



COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

February 21, 2014

The Honorable Jeff Flake
United States Senate
Washington, DC 20510

Dear Senator Flake:

I am writing in response to your letter of February 18, 2014, regarding the proposed regulation addressing section 501(c) organizations.

Management issues associated with the processing of section 501(c)(4) applications have diminished the IRS's most valuable asset: the public trust. As your letter suggests, it is my job to restore that trust and I take that responsibility seriously. I want every taxpayer in the United States to understand and be confident that, when they interact with the IRS, we will deal with them in an evenhanded and straightforward manner no matter what their political beliefs, their organizational affiliation or whom they supported in the last election.

Bringing clarity to the standards governing section 501(c) organizations through the rulemaking process can help restore the public trust by providing consistency and predictability. I do not control the rulemaking process, but I will do my best to ensure that any final regulation is fair, clear, and easy to administer.

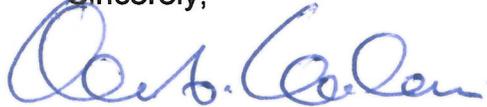
The proposed regulation published by the Department of Treasury and the IRS is only in its nascent stage. There are several more steps that must be taken in the formal, legally-prescribed rulemaking process before a regulation could be finalized. Currently we are in the public comment period, which is open until February 27, 2014. To date, over 61,000 comments have been submitted, each of which will be reviewed and considered.

An inclusive and orderly rulemaking process is always important, especially with an issue as significant as this one. When the public comment period ends, Treasury and the IRS will review the comments, hold a public hearing (at which we welcome Congressional testimony), and, in all likelihood, revise the proposed regulation. Withdrawing the proposed regulation now would deprive the Treasury and the IRS of the benefit of considering the full array of public comments already filed and a public hearing on this important topic. At the end of the rulemaking process, should a final rule be issued that Congress finds objectionable, Congress can, as always, change the statute upon which the new rule is based or exercise its statutory authority to overturn the rule.

My hope is that, as TIGTA suggested in its report, Treasury and the IRS can fashion a final regulation that will allow for easier and more predictable tax administration. Ideally, a final regulation will provide clear guidelines that would benefit IRS employees who apply and administer the law as well as the organizations that already have or seek tax exempt status under section 501.

I look forward to working with you throughout my term as Commissioner as we establish an even more efficient and effective IRS in which the public has great trust and confidence. I am sending a similar response to your colleagues. If you have any questions, please contact me, or a member of your staff can contact Leonard Oursler, Director, Legislative Affairs, at (202) 317-6985.

Sincerely,



John A. Koskinen