the very organization for which they are expected to provide independent oversight.² According to public reports and the NRA’s own tax filings, 18 of the 76 members of the board—nearly a quarter—received payments during the past three years from the 501(c)4 that they oversee. These reported payments include the following:

¹ Letter from Oliver North, President, National Rifle Association, to Board of Directors, National Rifle Association (Apr. 2019) (read at National Rifle Association 148th Member’s Meeting, Apr. 27, 2019) (reading online at <https://www.youtube.com/watch?v=Nc0CbYOcNEM&feature=youtu.be+two+decadeson+board%2C>).

² *NRA Money Flowed to Board Members Amid Allegedly Lavish Spending by Top Officials and Vendors*, Washington Post (June 9, 2019) (online at www.washingtonpost.com/investigations/nra-money-flowed-to-board-members-amid-allegedly-lavish-spending-by-top-officials-and-vendors/2019/06/09/3eafe160-8186-11e9-9a67-a687ca99fb3d_story.html?utm_term=.abfac16c73d1).

- \$610,000 to board member and former president Marion Hammer for consulting and lobbying services;
- \$255,000 to board member Lance Olson for fundraising and outreach;
- \$400,000 to board member Dave Butz for firearms training and outreach;
- \$28,750 to board member Bart Skelton for contributing to NRA publications;
- \$50,000 and \$23,500 to companies affiliated with musicians, board member Ted Nugent and former board member Craig Morgan, respectively, for musical performances; and
- \$3.1 million in sales made to the NRA Foundation by Crow Shooting Supply, formerly led by former board member and former president Pete Brownell.³

The IRC expressly prohibits excess benefit transactions (transactions exceeding fair market value) between social welfare organizations and disqualified persons, such as board members.⁴ If these transactions exceeded fair market value and were not reported by the organization or the involved board members on an IRS Form 4720, they appear to threaten the tax-exempt status of the NRA.

Excessive Salaries and Personal Expenses for Senior Executives

In addition to suspect financial transactions with board members, salaries for senior NRA executives, such as Chief Executive Wayne LaPierre, appear to be excessive. According to the NRA's 2015 tax filings, Mr. LaPierre's compensation exceeded \$5.1 million that year, while pensions for NRA staff were frozen.⁵

Moreover, using NRA member dues to underwrite lavish personal expenses for the benefit of senior leaders seems a commonplace practice at the organization. For example, Mr. LaPierre reportedly billed \$275,000 at a luxury men's boutique and \$267,000 for "flights and limousine service for trips to the Bahamas, Florida, Nevada, Budapest and an Italian lake resort."⁶

³ *Id.*; Internal Revenue Service, *Form 990: Return of Organization Exempt from Income Tax, National Rifle Association* (2017); *Former NRA Staff Outraged Over Allegations of CEO's Financial Misconduct*, National Public Radio (May 16, 2019) (online at www.npr.org/2019/05/16/724089957/former-nra-staff-outraged-over-allegations-of-ceos-financial-misconduct); *NRA Memo Reveals New Details About Leadership's Conflicts and Unexplained Spending*, The Trace (May 7, 2019) (online at www.thetrace.org/2019/05/nra-accountants-memo-unexplained-spending/).

⁴ Internal Revenue Service, *Intermediate Sanctions—Excess Benefit Transactions* (Aug. 7, 2019) (online at www.irs.gov/charities-non-profits/charitable-organizations/intermediate-sanctions-excess-benefit-transactions).

⁵ *Former NRA Staff Outraged Over Allegations of CEO's Financial Misconduct*, National Public Radio (May 16, 2019) (online at www.npr.org/2019/05/16/724089957/former-nra-staff-outraged-over-allegations-of-ceos-financial-misconduct).

⁶ *At the N.R.A., a Cash Machine Sputtering*, New York Times (May 14, 2019) (online at www.nytimes.com/2019/05/14/us/nra-finances-executives-board-members.html).

The reimbursement of personal expenses appears to extend to housing accommodations. Public reports allege that \$13,800 was billed to the NRA to cover the rent of an apartment for a summer intern.⁷

According to public reporting of a memorandum resulting from an internal audit conducted by NRA accountants, four executives—Doug Hamlin, Executive Director of Publications; Eric Frohardt, Director of Education and Training; Joe DeBergalis, Executive Director of General Operations; and Josh Powell, Mr. LaPierre’s Chief of Staff—received, without a supporting contract, “reimbursement of expenses relating to apartments and living expenses beyond HR Policy Manual stipulations and on a permanent basis.”⁸

Former NRA employee Aaron Davis publicly recounted his experience with this culture of profligate spending, stating: “I was doing fundraising dinners where wine was pouring freely, and going to dinners with other NRA executives where the bill would be a thousand dollars—just to go out to dinner!”⁹

Recently, three NRA board members reportedly resigned their posts after other leaders ignored their repeated concerns about rampant mismanagement and excessive spending at the organization.¹⁰ More recent reports allege that the NRA contemplated purchasing a \$6 million mansion for Mr. LaPierre in Dallas, Texas—an action that would seem to be a flagrant violation of IRS tax provisions.¹¹

The IRC expressly prohibits the inurement of an organization’s earnings to the benefit of a private individual.

⁷ *NRA Money Flowed to Board Members Amid Allegedly Lavish Spending by Top Officials and Vendors*, Washington Post (June 9, 2019) (online at www.washingtonpost.com/investigations/nra-money-flowed-to-board-members-amid-allegedly-lavish-spending-by-top-officials-and-vendors/2019/06/09/3eafe160-8186-11e9-9a67-a687ca99fb3d_story.html?utm_term=.abfac16c73d1).

⁸ *NRA Memo Reveals New Details About Leadership’s Conflicts and Unexplained Spending*, The Trace (May 7, 2019) (online at www.thetrace.org/2019/05/nra-accountants-memo-unexplained-spending/).

⁹ *Secrecy, Self-Dealing, and Greed at the NRA*, The Trace (Apr. 17, 2019) (online at www.newyorker.com/news/news-desk/secrecy-self-dealing-and-greed-at-the-nra).

¹⁰ *Three NRA Board Members Resign in the Latest Sight of Upheaval at Gun Rights Group*, Washington Post (Aug. 1, 2019) (online at www.washingtonpost.com/politics/three-nra-board-members-resign-in-latest-sign-of-upheaval-at-gun-rights-group/2019/08/01/aad49bc0-b49d-11e9-8f6c-7828e68cb15f_story.html).

¹¹ *NRA Discussed Purchasing Luxury Mansion for its Chief Executive to Use, Documents Show*, Washington Post (Aug. 6, 2019) (online at www.washingtonpost.com/politics/documents-show-nra-discussions-to-purchase-luxury-mansion-for-use-of-its-chief-executive/2019/08/06/eb8b0490-b7ce-11e9-b3b4-2bb69e8c4e39_story.html).

Extraordinary Legal Fees

In a letter dated April 18, 2019, NRA President Oliver North and NRA 1st Vice President Richard Childress expressed concern about the “extraordinary legal fees the NRA has incurred with Brewer Attorneys & Counselors,” which totaled “approximately \$24 million over a 13-month period.”¹² Legal fees for the first quarter of 2019 alone exceeded \$8.8 million, or \$97,787 per day.¹³

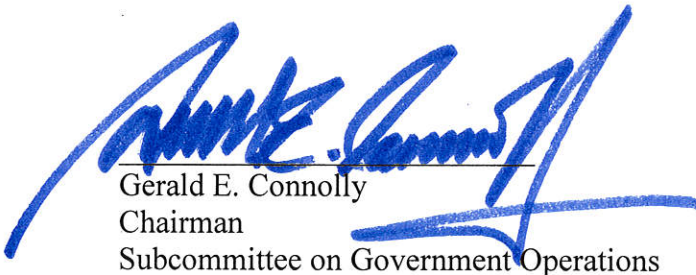
Mr. North and Mr. Childress described repeated refusals by Mr. LaPierre and by William A. Brewer III—the son-in-law of Ackerman McQueen co-founder Angus McQueen—to agree to an independent review of the invoices for those legal fees. According to Mr. North and Mr. Childress, Mr. LaPierre refused requests to review the invoices on February 26, 2019, on March 31, 2019, and on April 8, 2019. William Brewer, too, “has personally been actively working to stop an outside, independent review of his own invoices.”¹⁴ This alleged stonewalling of reasonable and commonplace fiduciary efforts to review the invoices of expensive legal counsel raises serious suspicions.

Referral for Department Review

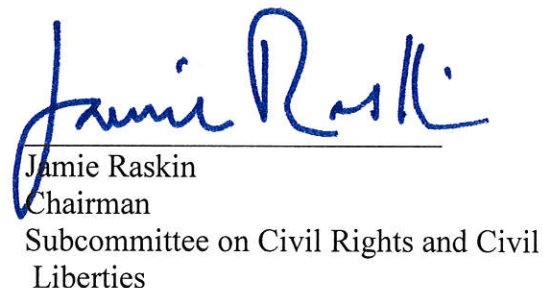
The allegations of self-dealing, private inurement of earnings, and possible fraud described above are deeply troubling. The Department of Justice is in a unique position to review these allegations against the NRA and its senior leaders and determine if they involve violations of criminal law. Our tax code affords nonprofit organizations tax exempt status so that they may work to improve society, and criminal abuses of that privilege are unacceptable.

Thank you in advance for your prompt attention to this matter.

Sincerely,



Gerald E. Connolly
Chairman
Subcommittee on Government Operations



Jamie Raskin
Chairman
Subcommittee on Civil Rights and Civil
Liberties

Enclosure

¹² Letter from Oliver North, President, and Richard Childress, 1st Vice President, National Rifle Association, to John Frazer, Secretary and General Counsel, and Charles Cotton, Chairman of the Audit Committee, National Rifle Association (Apr. 18, 2019) (online at www.documentcloud.org/documents/5997969-North-Childress-Letter.html).

¹³ *Id.*

¹⁴ *Id.*

Mr. Richard E. Zuckerman

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cc: The Honorable Mark Meadows, Ranking Member
Subcommittee on Government Operations

The Honorable Chip Roy, Ranking Member
Subcommittee on Civil Rights and Civil Liberties