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May 10, 2010

Re: Request for Revocation of Exemption
Center For Arizona Policy, Inc.
An Arizona Not-For-Profit Corporation
EIN:86-0618922

All of the individuals and entities executing this letter, personally or through an authorized representative, believe that the Center for Arizona Policy, Inc. ("CAP") is not being operated within the scope of a stated charitable purpose or any other purpose intended to benefit the general public. In fact, the original Articles of Incorporation of CAP provide, in part, that: "The character of business which the corporation initially intends to conduct will be to facilitate the exchange of ideas pertinent to the strengthening of families of the state of Arizona through the development of public policy." Document No. 208552-5, Arizona Corporation Commission Records, September 22, 1988. In other words, its business is lobbying.

In keeping with its stated business purpose, the substantial majority of the activities of CAP are intensely and narrowly focused on lobbying with primary emphasis on "direct" lobbying and "grassroots" lobbying. Two remarkable lobbying activities by CAP took place during the last session of the Arizona Legislature, at least one of which discloses aggressive physical conduct (which seems antithetical for a public charity). On March 22, 2012, following a press conference held at the Arizona Capital by Democrat lawmakers opposing a bill (HB 2625) that would require female employees to prove to their employers that they were not taking contraceptive pills to prevent pregnancy, the bill's sponsor, Debbie Lesko, R-Glendale, and CAP attorney Deborah

Sheasby "...hijacked the microphone." See, The Arizona Republic, "Mic-Grabbing Moment at Capital," March 22, 2012, p. B3.

And, in a demonstration of apparent absolute power and control over Arizona legislation, CAP President Cathi Herrod caused a Senate bill intended to stop bullying in high schools to be withdrawn by its sponsor just minutes before it was to be sent for a final vote. Supporters of the anti-bullying bill learned that Ms. Herrod believed the proposed legislation might give some sort of control over the high schools to homosexuals. Thus, CAP demonstrated, again, that one of its "timeless values" (see, Form 990 filed by CAP for its 2010 accounting year) is sex and gender discrimination.

Regardless of what CAP alleges its charitable purpose to be, what it does is what should be closely examined. Using a standard that focuses on what CAP does as the best evidence of its purpose, the true purpose for which CAP was formed and is operated is the destruction, practical obliteration by micro-regulation and criminalization of anything its members dislike whether that be sexual practices, in general, or homosexuality specifically, women's' rights to practice contraception or exercise any control over their reproductive processes or a host of other "timeless values." By pursuing this agenda, rather than its stated purpose, CAP has acquired the power to instill fears of reprisals in their opponents on legislative issues, which is more suggestive of the Inquisition than a public charity. The notion that the federal government is providing as much as a 50% subsidy to CAP (using taxpayer funds) and a deduction to its members for their contributions to pursue such a thuggish, religious agenda is arguably reprehensible.

Thus, the recognition of an entity by the federal government as a public charity through a grant of tax exempt status and providing an associated deduction for contributions is a form of governmental "imprimatur" or badge of approval to pursue its purpose. CAP enjoys the same status under federal law as the American Red Cross, the American Cancer Society and, perhaps, one of the most beneficent of all, The Salvation Army. At least this much can be said: CAP is no Salvation Army, and there can be no reasonable argument to the contrary. This begs the question: how they could be similarly categorized by the federal government? The apparent answer is that CAP has used its exemption and attendant presumption of legitimacy and credibility as camouflage to pursue a hidden lobbying agenda and has reported the expenditures associated with those lobbying activities as "education" on its Form 990.

The Internal Revenue laws recognize that public charities should not be formed and operated for the purpose of engaging in lobbying activities. Under prior law, an organization recognized as exempt from tax under the provisions of IRC § 501 (c) 3 could not engage in "substantial" lobbying activities without jeopardizing its exempt status. Under that standard, the difficulty was defining the word substantial. Over time, the rough guideline developed was about 16% to about 20% of total activities of the organization would be considered substantial lobbying for purposes of revocation of exemption.

This letter will be supplemented by articles, commentaries and other background information which, collectively, establish that the lobbying activities of CAP far exceed the "substantial" standard of 20%; in fact, the evidence available establishes lobbying is the primary activity of CAP. CAP should have no reasonable expectation of retaining its exemption under the "substantial" standard. Beginning in 1976 and continuing with refining amendments, Congress provided an election (the "h election") available to certain IRC § 501 (c) 3 organizations to have their permissible lobbying measured by expenditures by adding IRC § 501 (h). CAP claims on its Form 990 Returns to have made an h election.

Whether CAP is entitled to make an h election is not clear. For example, most religious organizations cannot make the election, and CAP appears to be a fundamentalist evangelical Christian organization seeking to enforce certain "timeless values," all of which reflect or resonate with narrow religious practices, upon targeted segments of the general public. There may be affiliations with other religious organizations, such as the Christian Coalition, and those affiliations may involve funding. The only obvious basis upon which CAP could be qualified to make the h election is to meet the definition of a publicly supported charity under the provisions of IRC § 170.

But, the h election provides only a limited "safe harbor" for lobbying expenditures. In general, the limitation is a sliding scale beginning at 20% and reducing to 5% as total expenditures increase, all of which are subject to a "ceiling" rule applicable to all such expenditures. Further, there are certain lobbying expenses which are prohibited or more restricted, such as lobbying for a particular candidate. In preparing its annual Form 990, CAP alleges that the majority of its expenditures are not made in the pursuit of lobbying; rather, the substantial majority of all expenditures are claimed to be made for "education."

For example, CAP publishes and disseminates a pamphlet labeled "Voter's Guide" which indicates those candidates who should receive votes and support, and those who should be opposed. Would such an expense, apparently prohibited on its face as candidate endorsements, be reported as "education" on CAP's Form 990? Are expenses incurred by CAP in drafting specific legislation, a "direct" lobbying activity, also educational? Further, just this past week, a CAP supported bill was approved restricting state or local government funding to support organizations like Planned Parenthood. *The Arizona Republic,* Planned Parenthood Funds at Risk in Arizona, April 17, 2012. Thus, other public charities are as subject to discriminatory attack by CAP as gay and pregnant individuals.

CAP is widely recognized by other lobbyists, members of the Legislature and other politicians and activists as the most powerful and fearsome lobbyist in the State of Arizona. For example, in commenting upon HB 2625 (the proposal to restrict women's' access to contraceptives), The AFL-CIO house organ *"AFL-CIO NOW,"* published on March 29, 2012, stated that the bill "was drafted by CAP...a social conservative pressure group that exerts possibly even more power over the legislature than the Goldwater Institute or the American Legislative Exchange Council (ALEC)." It seems unlikely that CAP could have acquired such a powerful presence by "educating" the AFL-CIO and others through expenditures not characterized as lobbying. One commentator has fervently referred to CAP as "terrorist" in its attack on the anti-bullying bill, HB 2625 and related discrimination against members of the LGBT community.*The Arizona Republic,* Legislator David Schapira Lambastes conservative lobbyist Cathi Herrod, March 15, 2012.

Resentment regarding the threatening behavior of CAP, especially during the last session, is widespread and growing. Other publicly supported charities, such as Planned Parenthood, are wondering what sort of special "exemption" was granted by the IRS to CAP to engage almost exclusively in lobbying, and how they could apply for similar dispensation?

The federal government should not be seen as granting exemptions or other powers to religious or religion-oriented organizations to enable them to acquire and exercise substantial control over the legislative process of a state for the purpose of imposing narrowly-held religious values and practices as matters of law. As it has evolved, Cathi Herrod and the supporters of CAP, with the assistance of the federal government, have acquired the power to limit, direct and

control many of the intimate, personal activities of the citizens of the State of Arizona and exercised that power in a manner that discriminates on the basis of sex, gender and women's rights. This result is reminiscent of other religion-based legal codes, such as Islamic Sharia law.

Thus, CAP is dictating, by force and effect of law, what happens in our bedrooms, our doctors' offices, our opportunities for employment and our opportunity to be protected from bullies at school if we happen to be LGBT. Neither the United States Constitution nor the Constitution of the State of Arizona empowers our federal or state governments to exercise such discriminatory powers. Even the Arizona Not for Profit Corporation Code requires such discrimination be prohibited by the Articles of Organization.

In summary, we believe it is incumbent upon the IRS to retroactively revoke its recognition of exemption on behalf of CAP and to do so as soon as reasonably possible. Another session of the Arizona Legislature will commence this fall. In the last session, CAP lobbied at least 18 bills or other legislative measures, and CAP can be expected to match that effort in the next session. CAP also should be expected to produce another Voter's Guide endorsing various candidates for the approaching general election in November. If what CAP has accomplished so far is harmful, then what is to come could be worse.

While we have set forth several grounds in this letter we believe justify revocation without more, additional grounds will be set forth in supplements. An audit may be required to determine whether the substantial expenditures described as "education" are disguised lobbying expenditures, but the endorsements of specific candidates should be immediate and imperative grounds, without more, to revoke the recognition of exemption.

Each individual or entity executing and filing this letter does so by completing Form 13909, Tax-Exempt Organization Complaint (Referral) Form ("Complaint"), each of which is checked requesting non-disclosure. A copy of each Complaint is incorporated into and made a part of this letter by this reference, and a copy will be forwarded to the addressees as they are produced and collated. It is anticipated that such Complaints will number at least in the hundreds and, perhaps, in the thousands, so we will forward the Forms 13909 to eoclass@irs.gov to save postage, paper and administrative labor on both sides. Also for convenience, the Forms 13909 will reflect the same contact information for each submitter, and communications between the IRS and the submitters will be processed at the website set forth below.

Supporting evidence, published articles, supplements and exhibits related to CAP and its lobbying activities have been organized for convenient review at www.stopcap.org. It is the intent of this letter that such evidence become a part of, and is hereby incorporated into, this request for revocation of exempt status.

Respectfully submitted,

By: