

The Center For Consumer Freedom®

October 3, 2013

Ms. Kathie Averett
Internal Revenue Service
Exempt Organizations Compliance Area
1973 North Rulon White Blvd.
Mail Stop 1112
Ogden UT, 84404

Dear Ms. Averett:

I am writing to notify the IRS that the Humane Society of the United States, a 501(c)(3) organization (EIN 53-0225390), has apparently filed incomplete Form 990 tax returns since at least 2008.

The Humane Society of the United States has incorporated the value of public service announcements as “contributions” in Part VIII and Schedule M (Noncash Contributions) for tax years 2008 – 2011. This appears to be in clear violation of IRS instructions.

According to IRS instructions, “Contributions do not include...Donations of services (such as the value of donated advertising space **or broadcast air time**)...” (emphasis added).¹ Further, the IRS instructions elaborate that an organization can report the amount of any donated services in its Statement of Program Service Accomplishments but that organizations must “not include these amounts in revenue, expenses, or grants.”²

The Humane Society of the United States (HSUS) could have a deceptive and fraudulent motivation in this revenue inflation. The well-respected charity watchdog American Institute of Philanthropy notes in its Winter 2013 Watchdog Report that this type of revenue inflation is in “violation of IRS reporting rules” and makes a charity appear more financially efficient to the public than it really is. The reported donated ad “revenue” that HSUS added is offset by reporting the corresponding amount as a “program expense.” Consider that the charity rating service Charity Navigator uses a formula that evaluates the ratio of program expenses to total expenses; by including the donated ad revenue, HSUS has inflated its program ratio, and unjustly boosted a charity rating that many donors may rely on.

¹ 2012 Instructions for Form 990 Return of Organization Exempt From Income Tax, pp. 36-37.

² 2012 Instructions, p. 11.

Regardless of the motive, the tax returns filed for four years appear to contain inaccurate and misleading revenue and expense reporting which has benefited the organization for fundraising purposes. The failure-to-file penalty can be applied to organizations that file "incomplete information." For organizations with revenue exceeding \$1 million the penalty is \$100 per day, with a maximum penalty for any one return of \$50,000. Further, use of a paid preparer does not relieve an organization of responsibility to file an accurate return.

We respectfully ask the IRS investigate this matter immediately and impose the maximum penalty if HSUS is found to have violated IRS reporting rules.

Sincerely,

A handwritten signature in black ink, appearing to read 'Will Coggin', with a stylized flourish at the end.

Will Coggin

Cc: TE/GE Division, Correspondence Unit

Enclosures