



April 23, 2009

The Honorable Douglas Shulman
Commissioner
Internal Revenue Service
950 L'Enfant Plaza, S.W.
5th Floor
Washington D.C. 20024

**Re: American Future Fund
Coloradans for Economic Growth
Freedom's Watch
Western Skies Coalition**

Dear Commissioner Shulman:

Colorado Ethics Watch ("Ethics Watch") respectfully submits this update to its initial letter dated September 29, 2008, which requested an Internal Revenue Service ("IRS") investigation into the activities of American Future Fund, Coloradans for Economic Growth, Freedom's Watch and Western Skies Coalition.

As we stated in our previous letter, these organizations appear to have engaged in primarily political, not social welfare activities in violation of federal law in regards to their non-profit status under Section 501(c)(4) of the Internal Revenue Code. Ethics Watch provided evidence that more than half of the activities of American Future Fund, Coloradans for Economic Growth, Freedom's Watch and Western Skies Coalition are partisan, non-educational activities to the benefit of conservative candidates for federal public office in violation of statutory requirements for 501(c)(4) organizations.

As set forth more fully below, Ethics Watch has obtained additional evidence that strongly supports the conclusion that these groups are primarily engaged in political activities.

Update on Organizational Activities

American Future Fund

American Future Fund ("AFF") filed its articles of incorporation in Iowa in

August 2007. According to its website, AFF is a 501(c)(4) organization and its purpose is to “provide Americans with a conservative and free market viewpoint to have a mechanism to communicate and advocate on the issues that most interest and concern them.” See American Future Fund website, <http://americanfuturefund.com/index.php>. It appears that AFF still has not filed any reports with the IRS to date.

Based on Ethics Watch’s initial research, the only activities AFF engages in that might qualify as educational or social welfare activities include: (1) posting news articles from various media outlets on its website; (2) posting so-called “Twitter Updates” or instant messages; and (3) urging web browsers to sign “AFF’s American First Energy Agenda” petition to Congress, which purports to set forth a seven-point energy plan. See Id. Those facts have not changed.

On the other hand, AFF has engaged in a considerable amount of activities that qualify as either non-educational or political action activities. Since the date of the original letter, AFF has purchased more than \$74,000 of television air time in Colorado for political ads supporting/opposing candidates. See Comcast Spotlight Agreement form for Non-Candidate/Issue Advertisements, dated October 16, 2008 (attached as Exhibit A). In Colorado alone, AFF has now reported a total of more than \$290,000 in political media buys.

AFF’s web-based activities presumably involve significantly lower costs than its political advertising activities. If, as it appears, AFF is devoting more than half of its efforts and resources to non-educational or political action activities it may be found in violation of its 501(c)(4) tax exempt status.

Coloradans for Economic Growth

Coloradans for Economic Growth (“CEG”) registered as a nonprofit corporation in Colorado on May 7, 2008. According to CEG’s website, its purpose is to “promote ideas that secure the future and promote economic growth in Colorado.” See Coloradans for Economic Growth website, <http://cegnow.org/>. It appears that CEG still has not filed any reports with the IRS to date.

Based on Ethics Watch’s initial research, the only activity CEG engaged in that might qualify as an educational or social welfare activity included posting news articles from various media outlets on its website and inviting visitors to “sign up.” See Id. However, CEG has had no activity whatsoever on their website since September of 2008.

Since Ethics Watch’s initial letter, CEG has only reported political activities. In Colorado, CEG has reported more than \$87,000 in political media buys.

The fact that CEG engaged in scant social welfare activities and has discontinued those activities altogether after Election Day while spending a total of \$87,000 for political media buys in Colorado, suggests that CEG is in violation of its 501(c)(4) tax exempt status.

Freedom's Watch

Freedom's Watch appears to be the most blatant violator. Freedom's Watch registered as a nonprofit corporation in 2007. Since the initial Ethics Watch letter it has posted its IRS form 990 for the 2007 tax year. Freedom's Watch has engaged in little to no social welfare activities, then closed its doors shortly after the 2008 general election. See TheHill.com, <http://thehill.com/leading-the-news/fec-dismisses-dccc-collusion-complaint-2009-02-09.html> 02/09/2009 (attached as Exhibit B).

Since the date of the original letter, Freedom's Watch has purchased more than \$11,000 of television air time in Colorado. See Comcast Spotlight Agreement form for Non-Candidate/Issue Advertisements dated September 9, 2008 (attached as Exhibit C). In Colorado, Freedom's Watch has reported a total of more than \$161,000 in political media buys. Freedom's Watch reportedly spent at least \$993,000 on other states on similar political ads. Chris Cillizza, Freedom's Watch Starts Spending. *The Washington Post*, September 29, 2008 (Exhibit D).

The fact that Freedom's Watch closed its doors shortly after the 2008 election strongly suggests that Freedom's Watch never intended to operate as a social welfare organization and, based on its overwhelmingly political activities, flagrantly violated its 501(c)(4) tax exempt status.

Western Skies Coalition

Western Skies Coalition registered in Colorado as a foreign nonprofit corporation in April 2008. It has posted its IRS form 990 for the 2007 tax year. Its stated purpose is to promote "issues that make our nation great." See Western Skies Coalition website, <http://www.westernskiescoalition.org/>.

Western Skies Coalition's educational, social welfare activities are sparse. Its website invites browsers to "get involved" by signing up for email and text alerts, but no such alerts appear on its site. Like AFF, CEG, and Freedom's Watch, Western Skies Coalition also re-posts news stories on its website from other media outlets.

As we originally stated, Western Skies Coalition's apparently nominal tax exempt activities pale in comparison to its non-educational, partisan activities. In total, Western Skies Coalition purchased over \$460,000 in television advertisements attacking "liberal politicians" and touting numerous named Republican candidates for the Colorado state legislature.

Much like AFF, CEG, and Freedom's Watch, Western Skies Coalition appears to have devoted well over half of its efforts and resources to partisan, political advertisements in violation of its 501(c)(4) tax status.

Conclusion

Ethics Watch respectfully submits this update to request that the IRS investigate the activities of American Future Fund, Coloradans for Economic Growth, Freedom's Watch and Western Skies Coalition to determine whether these organizations devote more than half of their resources and efforts to activities that are not related to promoting the welfare of a community. Each of these organizations appears to be abusing their tax exempt status to enjoy the benefits of unfettered, undisclosed fundraising while also engaging in otherwise heavily regulated campaign activities. Ethics Watch asks that the IRS impose all applicable taxes and penalties provided by law.

Thank you for your consideration of this important matter. Please contact me if I can provide additional information or be of further assistance.

Sincerely,

A handwritten signature in black ink that reads "Chantell Taylor". The signature is written in a cursive, flowing style.

Chantell Taylor
Director
Colorado Ethics Watch

Enclosures

cc: IRS – EO Classification, Dallas