

Between 2000 and 2008, the AIG-affiliated Starr Foundation funneled millions of dollars to the National Chamber Foundation (NCF), which in turn funneled corresponding amounts to the U.S. Chamber of Commerce through loans. It appears that Starr specifically earmarked money to go toward non-charitable U.S. Chamber activity – in direct violation of the law. And it appears that the series of transactions – grants from Starr to the National Chamber Foundation and “loans” from NCF to the U.S. Chamber – were deliberately designed to hide the resulting transfer from Starr to the Chamber and skirt the law. The Starr funds appear to have been directed toward the U.S. Chamber’s “tort reform” and financial deregulation campaigns.

On September 10, 2010, U.S. Chamber Watch filed an IRS complaint against the Starr and National Chamber Foundations alleging that the transfers violated applicable law regulating the activities of charitable organizations such as the Starr Foundation and the National Chamber Foundation.

1. What’s the legal gist of the complaint?

The Starr Foundation and the National Chamber Foundation applied for and were granted status as tax exempt 501(c)(3) charitable organizations and, as a result, are strictly prohibited from engaging in political and other non-charitable activities. They may not fund political or non-charitable activity either directly or indirectly, and if they give money to an organization that does work they cannot, including political activity, they must restrict the use of the funds and comply with certain reporting and oversight requirements. The complaint describes in detail how over the course of several years, the Starr Foundation and NCF channeled more than \$18 million to the U.S. Chamber of Commerce, and in some cases specifically earmarked funds to support non-charitable activity. In fact, it appears that the funds were used to support the Chamber’s political agenda and, in particular, may have been used to support lobbying and other activities that benefited AIG which was closely tied to the Starr Foundation.

U.S. Chamber Watch’s IRS complaint asks for an investigation into the transactions between Starr, NCF and the U.S. Chamber. Based on its use of charitable funds for prohibited purposes and its avoidance of its tax obligations, the complaint also asks that the 501(c)(3) nonprofit status of the National Chamber Foundation be revoked.

2. What happened to NCF’s loan to the U.S. Chamber?

NCF “loaned” \$18,137,127 between 2003 and 2005 in a line of credit to the U.S. Chamber of Commerce. This line of credit has not been repaid, and, in fact, a Chamber spokesperson has told the New York Times the transfer was “listed ... as a loan only in the most technical sense” and “was never intended to be paid back.” The Chamber continues to rely on the loan, having dipped into it to cover its deficit spending for the past seven years.

3. What does the complaint mean legally for the U.S. Chamber?

The U.S. Chamber may have to shut down NCF. NCF’s activities raise serious questions about the propriety of its 501(c)(3) designation, and its tax obligations. The role of NCF appears mainly to support the U.S. Chamber. As of the end of 2008, the last year for which records are available, NCF’s outstanding “loans” represented 86% of its assets.

Further, public records indicate that NCF used charitable funds for non-charitable, programmatic activities, including staff trainings, for the Chamber. Providing training programs to this narrow class of employees appears designed to provide a “private benefit” to the Chamber and not to further a legitimate public charitable purpose. The “loans” and the training programs constitute almost all the activities of the NCF and do not appear to further the broad public benefit necessary for NCF to maintain its 501(c)(3) status.

4. What does this mean for the Chamber’s political machine?

Even more than reveal the shady doings of some nonprofits, the Starr-NCF-Chamber triangle has provided a glimpse into the otherwise totally hidden world of the U.S. Chamber's political activity.

The U.S. Chamber of Commerce is the nation's single largest lobby, spending more than \$600 million on lobbying since 1998. In 2009 alone, the U.S. Chamber spent \$144 million to lobby against reforms - more than five times the next greatest spender (Exxon Mobil). The U.S. Chamber's electoral machine is no less robust. This fall, the Chamber has pledged to spend \$75 million on mid-term elections. That's more than the National Republican Senate Committee or the National Republican Congressional Committee. The more than \$18 million in "loans" the Chamber has received from NCF equals approximately one-quarter of the budget the Chamber says it intends to spend politically in the 2010 election cycle.

As a 501(c)(6) trade association, the Chamber has no obligation to report its political activities, and there are no limits on those activities. Further, the prime "beneficiaries" of the Supreme Court *Citizens United v. FEC* decision are likely to be groups like the U.S. Chamber - large, anonymous, opaque operations behind which corporations can hide their political agendas.

We only know what we know about the Starr/NCF transactions because of the limited reporting requirements on the Starr and National Chamber Foundations, and exhaustive and detailed analysis of the public filings by Starr, NCF and Chamber was necessary to reveal the series of transactions that formed the basis of the complaint. We have no idea how much more money AIG and others put into deregulating Wall Street - an effort that led to the collapse of AIG and the rest of the economy. The Chamber is not required to report the identity of the corporations that fund its agenda or the amounts each gives.

Through the Starr-NCF-Chamber records, we see a small slice of the political activity around these issues. This small slice demonstrates the need to know more about the corporate giants that are driving the U.S. Chamber's agenda.

5. Why would Greenberg/AIG/Starr funnel money this way when AIG could (and maybe did) just give money to the U.S. Chamber?

We have no way of knowing if or how much money AIG funneled to the U.S. Chamber to lobby on its behalf during this timeframe. What we do know is that *in addition* to whatever funds Hank Greenberg directed AIG to give directly to the U.S. Chamber, the AIG-affiliated Starr Foundation - where Greenberg serves as Chairman of the Board - contributed over \$18 million to the National Chamber Foundation in 2003-2004 and this money appears to have then been funneled to the U.S. Chamber for use in its political operation. Had the Starr Foundation given money directly to the U.S. Chamber, it would be considered a taxable expenditure. And the series of transactions - grants from Starr to the National Chamber Foundation and "loans" from NCF to the US Chamber - appear deliberately designed to hide the resulting transfer from Starr to the Chamber and skirt the restrictions on 501(c)(3) charitable organizations. Hank Greenberg's zeal for "tort reform" and rolling back Sarbanes Oxley - primary objectives of AIG and the U.S. Chamber at the time - is well-documented. If that zeal caused him to direct millions of dollars meant for charitable work through this labyrinthine series of transactions to support his and AIG's political agenda, the IRS should take immediate action.

6. Who is U.S. Chamber Watch?

U.S. Chamber Watch was formed to promote greater transparency and accountability in American political processes by shedding light on the funding and practices of the largest special interest lobbyist in America, the U.S. Chamber of Commerce. U.S. Chamber Watch conducts research on the activities of the U.S. Chamber and cooperates with small businesses, investors, and consumer protection, environmental and other public interest groups dedicated to protecting an open American political process.