

February 24, 2020

Ms. Margaret Von Lienen
Director, Exempt Organizations Division
Internal Revenue Service
1111 Constitution Avenue NW
Washington, DC 20224

Re: Complaint against Iowa Values

Dear Ms. Von Lienen:

We respectfully request that the Internal Revenue Service (“IRS”) open an investigation into Iowa Values, EIN 81-5224793. We have reason to believe that Iowa Values is not properly organized under section 501(c)(4) of the Internal Revenue Code because its primary purpose is to participate in the 2020 election for U.S. Senate in Iowa on behalf of Senator Joni Ernst, and not to promote social welfare. We also seek an investigation into whether Iowa Values filed a false Form 990 when it claimed that the organization did not engage in any political campaign activities in 2018.

I. Iowa Values Appears to be Operating for the Primary Purpose of Re-Electing Senator Ernst in 2020

A section 501(c)(4) organization must be “operated exclusively for the promotion of social welfare.”¹ To meet this standard, it must be “primarily engaged in promoting in some way the common good and general welfare of the people of the community.”² This standard “does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office.”³ In addition, a 501(c)(4)’s activity must benefit the community as a whole, and *not* a specific person or group of individuals, including a specific candidate or political party.⁴

Senator Joni Ernst is a current United States Senator from Iowa; she is running for re-election in 2020.⁵ Her principal campaign committee is Joni for Iowa; she has also established a federal leadership PAC, Jobs Opportunity and New Ideas PAC, and a joint fundraising committee, Joni’s

¹ Treas. Reg. § 1.501(c)(4)-1(a)(1)(ii).

² *Id.* § 1.501(c)(4)-1(a)(2)(i).

³ *Id.* § 1.501(c)(4)-1(a)(2)(ii).

⁴ See IRS E.O. CPE Text, Social Welfare: What Does it Mean? How Much Private Benefit is permissible? What is a Community? (1981) at 3, <https://www.irs.gov/pub/irs-tege/eotopicg81.pdf>.

⁵ Joni K. Ernst, FEC Form 2 Statement of Candidacy (filed July 15, 2019) <https://docquery.fec.gov/pdf/437/201907159150937437/201907159150937437.pdf>.

Roast and Ride, benefitting both Joni for Iowa and Jobs Opportunity and New Ideas PAC (collectively “Ernst Committees”).⁶

Iowa Values is organized under section 501(c)(4) of the Internal Revenue Code.⁷ The organization claims to be a social advocacy organization, whose purpose is to “educate the public about common-sense solutions to various public policy issues of national importance...”⁸ However, publicly available news reports and facts surrounding the creation and operation of Iowa Values strongly suggest the organization’s primary purpose is to benefit Senator Ernst’s re-election campaign. An investigation to determine the primary purpose of Iowa Values is necessary due to the following facts, discussed further below: (1) Documents and communications written by Iowa Values reveal the singular focus of Iowa Values is to participate in the 2020 U.S. Senate election in Iowa on behalf of Senator Ernst; (2) Iowa Values was created and is operated by Ernst’s political allies, who were simultaneously being paid by both the 501(c)(4) and Ernst Committees; and (3) recent expenditures by Iowa Values explicitly support Senator Ernst.

Taken together, these facts strongly suggest that Iowa Values is focused on political intervention, which cannot be the primary purpose of a 501(c)(4) organization. In addition, investigation is warranted into whether Iowa Values is being operated for the benefit of Ernst and her allies, rather than for the benefit of the community as a whole.

A. Statements Made by Iowa Values Regarding Its Purpose

We need not look further than Iowa Values’ own statements to unmask its primary focus on re-electing Senator Ernst. In a 2019 four-page memo titled “Strategy Overview,” Iowa Values laid out the nonprofit’s intentions for the 2020 election cycle.⁹ The memo emphasized the need to identify critical demographics of Republicans in the 2020 electorate that “will be determinant in winning or losing in 2020.”¹⁰ The memo continued, “[o]ur focus, particularly in 2019, will be to determine what those voters care most about and to communicate with them directly.”¹¹ In case there was any uncertainty about which campaign Iowa Values operates on behalf of, the memo

⁶ Joni for Iowa, FEC Form 1 Statement of Organization (filed July 15, 2019) <https://docquery.fec.gov/pdf/420/201907159150936420/201907159150936420.pdf>; Jobs Opportunity and New Ideas PAC, FEC Form 1 Statement of Organization (filed Jan. 31, 2018) <https://docquery.fec.gov/pdf/496/201801319091105496/201801319091105496.pdf>; Joni’s Roast and Ride, FEC Form 1 Statement of Organization (filed Apr. 7, 2016) <https://docquery.fec.gov/pdf/177/201604070300061177/201604070300061177.pdf>.

⁷ Iowa Values, 2017 IRS Form 990, accessed via ProPublica, available at <https://projects.propublica.org/nonprofits/organizations/815224793/201833189349304518/IRS990> [hereinafter “2017 Iowa Values 990”].

⁸ *Id.*

⁹ Iowa Values Strategy Overview 2019 (last accessed Dec. 13, 2019), <http://www.documentcloud.org/documents/6550822-Holloway-Email-Attachment-Iowa-Values-Strategy.html>.

¹⁰ *Id.*

¹¹ *Id.*

concluded, “[w]e believe that there is critical work with segments of the electorate that must begin now in 2019 so that Senator Ernst has the best possible jumping off point in 2020.”¹²

On December 6, 2019, the Associated Press published an article on Iowa Values, concluding that its “aim is securing an Ernst win in 2020.”¹³ The article revealed that Claire Holloway Avella, a fundraising consultant for Iowa Values, disclosed in writing in an email to a potential donor that the purpose of Iowa Values is to support Senator Ernst’s re-election campaign.¹⁴ In July, Senator Ernst introduced Holloway Avella to a potential donor to Iowa Values. Holloway Avella followed up with the donor to request a \$50,000 donation.¹⁵ To sell the donor on contributing, Holloway Avella wrote, “[a]s you may have seen, an outside group on the left ... recently launched a six-figure ad buy in media markets across the state attacking Senator Ernst on her vote to repeal Obamacare,” . . . **“The purpose of our group, Iowa Values, is to push back against these type of negative attacks.”**¹⁶

If one takes Holloway Avella at her word, the purpose of Iowa Values is to be involved in the 2020 U.S. Senate election in Iowa on behalf of Senator Ernst in violation of Section 501(c)(4) of the Internal Revenue Code. The only possible alternative explanation is that Iowa Values’ fundraising consultant misrepresented the group’s purpose to induce a \$50,000 donation.¹⁷

B. Shared Personnel Between Iowa Values and Senator Ernst’s Campaigns

Publicly available information suggests that Iowa Values’ activities are directed and controlled by several of Ernst’s closest allies. Some of these operatives’ firms were being paid by the Ernst Committees at the same time that they were founding and operating Iowa Values. The extensive overlap between Iowa Values and the Ernst Committees raises serious concerns about the reason for the nonprofit’s establishment, and whether it is operating for a legitimate social welfare purpose or for the private benefit of Ernst and her allies.

Jon Kohan is the co-founder of Iowa Values.¹⁸ Kohan also served as the first executive director of Iowa Values and received \$120,000 in 2017 and 2018 for his work in that role.¹⁹ Kohan is currently a named partner at the D.C.-based political consulting firm Jamestown Associates, where he started working in January of 2017.²⁰ Why would a D.C. based political consultant from New Jersey and who lives in North Carolina co-found and run a 501(c)(4) organization

¹² *Id.*

¹³ Brian Slodysko, “‘Dark money’ ties raise questions for GOP Sen. Ernst of Iowa,” AP News (Dec. 6, 2019) <https://apnews.com/eeb44fc06b0cb202bc1edbd1adee7f7d> [hereinafter “Slodysko, AP News”]

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ Slodysko, AP News; LinkedIn.com, Jon Kohan, <https://www.linkedin.com/in/iamkohan/> (last accessed Sept. 17, 2019).

¹⁹ Slodysko, AP News.

²⁰ Jon Kohan, <https://www.linkedin.com/in/iamkohan/> (last accessed Sept. 17, 2019).

focused on values in the State of Iowa?²¹ The answer likely lies in his professional connections to Joni Ernst's political ambitions. Jon Kohan served as Senator Ernst's 2014 campaign manager. The consulting firm where Kohan works provides consulting services for the Ernst Committees.²² The company began providing services to the Ernst Committees in 2017, at the same time Kohan began serving as Executive Director of Iowa Values.²³ Overall, Jamestown Associates earned over \$100,000 from the Ernst Committees while Kohan served as executive director for Iowa Values.²⁴

Claire Holloway Avella's consulting firm, Holloway Consulting, was also simultaneously being paid by Iowa Values and the Ernst Committees. When Iowa Values first incorporated in the District of Columbia in 2017, the address of Holloway Consulting was listed as the corporation's business address on the organization's founding documents.²⁵ In 2017 and 2018, Holloway Avella raised over \$500,000 for Iowa Values and was paid about \$60,000.²⁶ During those same years, Ernst Committees paid her \$363,000 for fundraising consulting. In fact, her website lets prospective donors request to host a fundraiser for Senator Ernst.²⁷ It is apparent that Holloway Avella was "deeply involved" in both operations.²⁸

Finally, the current executive director of Iowa Values, Derek Flowers, managed Senator Ernst's campaign for U.S. Senate in the 2014 primary and was an official with her leadership PAC in 2015.²⁹ Flowers was also apparently involved in the creation of Iowa Values - Iowa Values listed a condo owned by Flowers as one of its business addresses in 2017 on paperwork used to register the entity as a foreign corporation in Iowa.³⁰ Ernst Committees have also reported thousands of dollars in payments and reimbursements to Flowers personally.³¹ Some of those payments occurred after Mr. Flowers' address was used on Iowa Values' corporate paperwork.

Three of the individuals directly involved in the establishment and initial operation of Iowa Values have also served as political operatives for Joni Ernst's political campaign, in some cases

²¹ LinkedIn, Jon Kohan, <https://www.linkedin.com/in/iamkohan> (last accessed Feb. 11, 2020)

²² FEC.gov, Search for Disbursements to Jamestown Associates from Joni for Iowa and Jobs Opportunity and New Ideas PAC, https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00546788&committee_id=C00566851&recipient_name=jamestown (last accessed Oct. 27, 2019).

²³ *Id.*

²⁴ Slodvsko, AP News.

²⁵ See District of Columbia Dept. of Consumer and Regulatory Affairs, Iowa Values, attached as Exhibit A.

²⁶ Slodvsko, AP News.

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.*; Catherine Lucey, 2016 GOP Hopefuls to 'roast and ride' in Iowa, The Associated Press (June 6, 2015) https://www.telegraphherald.com/news/iowa-illinois-wisconsin/article_3caefc02-4826-523e-bba9-0bf32c1071e8.html.

³⁰ Slodvsko, AP News.

³¹ FEC.gov, Search of Disbursements to Derek Flowers from Joni's Roast and Ride and Jobs Opportunity and New Ideas PAC, https://www.fec.gov/data/disbursements/?%0Bcommittee_id=C00614198&data_type=processed&committee_id=C00566851&committee_id=C00614198&recipient_name=derek+flowers&min_date=01%2F01%2F2015.

simultaneously. This extensive overlap calls into doubt the 501(c)(4)'s purported primary purpose of promoting the common good.

C. Iowa Values' 2019 Campaign Activity

Finally, Iowa Values' activity increased significantly immediately after Senator Ernst announced her re-election campaign. In June of 2019, after a six-month period in which Iowa Values did not air any digital advertising, it began running digital ads that featured Ernst and began explicitly communicating its support for Ernst in fundraising communications.³² The advertising campaign began immediately after Ernst announced her candidacy for re-election, and in 2019 all of Iowa Values' digital advertising on Facebook that did not focus on promoting sign-ups for the group itself has focused on positive messaging about Senator Ernst.³³ One ad, which contained a link to a video posted to Iowa Values' YouTube page, conveyed positive messaging about Senator Ernst, stating "[f]rom caring for our neighbors to standing up for what's right, Joni shares our values."³⁴ Another Iowa Values Facebook advertisement contained generic calls for viewers to canvass for "Iowa values," and featured photographs of Ernst that found on her campaign's website and social media pages.³⁵ According to Iowa Values' own press release about these ads, they are part of an "election-long effort by Iowa Values to highlight the work of Sen. Joni Ernst."³⁶

Unfortunately, there is not yet any publicly available information regarding what percentage of Iowa Values' activity consists of these campaign advertisements for Senator Ernst in 2019. However, the sudden uptick in activity immediately following Ernst's re-election announcement, combined with the organization's own admission that these advertisements are intended to "highlight" Ernst's work over the course of the election cycle, create the undeniable impression that the primary purpose of the organization is to engage in direct intervention in the 2020 election for U.S. Senate in Iowa on behalf of Joni Ernst. As a result, a thorough investigation of the organization is necessary to ensure that Iowa Values is not allowed to abuse its status as a tax exempt 501(c)(4) organization.

II. Iowa Values May Have Engaged in Unreported Political Campaign Activity in 2018

The IRS should also investigate whether Iowa Values filed a false report when it reported no direct or indirect political campaign activities on behalf of a candidate for public office on its 2018 Form 990. In 2017, Iowa Values reported spending \$5,000 on political campaign activity

³² See Slodvsko, AP News.

³³ The Gazette, "Ernst Announces Reelection Bid: 'I am going to hold this seat'" (June 15, 2019) <https://www.thegazette.com/subject/news/government/joni-ernst-roast-ride-election-campaign-bikers-20190615>; Our Iowa Values, Facebook Ad Library, https://www.facebook.com/ads/library/?active_status=all&ad_type=all&country=US&q=Our%20Iowa%20Values&view_all_page_id=785144711668660. (last accessed Feb. 10, 2020) [hereinafter "Iowa Values Facebook Ad Library"].

³⁴ Iowa Values Facebook Ad Library.

³⁵ Iowa Values Facebook Ad Library; Joni for Iowa, <https://joniernst.com/> (last accessed Dec. 18, 2019).

³⁶ Iowa Values, "Conservative Organization Begins Voter Outreach" (June 27, 2019) <https://us3.campaign-archive.com/?e&u=1e7cc07d8991b902eb884256d&id=f04d90419f>.

for “political media production.”³⁷ In 2019, as demonstrated in Part I(C), Iowa Values engaged in extensive political campaign activity through its advertisements in support of Ernst. Given its 2017 and 2019 activities, and the statements that have been made by in Iowa Values materials regarding the purpose of the organization, it is nearly impossible to believe that Iowa Values made *no* expenditures for political campaign activities in 2018.

The information on the 2018 Form 990 generates more questions than answers. According to the form, the organization spent \$295,000 in 2018.³⁸ It spent \$66,235 on expenses described as “subscriptions/database” and \$36,189 for “polling/research.”³⁹ And yet, it spent just \$41,000 on digital strategy and production during that time. The high amount of spending on polling and data subscriptions compared to the relatively low spending on communications in 2018, combined with the sudden increase in pro-Ernst spending in 2019, raises questions about whether these expenditures were solely to support the ads aired in 2018, or if these expenditures were made in preparation for the increase in political activity in 2019.⁴⁰

As discussed above, Iowa Values’ executive director, Jon Kohan, was also working for a campaign consultant employed by Ernst’s campaign throughout 2018. If Kohan engaged in political campaign activity on behalf of Iowa Values in 2018, that activity would need to be accounted for on the Form 990. While Kohan was ostensibly only working 8 hours a week on Iowa Values according to the 990, his \$85,000 salary suggests he may have been compensated for additional unreported activity, including potential political activity. The IRS should promptly investigate the accuracy of this report.

III. Conclusion

The circumstances surrounding the formation and operation of Iowa Values strongly suggest that the primary purpose of Iowa Values is to support Senator Ernst’s re-election to the U.S. Senate, in violation of Section 501(c)(4) of the Internal Revenue Code. Additionally, the absence of any reported campaign activity on Iowa Values’ 2018 Form 990 strains credulity and raises questions regarding the accuracy of the filing.

If Iowa Values is operating for the primary purpose of influencing a federal election it may not legally take advantage of Section 501(c)(4) status. Instead, it must register as a political committee with the Federal Election Commission and abide by the FEC’s public disclosure requirements. The IRS should immediately investigate this matter to ensure that Iowa Values is not hiding behind an illegitimate claim to 501(c)(4) status in order to avoid the kind of public disclosure that is critical to ensuring the integrity of our elections. We urge the IRS to immediately investigate Iowa Values’ activities and, if warranted, revoke its tax exempt status.

³⁷ 2017 Iowa Values 990.

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.*

Sincerely,

A handwritten signature in black ink, appearing to read "Tiffany Muller". The signature is written in a cursive, flowing style with a prominent initial "T" and a long, sweeping underline.

Tiffany Muller
President and Executive Director
End Citizens United
100 M Street. SE
Washington, DC 20003

EXHIBIT A



Department of Consumer and Regulatory Affairs

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Entity Info

Business Name IOWA VALUES
Suffix
Registration / Effective Date 2/01/2017
Commencement Date 2/01/2017
Entity Status Active
Foreign Name
Date of Organization
State
Country

Business Address

Line1 c/o Holloway Consulting Inc.
Line2 2300 Clarendon Blvd., Suite 1306
City Arlington State Virginia Zip 22201

Agent

Is non-commercial Registered Agent? No
Name C T CORPORATION SYSTEM
Address
Line1 1015 15th St NW
Line2 Suite 1000
City Washington State District of Columbia Zip 20005
Email CT-StateCommunications@wolterskluwer.com

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