



Federal Bureau of Investigation
Washington, D.C. 20535

April 22, 2016

MS. KATE BAILEY
JUDICIAL WATCH
SUITE 800
425 THIRD STREET SOUTHWEST
WASHINGTON, DC 20024

FOIPA Request No.: 1319938-000
DOJ Tracking No.: CRM-300444674
Civ. Case No.: 14-CV-1239
Subject: 501(C)(4)S OR OTHER
TAX-EXEMPT ORGANIZATIONS

Dear Ms. Bailey:

While processing your Freedom of Information Act (FOIA) request, the Department of Justice, Criminal Division ("DOJ/CD") located FBI information in their records. This material was referred to the FBI for direct response to you. Some records have been previously released to you by letter dated December 18, 2015. DOJ/CD subsequently located additional records and referred those to the FBI as well. Pursuant to the Court's Order dated March 11, 2016, the FBI is processing these recently referred documents for release. This letter, with enclosures, represents the second and final release pursuant to that order. Deletions have been made to protect information which is exempt from disclosure, with the appropriate exemptions noted on the page next to the excision. In addition, a deleted page information sheet was inserted in the file to indicate where pages were withheld entirely. The exemptions used to withhold information are marked below and explained on the enclosed Explanation of Exemptions.

291 pages were reviewed; 290 pages are being released.

Section 552

(b)(1)

(b)(2)

(b)(3)

26 U.S.C. § 6103

(b)(4)

(b)(5)

(b)(6)

(b)(7)(A)

(b)(7)(B)

(b)(7)(C)

(b)(7)(D)

(b)(7)(E)

(b)(7)(F)

(b)(8)

(b)(9)

Section 552a

(d)(5)

(j)(2)

(k)(1)

(k)(2)

(k)(3)

(k)(4)

(k)(5)

(k)(6)


(k)(7)

For questions regarding our determinations, visit the www.fbi.gov/foia website under "Contact Us." The FOIPA Request number listed above has been assigned to your request. Please use this number in all correspondence concerning your request. Your patience is appreciated.

Some information in the documents was redacted per DOJ/CD. This is indicated by the notation "per CRM" beside the redaction block. Some information was redacted per DOJ Tax Division ("DOJ/TAX"). This is indicated by the notation "per TAX" beside the redaction block.

Although your request is in litigation, we are required by 5 § USC 552 (a)(6)(A) to provide you the following information concerning your right to appeal. As to FBI, DOJ/CD, or DOJ/TAX determinations, you may file an appeal by writing to the Director, Office of Information Policy (OIP), U.S. Department of Justice, 1425 New York Ave., NW, Suite 11050, Washington, D.C. 20530-0001, or you may submit an appeal through OIP's eFOIA portal at <http://www.justice.gov/oip/efoia-portal.html>. Your appeal must be received by OIP within sixty (60) days from the date of this letter in order to be considered timely. The envelope and the letter should be clearly marked "Freedom of Information Appeal." Please cite the FOIPA Request Number in any correspondence to us for proper identification of your request.

Sincerely,

A handwritten signature in black ink, appearing to read "D Hardy", with a stylized flourish at the end.

David M. Hardy
Section Chief,
Record/Information
Dissemination Section
Records Management Division

Enclosures

This material is being provided to you at no charge.

The page Bates-stamped 14-cv-1239-FBI-392 was withheld in full as it was a duplicate of 14-cv-1239-253.

SUBSECTIONS OF TITLE 5, UNITED STATES CODE, SECTION 552

- (b)(1) (A) specifically authorized under criteria established by an Executive order to be kept secret in the interest of national defense or foreign policy and (B) are in fact properly classified to such Executive order;
- (b)(2) related solely to the internal personnel rules and practices of an agency;
- (b)(3) specifically exempted from disclosure by statute (other than section 552b of this title), provided that such statute (A) requires that the matters be withheld from the public in such a manner as to leave no discretion on issue, or (B) establishes particular criteria for withholding or refers to particular types of matters to be withheld;
- (b)(4) trade secrets and commercial or financial information obtained from a person and privileged or confidential;
- (b)(5) inter-agency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency;
- (b)(6) personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy;
- (b)(7) records or information compiled for law enforcement purposes, but only to the extent that the production of such law enforcement records or information (A) could reasonably be expected to interfere with enforcement proceedings, (B) would deprive a person of a right to a fair trial or an impartial adjudication, (C) could reasonably be expected to constitute an unwarranted invasion of personal privacy, (D) could reasonably be expected to disclose the identity of confidential source, including a State, local, or foreign agency or authority or any private institution which furnished information on a confidential basis, and, in the case of record or information compiled by a criminal law enforcement authority in the course of a criminal investigation, or by an agency conducting a lawful national security intelligence investigation, information furnished by a confidential source, (E) would disclose techniques and procedures for law enforcement investigations or prosecutions, or would disclose guidelines for law enforcement investigations or prosecutions if such disclosure could reasonably be expected to risk circumvention of the law, or (F) could reasonably be expected to endanger the life or physical safety of any individual;
- (b)(8) contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions; or
- (b)(9) geological and geophysical information and data, including maps, concerning wells.

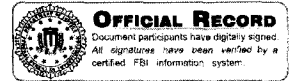
SUBSECTIONS OF TITLE 5, UNITED STATES CODE, SECTION 552a

- (d)(5) information compiled in reasonable anticipation of a civil action proceeding;
- (j)(2) material reporting investigative efforts pertaining to the enforcement of criminal law including efforts to prevent, control, or reduce crime or apprehend criminals;
- (k)(1) information which is currently and properly classified pursuant to an Executive order in the interest of the national defense or foreign policy, for example, information involving intelligence sources or methods;
- (k)(2) investigatory material compiled for law enforcement purposes, other than criminal, which did not result in loss of a right, benefit or privilege under Federal programs, or which would identify a source who furnished information pursuant to a promise that his/her identity would be held in confidence;
- (k)(3) material maintained in connection with providing protective services to the President of the United States or any other individual pursuant to the authority of Title 18, United States Code, Section 3056;
- (k)(4) required by statute to be maintained and used solely as statistical records;
- (k)(5) investigatory material compiled solely for the purpose of determining suitability, eligibility, or qualifications for Federal civilian employment or for access to classified information, the disclosure of which would reveal the identity of the person who furnished information pursuant to a promise that his/her identity would be held in confidence;
- (k)(6) testing or examination material used to determine individual qualifications for appointment or promotion in Federal Government service the release of which would compromise the testing or examination process;
- (k)(7) material used to determine potential for promotion in the armed services, the disclosure of which would reveal the identity of the person who furnished the material pursuant to a promise that his/her identity would be held in confidence.

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
Civil Action# 14-1239

Total Deleted Page(s) = 1
Page 579 ~ Duplicate - 14-cv-1239-253;

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XXXXXXXXXXXXXXXXXXXXXXXXXXXXX  
X Deleted Page(s) X  
X No Duplication Fee X  
X For this Page X  
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FEDERAL BUREAU OF INVESTIGATION

Date of entry 06/12/2013

[redacted] Internal Revenue Service (IRS) Tax Law Specialist and Technical Advisor in the Office of Tax-Exempt and Government Entities (TEGE), born [redacted] social security account number [redacted] cellular telephone number [redacted], residing at [redacted] was interviewed in the offices of Treasury Inspector General for Tax Administration (TIGTA), located at 1401 H Street NW, Washington, D.C. 20005, on May 23, 2013, at approximately 3:30 P.M. EST.

b6 -2
b7C -2

Those present for the interview were FBI Special Agent [redacted] TIGTA Special Agent [redacted] Assistant United States Attorney (AUSA) [redacted] and AUSA [redacted]

b6 -1, 4
b7C -1, 4
b6 per CRM
b7C

After being advised of the identities of the interviewing Agents and AUSAs, [redacted] was advised that the interview was voluntary and he could stop the interview or leave at any time. [redacted] acknowledged that he understood. SA [redacted] then read aloud TIGTA Form OI 5320, Non-Custodial Advisement of Rights, and provided the form to [redacted] for review. At approximately 3:35 P.M., [redacted] signed and dated the form, as witnessed by Special Agents [redacted]

b6 -1,2,4
b7C -1,2,4

The original Advisement of Rights will be maintained in a 1A envelope and made part of the FBI case file. [redacted] then voluntarily provided the following information:

[redacted] is an attorney, [redacted] and currently working as an IRS Tax Law Specialist and Technical Advisor in the Office of the TEGE Commissioner. He, along with Tax Law Specialist [redacted] reports directly to the TEGE Commissioner. [redacted] has no management responsibilities. In his role, [redacted] facilitates operations of the TEGE division, to include liaising with chief counsel and criminal investigations of the IRS. [redacted] is also the [redacted] outside the IRS.

b6 -2,3
b7C -2,3

[redacted] explained that TEGE is one of four divisions in the IRS. TEGE is comprised of Exempt Organizations (EO), Government Entities (GE), and Employee Plans. Within EO, there is Rulings & Agreements, and Examinations. Within Rulings & Agreements, there are three units: Determinations, Guidance and Technical.

b6 -2
b7C -2

Investigation on 05/23/2013 at Washington, District Of Columbia, United States (In Person)

File # 282-WF-0-TAINT Date drafted 05/28/2013

by [redacted]

b6 -1
b7C -1

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282-WF-0-TAINT

Continuation of FD-302 of Interview of [REDACTED], On 05/23/2013, Page 2 of 2

b6 -2
b7C -2

[REDACTED] started with the IRS in [REDACTED] in EO Technical and worked in this unit until January of 2011, reporting to EO Technical Group Manager [REDACTED]. From January of 2011 through August of 2012 [REDACTED] worked in EO Guidance, reporting to EO Guidance Group Manager [REDACTED]. [REDACTED] has been in his current position as Technical Advisor since August of 2012. [REDACTED] explained that EO Technical handles taxpayer specific work, such as the issuance of "Private Letter Rulings", while EO Guidance handles project specific work, such as looking at sectors, developing questionnaires and developing employee training. In his various positions at the IRS [REDACTED] has never held any direct management responsibilities for any IRS employees.

b6 -2,3
b7C -2,3

Regarding his interview by TIGTA auditors concerning the Tax-Exempt Applications audit [REDACTED] stated that his interview took place in room 558 of the IRS's 990 North Capital Street location, and was brief. [REDACTED] believed the interview was voluntary. [REDACTED] did not have any objections to the interview, and did not have any concerns about the interview. Other than the auditors, the only other person present during [REDACTED] interview was HOLLY PAZ.

b6 -2
b7C -2

[REDACTED] did not discuss his interview with anyone. [REDACTED] does not believe that the auditors told him about the content of any other IRS employee's interview. If he learned of any other employee's interview, it would have been through the Congressional hearings.

b6 -2
b7C -2

[REDACTED] had no role in setting up the auditor interviews, nor did he sit in on any of the other IRS employee interviews. He never told any IRS employee that they had to show up for their interview with auditors.

b6 -2
b7C -2

[REDACTED] has read the publically available auditor's report, and watched all the testimony related to the hearings by Congress. He has also read the media reports regarding that testimony. [REDACTED] commented that this is part of his job responsibilities.

[REDACTED] agreed to be available for follow-up interviews, if needed.

At the conclusion of the interview, SA [REDACTED] provided [REDACTED] with a signed copy of the Non-Custodial Advisement of Rights.

b6 -1,2
b7C -1,2



FEDERAL BUREAU OF INVESTIGATION

Date of entry 06/13/2013

[redacted] Internal Revenue Service (IRS) Tax Law Specialist, born [redacted] social security account number [redacted] cellular telephone number [redacted] residing at [redacted] was interviewed in the offices of the Treasury Inspector General for Tax Administration (TIGTA), located at 1401 H Street NW, Washington, D.C. 20005, on May 29, 2013, at approximately 10:45 A.M. EST.

b6 -2
b7C -2

Those present for the interview were FBI Special Agent (SA) [redacted] TIGTA Special Agent [redacted] and Assistant United States Attorney (AUSA) [redacted]

b6 -1,4
b7C -1,4
b6 per CRM
b7C

After being advised of the identities of the interviewing Agents and AUSA, SA [redacted] provided [redacted] with IRS Form 8111, Employee Notification Regarding Union Representation, for review. [redacted] then signed and dated the form.

b6 -2,4
b7C -2,4

SA [redacted] then read aloud TIGTA Form OI 5320, Non-Custodial Advisement of Rights, and provided the form to [redacted] for review. At approximately 10:50 A.M., [redacted] signed and dated the form, as witnessed by Special Agents [redacted] AUSA [redacted] reiterated to [redacted] that the interview was voluntary and she could stop the interview or leave at any time. [redacted] acknowledged that she understood. The original Employee Notification Regarding Union Representation and Non-Custodial Advisement of Rights will be maintained in a 1A envelope and made part of the FBI case file.

b6 -1,2,4
b7C -1,2,4
b6 per CRM
b7C

[redacted] then voluntarily provided the following information:

[redacted] began working for the IRS in [redacted] as a Tax Law Specialist in the Exempt Organizations (EO) Technical Unit. As a Tax Law Specialist, [redacted] makes determinations on applications, handles Private Letter Rulings, provides technical assistance, and works on special projects. She reports to EO Technical Manager [redacted] who in turn reports to Rulings and Agreements Manager [redacted] has no

b6 -2,3
b7C -2,3

Investigation on 05/29/2013 at Washington, District Of Columbia, United States (In Person)

File # 282-WF-0-TAINT

Date drafted 06/04/2013

by [redacted]

b6 -1
b7C -1

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282-WF-0-TAINT

Continuation of FD-302 of Interview of [REDACTED], On 05/29/2013, Page 2 of 3

b6 -2
b7C -2

subordinates. Her manager has changed since she started working at the IRS since [REDACTED] has been detailed out a few times. She has had about five acting managers during that time, as follows:

1. [REDACTED] not sure of dates
2. [REDACTED] summer or fall of 2011
3. [REDACTED] - sometime in 2012
4. [REDACTED] 2012
5. [REDACTED] February or March of 2013

b6 -3
b7C -3

[REDACTED] is not sure who was her manager during the time of the audit, but believes it was [REDACTED]

b6 -2,3
b7C -2,3

Regarding her interview by TIGTA auditors concerning the Tax-Exempt Applications audit, [REDACTED] stated that her interview took place at the IRS's 999 North Capital Street location in D.C. [REDACTED] did not have any objections to the interview, and did not have any concerns about the questions being asked. She assumed the scope of the interview was to talk to anyone working certain cases in the IRS. [REDACTED] believes the interview was voluntary. Other than the auditors, the only other person present during [REDACTED] interview was HOLLY PAZ.

b6 -2
b7C -2

[REDACTED] received an email to schedule the interview, but cannot remember who sent it.

b6 -2
b7C -2

[REDACTED] had no role in setting up the auditor interviews, nor did she sit in on any of the other IRS employee interviews.

The auditors never told [REDACTED] about the content of any other IRS employee's interview.

[REDACTED] may have told other employees about her interview, stating that the interview was short and they did not ask good questions. She also may have told co-workers about questions related to the "Guide Sheet".

b6 -2, 3
b7C -2, 3

[REDACTED] explained that the auditors asked her about it, and she told them that she was asked to draft it. This is what [REDACTED] may have told her co-workers, to include other Tax Law Specialists working under [REDACTED] such as [REDACTED]

No co-workers told [REDACTED] about being interviewed by the auditors. As far as [REDACTED] knows, the auditors did not interview [REDACTED]

b6 -2, 3
b7C -2, 3

Other than her interview, [REDACTED] only other interaction with the auditors was when she participated in the main meetings that took place a few months before the audit report was released. Present at these meetings

b6 -2
b7C -2

282-WF-0-TAINT

Continuation of FD-302 of Interview of [REDACTED], On 05/29/2013, Page 3 of 3

b6 -2
b7C -2

were [REDACTED] the two auditors, PAZ, [REDACTED] and LOIS LERNER's technical staff. The meetings involved the treatment of a sample of applications that the auditors had pulled. [REDACTED] did not have any objections to these meetings, and did not have any concerns about speaking during these meetings. [REDACTED] participated in these meetings voluntarily.

b6 -2,3
b7C -2,3

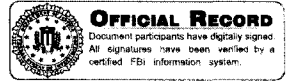
[REDACTED] has read the publically available auditor's report, but never saw a draft report or any other internal document related to the audit.

b6 -2,3
b7C -2,3

[REDACTED] has watched most of the testimony before Congress, to include RUSSELL GEORGE and STEVE MILLER. [REDACTED] has been following the related media reports.

At the conclusion of the interview, SA [REDACTED] provided [REDACTED] with signed copies of the Employee Notification Regarding Union Representation and Non-Custodial Advisement of Rights.

b6 -1,2
b7C -1,2



FEDERAL BUREAU OF INVESTIGATION

Date of entry 03/25/2014

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

b6 -2,3,4
b7C -2,3,4

[redacted] date of birth (DOB) [redacted] Social Security account number [redacted] residence address [redacted] was interviewed at the FBI Covington Resident Agency located at 2220 Grandview Drive, Suite 280, Ft. Mitchell KY 41017. [redacted] attorney, [redacted] was present for the interview. Also present for the interview were U.S. Department of Justice Attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent (SA) [redacted] Multiple documents shown to [redacted] by the interview team during his interview are identified below by their corresponding bates numbers or other identifying information. After being advised of the identity of the interviewing Agents and the nature of the interview, [redacted] provided the following information:

b6 per CRM
b7C

[redacted] earned a Bachelor of Arts degree in Accounting from the [redacted] [redacted] Between 1996 and 2002, he worked mostly as an accountant for private firms. [redacted] joined the IRS on [redacted] He began working in Exempt Organizations Determinations (EOD) in Cincinnati as a Revenue Agent. [redacted] worked in Group 7827, where he specialized in credit counseling, foreclosure mediation, downpayment assistance and low income housing cases. He does not know why these types of cases became specialty cases. The cases were not difficult, but were subject to Quality Assurance review and EO Technical (EOT) review. It was difficult to move cases because a lot of opinions were required. The cases took time due to disagreements.

b6 -2
b7C -2

In Group 7827, [redacted] started as a grade 9 working on grade 9 and 11 credit counseling cases. In 2006, credit counseling became a big issue because of the Pension Act. The majority of his time in that group was spent working credit counseling cases. Taxpayers called all the time to check on the status of their credit counseling applications. After he sent out his development letters, taxpayers would call him to request extensions and ask for clarification of the questions in his letters. When he received a full response from the taxpayer, he went through his Manager to

b6 -2
b7C -2

Investigation on 08/06/2013 at Ft. Mitchell, Kentucky, United States (In Person)

File # 282B-WF-2896615

Date drafted 08/09/2013

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 08/06/2013, Page 2 of 10

b6 -2
b7C -2

move the case forward. Taxpayers would call him to see why it was taking so long to get a decision on their applications. Initially, he would tell them his Manager was considering the application. If the application went to Quality Assurance, he would tell them it was there. The Quality Assurance review could take two to three months. [REDACTED] explained this to the taxpayers to make them feel better. At the end of the credit counseling era, they were directed not to provide details on the status of applications to the taxpayers. They were told to just tell them the application was under review. This direction was for responses to taxpayers in all cases, not just in credit counseling cases. [REDACTED] does not remember who provided this direction. Quality Assurance kept sending credit counseling cases back for little things and [REDACTED] became frustrated with the process. He became a GS-13 Revenue Agent in either September 2009 or September 2010. At the time of his promotion to a GS-13 [REDACTED] was still assigned to Group 7827 with [REDACTED] as his Manager. [REDACTED] sat in the same cubicle for 10 years until he moved to Group [REDACTED]

b6 -2,3
b7C -2,3

[REDACTED] learned through a rumor that the groups would be reorganizing. The groups are often reorganized. He received the regrouping list in an email from [REDACTED]. He was delighted to learn he was going to Group [REDACTED]. He went to Group [REDACTED] in late spring or early summer 2011. He had been in his prior group too long and wanted to move to another place. [REDACTED] was the Manager of Group [REDACTED] and [REDACTED] wanted to work for him. [REDACTED] had previously worked for [REDACTED] when [REDACTED] was serving as an acting Manager. [REDACTED] believed that [REDACTED] provided discretion to his Agents and respected their judgment. A lot of their decisions are judgment calls.

b6 -2,3
b7C -2,3

[REDACTED] is currently an EOD Manager in Group [REDACTED]. He has been a Manager since March 2013. As a Manager, he believes in giving discretion to his Agents.

b6 -2,3
b7C -2,3

The cases handled by Group [REDACTED] are difficult and lengthy. [REDACTED] was trained on auto revocation cases. In the auto revocation cases, Congress passed a law to revoke the exempt status of many organizations and the groups needed to reapply for the status. The procedures, rules and laws in these cases are nightmares and [REDACTED] does not like these cases. [REDACTED] told [REDACTED] in September 2011 that he was not happy working auto revocation cases and was looking for other opportunities. [REDACTED] learned in November 2011 in an email from [REDACTED] that he would be working advocacy cases. [REDACTED] had previously heard about advocacy cases when he received the "Be on the Lookout", or "BOLO" list. [REDACTED] had not previously expressed a specific interest in working advocacy cases to [REDACTED]. When he found out he was working advocacy cases, he emailed [REDACTED] that it would be a good opportunity for him to be a team leader. [REDACTED] had mixed feelings because

b6 -2,3
b7C -2,3

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 08/06/2013, Page 3 of 10

b6 -2
b7C -2

he knew there would be a lot of controversy with the political advocacy cases. [REDACTED] had prior experience working a political application on the [REDACTED] but [REDACTED] was not previously aware of this experience until [REDACTED] later told him.

b6 -2, 3
b7C -2, 3
b3 -1

Sometime in 2010 or 2011, [REDACTED] had worked the [REDACTED] applicant case involving the multi-party system. The organization had applied for (c)(3) status, but was advocating for the multi-party system in the United States. [REDACTED] believed the organization was out of (c)(3) range, so he recommended the applicant request (c)(4) status. The applicant refused to become a (c)(4) exempt organization. [REDACTED] EOT, and Quality Assurance all agreed with [REDACTED] recommendation.

b6 -2, 3
b7C -2, 3

[REDACTED] had wanted to get rid of the case. He heard that [REDACTED] was the coordinator for political cases. She told [REDACTED] she could not take the case. He believes [REDACTED] answer was that her cases were limited to Tea Party cases and she could not take multi-party cases. [REDACTED] knew the Tea Party was involved in advocating for the payment of less taxes. [REDACTED] thought [REDACTED] should have taken the multi-party case at the time. He did not really know the emerging issues category and thought his case might be included in the category because it involved the political system. [REDACTED] wrote the denial for the case, but does not know whether it ever went through. He spent about 40 hours on the case and sent out two to three development letters. The applicant never complained about [REDACTED] questions in the letters and answered them all. [REDACTED] wrote these letters himself and did not consult with EOT. The application went to Quality Assurance who raised a completely different aspect. [REDACTED] had to re-develop the case and sent it back up to Quality Assurance. Afterward, he moved to Group [REDACTED]. The case came back after he moved. The political cases handled by Group [REDACTED] expanded to cover more than Tea Party cases. The BULO was enlarged to include all advocacy cases. [REDACTED] wanted to include the case as a political advocacy group. [REDACTED] became the team leader for advocacy cases and had more discretion. He copied [REDACTED] on the case.

b6 -2, 3
b7C -2, 3

[REDACTED] heard around the office that there were back and forth discussions with DC on the Tea Party cases prior to the time he was made team leader for the advocacy issue. He did not have a discussion with [REDACTED] regarding the discussions with DC. He did not receive much of a brief on what to do when he became a team leader. [REDACTED] was a quiet guy and briefly explained the role in five to 10 minutes. He does not remember [REDACTED] description of the political advocacy cases.

b6 -2, 3
b7C -2, 3

[REDACTED] subsequently had a meeting about the advocacy cases with [REDACTED] [REDACTED] argued in favor of categorizing the cases as Grade 12 cases and educating the taxpayers about the requirements for

b6 -2, 3
b7C -2, 3

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 08/06/2013, Page 4 of 10

b6 -2
b7C -2

applying. He wanted the taxpayers to have the opportunity to move the case to a different area or change the activities on their applications that would disqualify them. He wanted the cases to be decreased from a grade 13 to a grade 12 level for review, because grade 13 cases are subject to Quality Assurance review. Cases can be moved much faster if they do not need to go through Quality Assurance. Taxpayers would be much happier.

[REDACTED] brought out a case grade category list from the Internal Revenue Manual (IRM) that states which type of case is categorized under which grade and said the cases should be at the grade 13 level. [REDACTED] proposal to educate the taxpayer was not approved either. [REDACTED] decided the cases needed to be developed first and then a decision would be made. [REDACTED] and [REDACTED] agreed. This meeting was the second time [REDACTED] met with [REDACTED] in person. It was rare for him to meet with her in person.

b6 -2,3
b7C -2,3

[REDACTED] foresaw that the procedure was going to be difficult for the advocacy cases since they had to go through EOT and Quality Assurance. No timetables or benchmarks were established at the meeting. When [REDACTED] had asked him to take charge of the advocacy cases, [REDACTED] attached an Advocacy Guidance document and an Excel file which was later called a Tracking Sheet. On the right side of the sheet was a comment that review was to be done by EOT.

b6 -2,3
b7C -2,3

[REDACTED] was shown a 12-page spreadsheet titled "Tracking Sheet 7/18/2013 - Advocacy Cases". [REDACTED] advised this was the type of information he was supplied by [REDACTED]. The spreadsheet has evolved throughout the process. When [REDACTED] took over the advocacy cases, [REDACTED] was doing the tracking sheet. [REDACTED] maintained the spreadsheet for two to three months after [REDACTED] became the team leader. After that time, [REDACTED] took over the list. The "Notes" column on the sheet was done by EOT. They did not update the notes after he took over. [REDACTED] was provided two EOT points of contact, [REDACTED]. [REDACTED] introduced himself to them via email.

b6 -2,3
b7C -2,3

EOT did not provide him with a template development letter. The plan was for him to develop his own letter and then EOT would provide guidance and input. [REDACTED] received copies of development letters from [REDACTED].

[REDACTED] gave him an approval proposal write-up from [REDACTED]. [REDACTED] also gave [REDACTED] a copy of a write-up on denials and approvals and a copy of [REDACTED] questionnaires that she sent out for development.

[REDACTED] provided him a copy of the questions she sent out. He understood from [REDACTED] that they were already reviewed by EOT.

b6 -2,3
b7C -2,3

[REDACTED] met with [REDACTED] on these cases as issues arose. They did not have regular meetings. He often met with [REDACTED] to keep him informed and

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 08/06/2013, Page 5 of 10

b6 -2
b7C -2

obtain his approvals. During one meeting, [REDACTED] made his own template questions for developing cases. He received [REDACTED] input and corrections. Since this was a high profile category of cases with sensitive questions, [REDACTED] wanted [REDACTED] to review the template before it went out. [REDACTED] stated that he does not have good grammar, so he took language verbatim from the guidance sheet.

b6 -2,3
b7C -2,3

[REDACTED] expanded the questions in a few areas regarding revenue and expenses to obtain more details. Examples of questions he expanded included queries on donations, fundraising, and donor names and lists.

[REDACTED] believed this was necessary to speed up case processing. He knew this was a sensitive area, so he discussed the questions with [REDACTED]. They did not come to a good conclusion and asked [REDACTED] for help. [REDACTED] sat nearby and worked counterterrorism, once known as Touch and Go (TAG). The group consensus was that they could ask the questions, especially for (c)(3) cases. [REDACTED] advised the questions could be sensitive and cause trouble. [REDACTED] said the questions would benefit their decisions on the applications. For example, information on a donor makes the process go more quickly. If all the money received by an organization is from a political candidate, it shows the group has a political purpose. This information could lead to an immediate denial. It would also be helpful to learn whether there were a lot of donor names. This could show there is not a private benefit to an individual and they may be able to approve the application. [REDACTED] agreed with [REDACTED] and concluded it was okay to include the questions. [REDACTED] believes he included a donor question in the multi-party case but he is not certain.

b6 -2,3
b7C -2,3

Approximately one week after [REDACTED] meeting with [REDACTED] and [REDACTED] a group of Revenue Agents joined the advocacy case team. [REDACTED] had received an order from [REDACTED] to put together a team. [REDACTED] put together a list of grade 11 and 12 agents and sent the list to [REDACTED]. [REDACTED] said the list looked okay, but later sent back the list to [REDACTED] with all grade 13 agents.

b6 -2,3
b7C -2,3

[REDACTED] told [REDACTED] to have a team meeting as soon as possible. The meeting was sometime in December with [REDACTED] and all the team members present. [REDACTED] was there as an advisor from Quality Assurance. [REDACTED] was also there. [REDACTED] opened the meeting and [REDACTED] provided a history. [REDACTED] provided most of the history. They discussed how they would move the cases. [REDACTED] discussed reasons why the team was formed, to include providing consistency in development. [REDACTED] requested the team members' schedules so he could start assigning cases to them in early January. He drafted meeting minutes in an e-mail.

b6 -2,3
b7C -2,3

[REDACTED] wanted to start developing cases at that time. After the first

b6 -2
b7C -2

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 08/06/2013, Page 6 of 10

b6 -2
b7C -2

meeting, [REDACTED] provided materials to the team on how to work cases. He sent them a guidance sheet and other materials. He put together another file including questions used by him, [REDACTED] His questions were from the same template he had discussed with [REDACTED] and included the donor question. [REDACTED] sent that file to team members with instructions to use them as a reference. EOT had not reviewed the file of questions prior to the time he provided them to the team. It was not mandatory for the team to use the questions. They were just a reference.

b6 -2,3
b7C -2,3

He believed the team was composed of grade 13 agents and they should know what questions to use. [REDACTED] did not receive any feedback from the team on questions.

[REDACTED] provided instructions to his team on developing cases. He did not include much guidance, but listed special points. For example, he told them to be careful when sending out questions because they were sensitive.

b6 -2,3
b7C -2,3

Initially, he emailed everyone and said he would review their draft letters before they went out until he and [REDACTED] were comfortable with them. About a month or so later, he would not have to review them anymore.

[REDACTED] verbally advised [REDACTED] of his plan to start working cases and send out questions before receiving EOT approval. In early February, they received a few responses to the letters. He emailed the team members to tell them that he wanted to review the responses with them and discuss the next steps. EOT did not request to be involved at this stage.

b6 -2,3
b7C -2,3

[REDACTED] began receiving calls expressing concerns about why they were asking certain questions. For example, an attorney from the [REDACTED] [REDACTED] and some taxpayers called with questions. [REDACTED] tried to calm them down and told them they did not have to answer all of the questions. He said the questions were just being used for reference to make a determination. The applicants provided the information they wanted to and the team may or may not have to send out another letter to them for additional information.

b3 -1
b6 -2,3
b7C -2,3

When complaints started to come in about the development letters, nobody complained to him from Cincinnati or DC that he should not have been sending out development letters.

If these cases had been designated as grade 12 cases, [REDACTED] would have approved many of the applications without sending out letters. Since the cases were designated as grade 13 cases, he had to send them to Quality Assurance where they were subjected to a lot of scrutiny. That is why a lot of questions were asked in the letters.

b6 -2
b7C -2

[REDACTED] would go through the requested items received from the taxpayers

b6 -2
b7C -2

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 08/06/2013, Page 7 of 10

b6 -2
b7C -2

in response to the questions and reviewed them all, to include viewing videos of speeches. For the [REDACTED] application, he requested the content of their speeches. They said they were providing equal opportunity for all sides to present speeches. He analyzed the content of their speeches and counted the number of events they held. If the event had been held for a certain party only and not all, that fact would be a critical factor in the determination process. He was looking for balance. If there was a diversity of viewpoints, the organization would be more likely to have an educational purpose.

b3 -1

In January or February of 2012, there was a meeting with [REDACTED] and [REDACTED] to discuss the emerging issues BOLO. [REDACTED] was in the meeting too. This was while he was still the team leader. They discussed the emerging issue category. [REDACTED] was seeking to revise the political advocacy category. The meeting lasted 30 minutes or so. [REDACTED] did not say why the category should change, and [REDACTED] does not remember exactly what was discussed. He recalled changes were discussed, to include the need to change the description. [REDACTED] thought they were going to make the description broader. The term "socio economic" was discussed. He does not know whether a decision was made at the meeting or not. He was not involved in the process afterward, but later he received the BOLO list and the term "socio economic" was in it.

b6 -2, 3
b7C -2, 3

[REDACTED] saw in the newspaper and on television that concerns about the letters had become a hot button issue. A big law group he thinks may have been called "ACJU" sent a letter about the issue. He cannot remember the group's exact name, but thinks they were an ACLU-type group. Many of the applicants went to that law group. He received an email from [REDACTED] to stop working cases and sending letters, then another to resume, then another within weeks to stop again. From that stopping point, he was just a messenger for requests from [REDACTED] to gather documents and letters. The development side was completely stopped. He was coordinating responses to requests. [REDACTED] did not go back to taxpayers and tell them not to answer any questions. He did not provide any more guidance to the team members either.

b6 -2,3
b7C -2,3

[REDACTED] was shown an email he sent to [REDACTED] on 03/02/2012 (GOV-EMAILS-000208 - GOV-EMAILS-000209). In the e-mail, [REDACTED] stated that his group had their first favorable determination proposal for a BOLO advocacy case and he asked [REDACTED] for their input and guidance on the write-up for approval. [REDACTED] did not think he received any feedback from them. He was not in regular communication with them. His plan was that once they received a response, they would make an approval or denial

b6 -2,3
b7C -2,3

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 08/06/2013, Page 8 of 10b6 -2
b7C -2

determination and consult with EOT. This was the first example of a favorable proposal for a BOLO advocacy case. [REDACTED] never worked regularly with Quality Assurance and EOT because things were shut down.

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] was shown an email chain dated 03/06/2012 describing the [REDACTED] demands for an explanation from the IRS for the requests for information made to them (GOV-EMAILS-000210 - GOV-EMAILS-000226).

[REDACTED] one of the agents on [REDACTED] advocacy team, had sent the email to [REDACTED] did not recall this particular email. He had many similar questions elevated to him.

[REDACTED] asked [REDACTED] for template questions in an email communication dated 03/23/2012 (GOV-EMAILS-000276). The attachment to the email (GOV-EMAILS-000277 - GOV-EMAILS-000289) contains questions used by [REDACTED] and also by [REDACTED] had distributed these questions to all of his team members. [REDACTED] questions are number one on the list through number 15. This list of questions is the version reached after discussions with and corrections from [REDACTED] This list was approved by [REDACTED] to go out. [REDACTED] did recommend that he take some questions off the list. [REDACTED] asked [REDACTED] a few specific questions he wanted to bring to [REDACTED] attention, for example the donor question. [REDACTED] wanted the political affiliation question taken out. [REDACTED] fixed a few grammatical mistakes. [REDACTED] meeting with [REDACTED] on this issue lasted an hour or less. [REDACTED] weighed in on the donor question and was fine with everything else. [REDACTED] initially developed his list for one of his advocacy cases. He used it as a reference and only used questions relevant to the group's application for the development letters. Numbers one through 15 below the line (GOV-EMAILS - 000283 - GOV-EMAILS 000284), followed by numbers one through eight (GOV-EMAILS - 000284 - GOV-EMAILS 000287 at the top of the page above the line) were used in actual cases. They were not from a broad template.

b6 -2,3
b7C -2,3

At the beginning, [REDACTED] spent 1/3 or 1/4 of his time on advocacy cases. Later, he devoted more time to them. He assigned himself over 20 advocacy cases to work. There were 172 advocacy cases when he picked up the team. At the end of his year in April/May 2012, there were over 200 cases. No determinations were made on the cases during his tenure as team leader. One case was withdrawn.

b6 -2,3
b7C -2,3

[REDACTED] was called to a meeting with [REDACTED] the team members, [REDACTED] and other people from DC. [REDACTED] led the meeting and asked everyone their roles. His role at this point was maintaining the tracking sheet of the cases. [REDACTED] left the group. [REDACTED] became the Acting Manager of Group 7822. [REDACTED] (phonetic) received his cases. A week later, [REDACTED] told [REDACTED] that he [REDACTED] was officially off the advocacy

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 08/06/2013, Page 9 of 10

b6 -2
b7C -2

team. [REDACTED] told him this happens a lot. [REDACTED] did not ask any follow up questions. After [REDACTED] met with [REDACTED] [REDACTED] told him he would no longer be working advocacy cases, [REDACTED] still had responsibility to maintain the tracking sheet. [REDACTED] told [REDACTED] that did not make sense, and [REDACTED] agreed. His tracking sheet responsibilities were reassigned within two days of the discussion.

b6 -2,3
b7C -2,3

[REDACTED] did not think he did anything wrong. He still thinks he followed his best option at the time to move the cases and give the best service to the taxpayers. In hindsight, he would not use the donor question again. It is regrettable that he was part of this issue.

b6 -2
b7C -2

Now, [REDACTED] wishes he had not sent out all those questions. At the time, it was necessary to make things move more quickly. [REDACTED] thought it would make EOT and Quality Assurance searches go faster because there would be more information in the file. His purpose was not to burden taxpayers. He is totally against creating more procedures for taxpayers. When [REDACTED] came to the IRS, [REDACTED] interviewed him. [REDACTED] sales pitch was that he had accumulated experience at a private company and wanted to bring that efficiency to the IRS. That is his philosophy and work ethic.

b6 -2,3
b7C -2,3

HOLLY PAZ was present during his TIGTA interview. He had previously met her at the meeting with [REDACTED] PAZ did not meet with him to prepare him for the TIGTA interview, nor did anybody else. PAZ did not ask any questions during the interview. Either [REDACTED] sent him an email with the time of his TIGTA meeting. [REDACTED] reported to the interview room at that time and PAZ and the TIGTA officers were present. During the interview, PAZ departed the room and closed the door. TIGTA asked one question after she left about whether he was influenced or directed by the IRS. His impression was that if she was in the room for that question it might seem like there was pressure on him because she is his boss's boss. He was not surprised that she was there. That was his first and only interview with the TIGTA auditors. The whole interview was one question and lasted 30 seconds to one minute. The one question was whether he acted because of an outside influence. He thought the process was pretty easy and quick.

b6 -2,3
b7C -2,3

The audit report came out in May and LOIS LERNER made her public statement about the advocacy cases. He was surprised when she dropped the bomb and that she said what she did to the media. He read that she said it was some low ranking employees who did it. If he is the boss, he says he is responsible rather than blaming his team members. Blaming subordinates is very low.

Two to three weeks earlier, there was a manager's meeting and LERNER called in to explain a little about the TIGTA audit. [REDACTED]

b6 -3
b7C -3

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 08/06/2013, Page 10 of 10

b6 -2
b7C -2

[REDACTED] and a few others were in the meeting. LERNER said they agreed with some of the TIGTA findings and not others and they were doing write-ups. She mentioned that some things needed to be fixed.

b6 -2
b7C -2

In approximately March or May, they received an email to hold onto relevant documents. He complied. He is not aware of anyone destroying or altering documents or getting rid of emails. Nobody coached him or told him what to say or testify. Nobody told him to lie. [REDACTED] and his colleagues told him to tell the truth.

b6 -3
b7C -3

[REDACTED] is not aware of anyone targeting the Tea Party in a negative way or denying or delaying applications because of the Tea Party's views. He is not aware of bad views in the office about the Tea Party. He is not interested in the political beliefs of people in the office. He is not aware of their beliefs and it is none of his business. [REDACTED] works in the office three to four days a week since he is a manager.

b6 -2
b7C -2

CPE training is held yearly for two to three days. He does not think applicants' political views were a topic of training. Political views are not relevant to the determination on applications.



UNCLASSIFIED//FOUO

FEDERAL BUREAU OF INVESTIGATION

Date of entry 10/02/2014

On 08/07/2013, [redacted] was interviewed at the law offices of [redacted] located at [redacted] Covington, KY 41017. [redacted] attorneys, [redacted] and [redacted] were present for the interview. [redacted] was interviewed pursuant to a proffer letter. The administrative paragraph in the report of investigation (FD-302) for the 08/07/2013 interview did not indicate [redacted] was interviewed pursuant to a proffer letter. This report of investigation serves to correct that fact.

b6 -2,3
b7C -2,3

UNCLASSIFIED//FOUO

Investigation on 08/28/2014 at Manassas , Virginia, United States (In Person, Other (Supplemental Information))

File # 282B-WF-2896615 Date drafted 08/28/2014

by [redacted]

b6 -1
b7C -1

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FEDERAL BUREAU OF INVESTIGATION

Date of entry 07/03/2014

FEDERAL TAXPAYER INFORMATION

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[redacted] date of birth [redacted] Social Security Account number [redacted]
 [redacted] home address [redacted] telephone [redacted]
 [redacted] was interviewed at her attorney's office located at 1030
 15th Street NW, Suite 580 West, Washington, DC 20005. [redacted] attorneys
 [redacted] were present for the interview. Also [redacted]
 present were Department of Justice attorneys [redacted] and [redacted]
 [redacted] and Treasury Inspector General for Tax Administration (TIGTA)
 Special Agent [redacted] [redacted] was shown several documents during the
 interview. Copies of those documents are included in the 1A section of
 the file. After being advised of the identities of the interviewing
 parties and the purpose of the interview, [redacted] provided the following
 information:

b6 -2,3,4
b7C -2,3,4

b6 per CRM
b7C

[redacted] began working at the Internal Revenue Service (IRS) [redacted]
 [redacted] She graduated from [redacted] and worked at [redacted]
 [redacted] practicing Exempt Organizations (EO) law. She
 practiced EO tax law for approximately four years. Her next position was
 at the [redacted] for almost five years where she worked
 501(c)(4) and (c)(3) issues. [redacted] was selected for a position as a
 Technical Advisor in the IRS' Technical Advisor program in January 2011.
 She served as Senior Technical Advisor to the Director of EO, LOIS LERNER.
 [redacted] friend [redacted] had mentioned the job opening at the IRS
 to her. [redacted] was her mentor at the law firm before [redacted] went
 to the IRS as Division Counsel. [redacted] met LERNER for the first time at her
 interview for the position. LERNER and ROB CHOI interviewed her. She
 worked at the IRS through the beginning of August 2013 when she returned to
 the [redacted] as Counsel on international programs.

b6 -2,3
b7C -2,3

As a Technical Advisor at the IRS, [redacted] worked on what the Director
 wanted to focus on, to include auto revocation, the strategic planning
 working group process, and the colleges and universities compliance
 project. She checked in with LERNER when she needed to brief her or needed
 direction.

b6 -2,3
b7C -2,3

Investigation on 09/04/2013 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615 Date drafted 09/04/2013

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/04/2013 , Page 2 of 12

b6 -2
b7C -2

At the beginning of 2012, they moved offices to 999 N. Capitol St. In the old building, she was located far from LERNER's office. Her office at the new building was close to LERNER and she had more contact with LERNER because of the proximity.

For the colleges and universities project, they assembled people from Rulings and Agreements (R&A) and the Research Division and collaborated with their managers. They worked with Examinations on the project too.

[REDACTED] had no contact with people in Cincinnati on the project. For the auto revocation project, she was in contact with Cincinnati. She did not travel there to work. They had weekly two hour calls and [REDACTED] and others from Cincinnati were on the calls. [REDACTED] went through [REDACTED] when she had questions.

b6 -2,3
b7C -2,3

[REDACTED] attended a meeting in the summer of 2011. She was not invited, but she was talking to LERNER about something else in the office when LERNER mentioned that it would be interesting for her to attend the meeting to learn about the IRS. There was a brief about the advocacy cases during the meeting. She does not remember who presented the brief. Only people from Washington, D.C. (DC) were in the room, to include HOLLY PAZ, [REDACTED] and others. The brief was about the number of growing cases in Cincinnati involving organizations that were applying for exemption and engaged in political activity. The discussion was about the growing backlog of cases and how it was unusual to have organizations like this applying for exemption under 501 (c)(3) and (c)(4). The amount of non-exempt activity allowed to be conducted by the organizations was unclear, there was not much clarity in the law, and a large number of cases were coming in. If a group applies for exemption and the IRS blesses the application, then the group is "good to go." If a group starts an organization and files a form 990, their exempt status could be revoked if an IRS audit occurred. At the meeting, it was disclosed that one of the ways Cincinnati was looking for cases was using the "Tea Party" term. They were calling the body of cases involving political activity "Tea Party" cases. The concern was that the IRS had put a label on the cases that would be problematic. Nobody was working the cases. They were setting them aside and waiting for guidance on how to work them. From the conversation, she believed people in Cincinnati were using "Tea Party" as shorthand in a convenient way. LERNER reacted really strongly to the "Tea Party" label. LERNER was adamant that it was not acceptable to use the term and the perception would be terrible. LERNER did not express anger, but was adamant that the term must be changed. There was a sense of urgency at the meeting about changing the name. [REDACTED] did not think she would have recognized the term "BOLO" if it was discussed during the meeting. A memo was written which laid out the events of the meeting.

b6 -2,3
b7C -2,3

282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/04/2013 , Page 3 of 12

b6 -2
b7C -2

[REDACTED] does not remember hearing about the Tea Party issue prior to the meeting. She car pooled with PAZ and chatted in the office about work, but the term Tea Party did not stand out as something they discussed.

b6 -2,3
b7C -2,3

[REDACTED] went to Cincinnati in September 2011 because LERNER wanted her to learn about the IRS. PAZ was going out to Cincinnati to do a town hall and [REDACTED] went along. [REDACTED] showed them around. [REDACTED] said the backlog of advocacy cases was growing because the description of the cases in the group was so broad. The description crafted for these cases was very broad to include policy, lobbying, and government. Many cases got pulled into the group that were not advocacy cases. [REDACTED] had a case there that a lawyer had called [REDACTED] about. It was a 501(c)(3) "think tank" case with a complete application. PAZ told [REDACTED] she could approve it. [REDACTED] did not share this information with anyone in DC.

In November 2011, [REDACTED] received a call from attorney [REDACTED] from Caplin & Drysdale who said he filed an application for [REDACTED] [REDACTED] "think tank," talked to an agent in Cincinnati, and was referred to DC. She had a sense that the case was backlogged and the attorney was trying to track it down. It was not unusual for her to receive calls like this because she knew attorneys. She e-mailed [REDACTED] about the case and carbon copied [REDACTED] on the e-mail. [REDACTED] said the case was in the group of backlogged cases she had been complaining about. [REDACTED] case stayed in the pile. [REDACTED] would not ask for it to be handled specially. She thinks it is approved now, but it was pending for a long time. In her role working for LERNER, [REDACTED] was her eyes and ears and a trouble shooter. She asked questions. That is why she followed up with the application question. She let LERNER know she was asking around about the application and LERNER said to let her know what was happening.

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] talked to [REDACTED] who was the Acting Director of R&A. [REDACTED] said that someone had written and circulated guidance for working the cases. She saw what [REDACTED] had. Only one person had commented on the guidance and there were typographical errors. It was not a good product for the people in EO Determinations (EOD) to use to make quick determinations. The product was too long. She sat down with [REDACTED] the other Technical Advisor to LERNER. [REDACTED] agreed it could be more useful. [REDACTED] and [REDACTED] were going to work on improving it. [REDACTED] sent the long guidance document to Cincinnati and said not to use it as a template. After the guidance went to Cincinnati, they started working cases. [REDACTED] reviewed a version of the guidance (GOV-EMAILS-000127 - GOV-EMAILS-000138) and stated it was very similar to the long version she had previously seen.

b6 -2,3
b7C -2,3

There were Congressional inquiries to the IRS and newspaper articles

282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/04/2013 , Page 4 of 12

b6 -2
b7C -2

asking "crazy questions." [REDACTED] became aware of this through the news and office discussions. She became involved when the issue hit the press. b6 -2, 3
LERNER was often in contact with STEVE MILLER's office about the issue. b7C -2, 3
She does not know whether MILLER was involved prior to this time. Since January, [REDACTED] and [REDACTED] were reviewing and sorting development letters from Cincinnati. [REDACTED] was also asked to start looking at some case files to see whether they could be approved. [REDACTED] stopped working on the letters and [REDACTED] and others worked on them. [REDACTED] and another tax law specialist looked at case files. Some files were in electronic format and some were on paper. They pulled electronic files that they could review in approximately a week. The cases were tough.

MILLER, as Tax Exempt & Government Entities (TEGE) Commissioner, asked NAN MARKS, Senior Technical Advisor, to put together a team of people who had not been involved in the cases to go to Cincinnati to see what was going on. At the same time, TIGTA was going to start its investigation of this issue. During the Cincinnati review, they were aware TIGTA was coming out the following week. [REDACTED] was asked to go to Cincinnati with MARKS, JOE URBAN [REDACTED] and PAZ. PAZ went because they thought people would feel less threatened if she was there. They went for three to four days and walked through the whole processing procedure. They were in a room together looking at a lot of cases to draw conclusions and detect patterns. The cases were hard. Also, the law was not clear. There were two questions on a 501(c)(4) application about whether an applicant engages in political activities and whether a group has relationships with other organizations. An applicant can answer "no" to both questions, but there was conflicting information in the narrative for some organizations who said no. An application on its face does not have sufficient information to make a decision. There are two kinds of organizations - those with lawyers who knew how to do the applications and those from grassroots organizations. The applications from grassroots organizations were sometimes handwritten and the groups tended to start their applications around election time. They wanted to further develop those applications for facts.

b6 -2,3
b7C -2,3

Their conclusion from the trip to Cincinnati was that there was no smoking gun and no sign of political bias. The press and Congress were questioning whether the IRS was singling out certain organizations for different treatment. They did not see that in the files they reviewed. They looked at a huge number of cases. Based on the names of the cases there were more she would label "conservative" than "liberal" or "progressive," but many more conservative organizations applied than liberal groups. All of the cases were difficult, to include those from lawyers and unsophisticated applicants. The applications were mostly 501(c)(4), and approximately one-third were 501(c)(3). Often, the

282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/04/2013, Page 5 of 12

b6 -2
b7C -2

501(c)(3) applicants did not understand the application. They could not tell what the applicants were actually doing when looking at the applications. For example, when they listed rallies, meetings, and distributing literature, they had to ask more questions.

All of the cases went to one group of experienced agents for screening in Cincinnati. They made the call on whether a case went into the advocacy bucket. The advocacy group had not been given orders to get working on the cases because they had not been given guidance to work them. That is her understanding of how the process worked with these cases.

During the review in Cincinnati, they interviewed people involved in the screening process and people who sent out the letters from 2010 through their arrival for the review in 2012. Many people were following different processes.

[REDACTED] does not remember her reaction when she first saw the development letters. The letters had a lot of the same questions which were not tailored to the taxpayers. Sometimes she would see an unusual question, but thought she would understand the question when she looked at the case file. In the office, there were concerns that there were problems with the development letters. It seemed to her that Cincinnati got guidance with instructions not to use it as a template, but a lot of those questions were in the letters. [REDACTED] sent a template and his own questions to those in his group. He said it was not a template list of questions, but people used them and the letters grew longer.

b6 -2,3
b7C -2,3

In Cincinnati, they also talked to [REDACTED]

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[REDACTED] They had signed some of the letters that went out in the spring.

They had been receiving threatening calls to their homes, their names were published in the press, and they were scared. They also talked to [REDACTED]

[REDACTED] They talked to all of them about what they were doing with the cases. [REDACTED] had the cases when they were not being worked and was receiving angry calls from taxpayers. [REDACTED] produced written notes from these meetings to the IRS.

She enjoyed taking the trip to Cincinnati and learning about the process. People in Cincinnati said they were not getting enough guidance to work cases. [REDACTED] said the guidance document provided to them was not workable. [REDACTED] was asked to go back to Cincinnati to lead a team to work the cases. They conducted a training session there with no documents because there was no agreement on what could be written down or on the procedures to follow for guidance. Counsel would not let R&A write something more useful because the law was not clear. Counsel did not want black and white guidance because it would be making law. She was looking at conflicting internal paperwork to use at the Cincinnati training. The

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282B-WF-2896615

Continuation of FD-302 of [REDACTED]

. On 09/04/2013, Page 6 of 12

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lawyers would only approve the lengthy guidance and did not approve the EO guidance. Back in Cincinnati, people discussed issues and cases with the idea of achieving consistency in their approach. People were nervous and worried about missing something. They wanted people to feel calm and not paralyzed so they could move the cases. People in Cincinnati felt ownership over the cases. She was not aware that anyone gave them direction on working the cases.

The two-day training in Cincinnati involved the bucketing process. [REDACTED] created it with contributions from others. She, PAZ, and MARKS agreed they needed bucketing. PAZ and MARKS went initially for the bucketing and then left. Teams of three people with a mixture of Cincinnati and DC people worked on the bucketing. On the first day, [REDACTED] reviewed and bucketed cases. After that, her role was to look at reviews from two people to see if they matched. If they did not match, they would work to reconcile the reviews. She kept the flow going and reported the numbers back to people in DC.

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The bucketing was necessary to clear the backlog and get cases moving. The process was great. People who were involved liked the collaboration between Cincinnati and DC. It was a good working situation and they got through all of the cases in the backlog. Approximately one quarter of the cases were approved, one quarter were denied, and the rest of the cases fell in the middle. In June, approval letters went out to the first organizations. She reported the numbers back to PAZ, PAZ reported them to LERNER, and LERNER went to a weekly meeting with MILLER.

For Bucket 1 cases, notifications went out for approvals. Every case file had a bucketing worksheet which was a follow up plan and roadmap for the case. DC received development letters from tax law specialists for review. Bucket 4 cases were reviewed by people in DC.

If the determination on a case is made in Cincinnati, the applicant has appeal rights. If the determination is made by EO Technical (EOT) in DC, the applicant has no appeal rights and they have to go to court. DC provides technical advice and the letter goes out from Cincinnati. The people in Cincinnati were supposed to let her know if they had a problem getting information back from DC on the Bucket 4 cases. Sometimes the reviewers, [REDACTED] would ask her to look at questions.

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An e-mail between [REDACTED] and PAZ on 05/17/2012 was a live update from Cincinnati (1647-1648). The objective was to rate the cases consistently.

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They wanted to group people with mixed perspectives and mix up DC and Cincinnati people. After they did the math, they could see who was grading high and low. The decision was made to not rearrange the group because the

282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/04/2013 , Page 7 of 12

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groups were gelling well and other participants were going to be rotated in. She seldom had to participate in a reconciliation discussion because groups came to decisions.

The DC group returned from Cincinnati and the Bucket 2, 3, and 4 cases were going through the process. In June 2012, Congressman Camp from the House Ways and Means Committee sent a request to the IRS for every 501(c)(4) application from 2010 and 2011. There were 4,000 applications during that period. The request delayed the bucketing process because people in Cincinnati were copying case files and DC was reviewing them for completeness and responsiveness. [REDACTED] and [REDACTED] were overseeing the process. They were present for part of the process and later they were available to respond to questions. [REDACTED] and others were working on the project.

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[REDACTED] was not working with Counsel's office on most things, but she worked with Counsel on the denials. One case was developed to the point where it would be a denial. The denial had facts similar to a lot of other cases. [REDACTED] wrote the first denial and it included a discussion of the percentage of activities. The process was not workable as it took a lot of internal reviews. [REDACTED] worked on the [REDACTED] denial letter. MARKS, PAZ and LERNER reviewed it. Senior Technical Advisors to PAZ, [REDACTED] and [REDACTED] reviewed it. LERNER or PAZ would have sent the letter to Counsel's office. They were using 501(c)(3) and 527 guidance. The case was given to Counsel. [REDACTED] and someone else in Counsel were responsive and provided helpful comments. Nobody disagreed with the outcome and many thought it was an easy case. It was an evolving process. [REDACTED] does not know when the denial letter went out. The process was to send the proposed denial to the taxpayer and they had a period to respond. She thinks the taxpayer officially has 45 days to respond and internally the IRS gives them 60 days.

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[REDACTED] reviewed a 05/05/2013 e-mail (1637) which she received from PAZ dated 05/05/2013 (1637) which stated that the first proposed denial of a 501(c)(4) advocacy case, [REDACTED], would be issued the following day. She is not sure why it took so long to issue it. In May and afterward, people were working on other cases. The process takes months because of other work and distractions. She thinks [REDACTED] was the agent in Cincinnati who had the case. Her understanding is that the group was not concerned about being denied because they had done their thing and gone out of business. They did not object. By the time this happened, the IRS had implemented its expedited process. This case met the criteria for the process. She is not sure how it was handled, but she thinks the IRS went back to the taxpayer and they had already gone out of business. This denial was used as a template.

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282B-WF-2896615

Continuation of FD-302 of [REDACTED], On 09/04/2013, Page 8 of 12

b6 -2
b7C -2

The TIGTA audit in April/May 2012 was the week after her travel to Cincinnati with [REDACTED] URBAN and the others. She learned about the audit roughly the same time she was going to Cincinnati. Her understanding was that EO had asked for the audit at about the same time MILLER asked MARKS to take a team out to Cincinnati. People told her that PAZ, MARKS, LERNER, and MILLER had a meeting where they discussed that MILLER's office was going to ask TIGTA for the audit. The audit report said the audit was done at the request of Congress. Apparently there was no documentation of an audit request from MILLER's group. In August 2012, TIGTA came to the IRS office at 999 N. Capitol Street to conduct interviews. [REDACTED] was interviewed. PAZ was present during TIGTA's interviews in Cincinnati. PAZ would leave at the end of each interview and TIGTA would ask if there was anything else the interviewee wanted to say. For [REDACTED] interview, PAZ could not be there and asked [REDACTED] to fill in telephonically. [REDACTED] called in but did not ask any questions during the interview. She got off the call at the end and the others stayed on the phone. She believes PAZ sat in on the interviews because someone asked TIGTA whether PAZ could. She does not know who made the decision for PAZ to participate.

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PAZ may have sat in because EO requested the audit. [REDACTED] did not have previous audit experience. [REDACTED] did not prepare anyone for the audit interviews. Nobody prepped her for her interview. She did not note a heightened sense of concern or alarm about the interviews.

LERNER liked the fact that TIGTA came in to look at things. There was a lot of back and forth and it was a good learning experience. [REDACTED] does not recall looking at the TIGTA draft audit report, but she looked at the timeline and discussed it with PAZ. She was involved in other discussions about the report. People felt it was harsh and did not tell the whole story. LERNER was upset, thought the report was politicized, and thought the report did not present the whole view. LERNER met with the TIGTA representative to discuss the report. Technical Advisor [REDACTED] filled in for LERNER at one meeting. [REDACTED] read the meeting notes which stated the report was one-sided and biased and they had not had that experience with TIGTA before. She read the notes when she was copying them, possibly for a paper production. [REDACTED] did not provide any consultation to LERNER on the TIGTA report. PAZ and LERNER were working closely on the report, but it was not on [REDACTED] plate. PAZ said people working on the report told her they were considering conducting a criminal investigation at the time, but did not. [REDACTED] read the unredacted version of the TIGTA audit at some point.

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[REDACTED] had discussions with LERNER prior to her comments at the ABA meeting. The day before MILLER's testimony on 05/05/2013, [REDACTED] met with LERNER and MILLER to discuss the hearing. [REDACTED] from Legislative Affairs, NIKOLE FLAX and a woman with long, gray hair were also at the

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282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/04/2013 , Page 9 of 12

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meeting. Someone raised the question of whether the TIGTA report might come up. If the question did not come up at the hearing, they wanted LERNER to plant a question at the ABA meeting. [REDACTED] saw a set of bulleted notes that MILLER wrote for LERNER's comments at the meeting. Someone told [REDACTED] to put the notes away and not read them. She does not know who told her that, but it was not LERNER. In the notes there was a line about low-level employees in Cincinnati or something close to that and a line that it was not a political vendetta. The issue was too complicated to blame on Cincinnati employees. Cincinnati employees may have been mentioned because if it is low-level employees in Cincinnati, then it is not high-level employees in DC. [REDACTED] was attached to the Cincinnati employees after working with them. The part of the script that bothered [REDACTED] the most was about low-level employees in Cincinnati. That had been LERNER's line for a while. The first time she remembers hearing the low-level characterization was in the early summer after [REDACTED] had been in Cincinnati for the review or bucketing. The comment was made at a meeting with LERNER, MILLER and PAZ. PAZ was upset about it. [REDACTED] was not present at the meeting, but heard about it. PAZ had the same affinity about people in Cincinnati as [REDACTED] did. At some point [REDACTED] expressed to LERNER that she did not feel the same way about the Cincinnati characterization. [REDACTED] was aware that PAZ had those conversations too. LERNER was going to write a speech from the notes. [REDACTED] went into LERNER's office with a copy of the notes. LERNER said she would give the notes to her assistant [REDACTED] for the burn box.

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[REDACTED] talked to [REDACTED] because she found the situation with the notes to be unsettling and weird. [REDACTED] is a confidante who is smart and ethical. [REDACTED] does not remember having much of a discussion with LERNER about the notes. She left the meeting at 1111 Constitution Avenue with MILLER and went back to 999 N. Capitol Street for a meeting with LERNER. LERNER was leaving on vacation on Saturday morning after the ABA meeting. At the time, LERNER was planning to have someone else do the ABA meeting and to have [REDACTED] cover the colleges and university panel. [REDACTED] understood for a month that LERNER was supposed to make the announcement and LERNER was working with MILLER on the timing. [REDACTED] heard MILLER had previously asked LERNER to make the comment at a tax conference in April. [REDACTED] helped LERNER write her speech for the conference. In the end, LERNER decided not to make the comment during the April speech.

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The question did not come up at MILLER's hearing and the Legislative Affairs people were glad.

LERNER went to the Ways and Means Oversight Committee to talk about the colleges and universities report on 05/06/2013 and [REDACTED] went along.

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282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/04/2013 , Page 10 of 12

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On Friday 05/10/2013, LERNER gave her answer to the planted question at the ABA meeting. Someone, maybe [REDACTED] or PAZ, said that LERNER had reached out to [REDACTED] to ask the question. Later, [REDACTED] released a statement that LERNER asked her to raise the question. After the first media hit, [REDACTED] saw the notes on [REDACTED] desk. They had not been destroyed. She saw a copy of the notes later. IRS Counsel had them in their document production for Capitol Hill.

On the day of the ABA meeting, [REDACTED] went home early and took a nap. She woke up and the news was blowing up on her iPad. LERNER made the announcement and did a press conference with no preparation. Nobody on LERNER's staff knew anything about the press conference. LERNER went on vacation the next day for a week. [REDACTED] had a weekend e-mail with PAZ (1642-1643), but had no contact with LERNER. Incorrect news stories were out. The numbers and reports were not true. Nobody in their office was handling the issue in LERNER's absence. MILLER's office took over control of the whole response.

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Before LERNER was put on leave, [REDACTED] talked to her about the press conference. LERNER said she got a call on the way back to 999 N. Capitol Street from someone at 1111 Constitution Avenue who told her she had to come there to do a press conference. LERNER was in the room with FLAX and about 30 reporters. [REDACTED] heard it was not great. [REDACTED] cannot remember LERNER ever giving a press conference. Normally media affairs controls these activities very tightly. She does not know whether LERNER's statement at ABA and the press conference represented her sincere beliefs or not.

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[REDACTED] did a mock interview on the Determinations process with a New York Times reporter. She did not end up doing the interview on the recommendation of media affairs.

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LERNER was asked a question by Congress about political activity investigations in connection to two Examinations projects on 456 compliance and referrals during the last election cycle. LERNER answered that question. The House came back and said LERNER lied in her answer, but that question did not ask about these cases.

PAZ and LERNER had a good working rapport that could be volatile but good. LERNER is a micro manager. [REDACTED] got along well with LERNER and she pushed back sometimes. [REDACTED] is still in touch with PAZ. She knew PAZ before she worked at the IRS. She has not been in touch with LERNER except a card she received congratulating her for going to the [REDACTED] and saying sorry for everything that happened.

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[REDACTED] never witnessed any discrimination against a taxpayer based upon

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282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/04/2013 , Page 11 of 12

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b7C -2

his or her political beliefs. She has not witnessed anybody's political partisanship impact the way they do their jobs or review applications. The DC office is not a partisan office. She cannot remember a conversation where people were openly political in the office. [REDACTED] has never witnessed or heard of anyone destroying or hiding documents. Nobody pressured her to say anything untruthful. She has had no pressure with respect to what she should say.

[REDACTED] was one of many people working to move cases forward. Right after the cases hit the news, he said he felt it was inappropriate for him to work these cases anymore. He felt so because he used to be a tax law specialist in EO. He officially was a Special Advisor to LERNER, but the actual position was not available for him there. He worked instead in a temporary-type assignment. She took his cases back. Over time, many people at the IRS have pulled away from the cases. She thought they "were all in it together."

b6 -3
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After this happened, people started getting lawyers and did not discuss substantive issues regarding these cases. People are really cautious.

In an e-mail from her [REDACTED] on 05/14/2013 (1638) in which they were discussing the people in their respective offices, he commented that his office was not partisan. His comment about not being partisan was a joke, because there was news coverage that the IRS was partisan. He works in the Library of Congress.

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Sometime this summer, the application of the [REDACTED] organization came to her attention through a call from a male employee in media affairs. He was a person they brought in from retirement to help. She has e-mails with his name. Media affairs asked [REDACTED] about the timing of the Determinations process. The story in the conservative blogosphere is that [REDACTED] applied for and received tax exemption and was stealing money. The organization is in [REDACTED] name. She pulled the application and noticed the timing. It was very unusual because the application was approved in lightning speed. It was approved in less than two weeks or something like that. She had not heard of the application until that moment. There were things in the application that would not make you approve it without development such as foreign activity and questions about how people were getting paid. Whoever saw the application in screening approved it, but she does not remember the person's name. She might have shown the application to PAZ. [REDACTED] is almost positive she contacted [REDACTED] because the application was in Cincinnati. Nobody knew anything about the application. She went to MARKS and said it was weird in the context of everything going on. MARKS said to refer the matter to TIGTA. [REDACTED] contacted [REDACTED] in TEGE. He

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282B-WF-2896615

Continuation of FD-302 of

[Redacted]

, On

09/04/2013

, Page

12 of 12

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b7C -2

contacted [Redacted] in TIGTA. She printed out the application that was in TEDS. She told a TIGTA agent who came by what she knew and gave him the application. The agent might have been [Redacted]

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FEDERAL BUREAU OF INVESTIGATION

Date of entry 06/17/2014

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

[redacted] date of birth (DOB) [redacted] Social Security
account number (SSAN) [redacted] residence address [redacted]

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b7C -2,4

[redacted] cellular telephone [redacted] was interviewed at
the offices of the Department of Justice (DOJ) located at 1400 New York
Avenue, Washington, D.C. 20530. Also present during the interview were DOJ
Attorneys [redacted] and [redacted] and Treasury Inspector
General for Tax Administration (TIGTA) Special Agent (SA) [redacted]

b6 per CRM
b7C

After being advised of the identities of the interviewing Agents and the
nature of the interview, [redacted] provided the following information:

[redacted] who grew up [redacted] received his undergraduate degree from
[redacted] He received his law degree from [redacted]
[redacted] in 2007 and then received his Masters of Law in
Taxation from [redacted] then started at the Internal
Revenue Service (IRS) [redacted] in Exempt
Organizations (EO) Technical and [redacted]
EO Technical performs taxpayer specific work. He moved to EO Guidance in
December 2010 where his supervisor was [redacted] EO Guidance drafts
guidelines and procedures that are applicable to the entire population. In
September 2012 [redacted] became a Technical Advisor in Tax Exempt Government
Entities (TEGE) and reported directly to acting TEGE Commissioner JOE
GRANT.

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[redacted] regularly worked on issues related to political campaign
intervention and lobbying. His first specific memory of working on the Tea
Party cases was in the spring of 2011 when he prepared a brief for EO
Director LOIS LERNER. [redacted] HOLLY PAZ and [redacted] were
involved in preparing for the briefing. It is not unusual for [redacted] to work
freely for people other than his direct supervisor as they are not very
hierarchical in his office. The subject of the brief was a growing number
of cases identified by EO Determinations that they could not work on their
own and needed help. A couple of cases had already been transferred to EO
Technical from EO Determinations. While preparing the brief, EO Technical
found out that EO Determinations was using specific names as criteria to

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Investigation on 09/05/2013 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615 Date drafted 09/10/2013

by [redacted]

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 09/05/2013, Page 2 of 5

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[REDACTED] select cases. [REDACTED] knew the concern was that EO Determinations may be focused on the name and not the activities.

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[REDACTED] talked to [REDACTED] to get the status of the cases in EO Technical for the brief. [REDACTED] got the criteria used from either [REDACTED] PAZ. [REDACTED] circulated the memo for the briefing in his office and to [REDACTED] to verify the facts. PAZ then reviewed the memo.

The briefing was held in a conference room with LERNER. [REDACTED] [REDACTED] PAZ, [REDACTED] and maybe [REDACTED] were in attendance. [REDACTED] is not sure if [REDACTED] was on the telephone or not. The briefing did not last longer than one hour. He walked everyone through the memo/issue paper. He started with the criteria used to select the cases. The general view in the room was that the criteria should not be used and it needed to be changed. LERNER would have seen the briefing paper prior to the meeting.

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The screening criteria were a problem. The growing number of cases was a possible problem. The organizations were not new, but the large volume of them was. There was also the added media coverage of the Citizens United decision and the Tea Party. While the Citizens United decision did not change the tax law, [REDACTED] noted that media reports stated it may have prompted more people to apply. The media made this a sensitive issue and so they needed to proceed carefully. [REDACTED] is not aware of any specific preparations put into place by the IRS after Citizens United. [REDACTED] cannot remember the IRS doing that for any law change either.

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b7C -2

These cases were screened and were all sent to one group. The people working the cases in Cincinnati were not lawyers. These cases were issue intensive as they included support for candidates, political activity, lobbying and campaign intervention. There were a lot of applications and a lot of media attention. Cincinnati did not want to mess it up so they asked for help. It was never an issue of Cincinnati not wanting to do the work.

The majority of cases the IRS gets are 501(c)(3) cases, and of the 501(c)(4) cases they get, most were not in advocacy. The increase in applications they received were 501(c)(4)s involved in political advocacy. EO Technical simply cannot take all of the cases. The cases were not easy. Context is hugely important when looking at these cases. A small fact can be the difference between supporting an issue versus supporting a candidate. EO Determinations are not lawyers and are not trained as well in asking focused questions to get into the body of the tax law. There was concern that any action taken will be highly scrutinized.

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14-cv-1239-FBI-143

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 09/05/2013, Page 3 of 5

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[REDACTED] is pretty sure that the decision on what to call these cases was not made in the meeting. The decision to not transfer all the cases to EO Technical was made. PAZ would have been responsible for that decision.

In August 2011, a working group met to discuss the two cases in EO Technical. The cases were sent to EO Counsel, which is not uncommon for complex cases or different positions. EO Counsel thought they needed more information since significant time had passed. The applications stated that an organization was planning to do "X", so EO Counsel thought they should see what the organization actually did. The meeting was attended by front line attorneys [REDACTED] and maybe [REDACTED] as well as [REDACTED]

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b7C -3

TEGE Division Counsel is made of EO Counsel and Employee Plans (EP) Counsel. They are divided into Line Attorneys, Branch Chiefs, Associate Chief Counsel, and Chief Counsel. VICKY JUDSON is in TEGE Counsel and JANINE COOK is in EO Counsel. The relationship between EO Counsel and EO Technical depends on the issue, but they definitely disagree sometimes. EO Technical wants a second set of eyes to review decisions to make sure they got it right and are applying the law correctly. EO Counsel would end up defending the decision in court. So even though EO Technical makes the decision, it will not make a decision on something that EO Counsel will not defend.

[REDACTED] helped [REDACTED] in the beginning to review these cases and see where they were. They would categorize them as likely approval, likely denial or needs more information. There were not a lot of likely approvals. He reviewed 10 to 20 cases while [REDACTED] reviewed all of them, which were 150 to 180 cases. He and [REDACTED] were coming to the same conclusions on the first several they looked at so she just finished looking at the rest.

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They gave a spreadsheet of their review to EO Determinations. EO Determinations said they needed more assistance. There was a lot of back and forth from August to November in 2011 between people in Washington.

The back and forth was about how Cincinnati did not think the spreadsheet sent to them was helpful and how could it be made to be more helpful. [REDACTED] did not work with the people in Cincinnati during this time. He was asked by Cincinnati once to work a likely approval which he passed up his chain of command. He did not know what happened to it. [REDACTED] did not think Cincinnati was still working the cases. A guidesheet was being worked simultaneously as well. [REDACTED] worked on the guidesheet with [REDACTED] and [REDACTED] from EO Counsel. They were struggling on how to give EO Determinations help without working the cases themselves. [REDACTED] believes that looking back, after all the hours spent by EO Technical on

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14-cv-1239-FBI-144

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 09/05/2013, Page 4 of 5

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b7C -2

everything, including letters, guidance, and Congressional requests, it would have been easier to have just worked the cases. The conclusion that they would never get to an agreement on a guidesheet they could send to Cincinnati, along with Cincinnati's determination that the spreadsheet was not helpful, helped drive the decision to go to Cincinnati in the spring of 2012 to bucket cases.

There was some discussion on creating a model development letter after they started getting complaints from media reports on development letters. [REDACTED] sent him a document with the template letters prepared by EO Determinations. [REDACTED] gave his impression on the letters which was that he did not think they were right. While the questions asked might be relevant in some circumstances, they would absolutely not be relevant in every situation. His understanding was that the specialists in Cincinnati were sharing questions they used and applying them to their cases. [REDACTED] stated no official guidesheet or development letters were given to Cincinnati.

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In May 2012, [REDACTED] sent [REDACTED] a bucketing guidesheet to assist him while he was in Cincinnati. There was a lot of work to do in Cincinnati, but it did not end up being as long or as painful as he anticipated it would be. When he got back, he was responsible for developing "bucket four" cases, which were potential denial cases. He received these cases from [REDACTED]. His work on these cases was slow because he had a lot of high priority taskings. He had a lot of internal work with internal deadlines that took priority. This included work regarding international delegations and work related to the Affordable Care Act.

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Also, his development questions on the cases he worked were sent to [REDACTED] EO Counsel, and then to [REDACTED] before they were sent to EO Determinations to send out. The taxpayer was then given ample time to respond and once they received the response [REDACTED] had to review it. He then either created additional questions, which had to go through the same process all over again, or he wrote the denial which had to be sent for review before it was sent to Cincinnati to send out. [REDACTED] drafted parts of one denial for [REDACTED] and used parts of that for another denial. He is not sure if any denials have been issued, but he is not sure that he would necessarily know if they did. The impression that he probably got from [REDACTED] was that approvals took longer than denials so they would get approvals done first and then work the rest. [REDACTED] transitioned to a new position in September 2012.

[REDACTED] was interviewed by TIGTA in August 2012 for about 20 minutes. He was not given much notice ahead of time and did not prepare for the interview. There were two or three people from TIGTA in his interview along with PAZ. PAZ did not say anything during the interview and he was not surprised to see her there as that seemed standard to him. Nothing

b6 -2
b7C -2~~UNCLASSIFIED//FOUO~~

14-cv-1239-FBI-145

~~UNCLASSIFIED//FOUO~~

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 09/05/2013, Page 5 of 5

b6 -2
b7C -2

about her being in the interview seemed odd to him nor did it affect what he said. [REDACTED] had nothing to do with the audit after this interview. He read the audit report when it was released. He did not know LERNER was making her remarks when she did and that was the first time he knew the report was coming out. He did not see any glaring issues with the report. He read LERNER's comments and apology in the EO Tax Journal and he was surprised because they had not said anything publicly before.

[REDACTED] wanted to clarify the "rogue agents" comment made by either STEVE MILLER or LERNER. The screening piece of the cases was done without guidance from Washington. The cases were then worked with Washington's knowledge and help. The handling of these cases would either get scrutiny for taking too long or would get scrutiny for approving or denying cases without much examination. The process and approach for these cases was the same as used in credit counseling cases. The problem where this broke down was when no template case could be used for these cases.

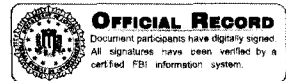
b6 -2
b7C -2

[REDACTED] prepared briefing documents for MILLER for his testimony on EO issues in May 2012. [REDACTED] documents did not include these political advocacy cases. A Sensitive Case Report (SCR) is put together by Tax Law Specialists (TLS) to make management aware of issues that might be high dollar or have media attention. The manager of these TLSs reports the cases to the Director of Rulings and Agreements (R&A). [REDACTED] is not sure if they go above the Director of R&A. [REDACTED] has not heard of the [REDACTED] [REDACTED] other than what has been in the recent news.

b3 -1
b6 -2
b7C -2

[REDACTED] has no knowledge of anyone at the IRS discriminating based on a political or other type of viewpoint. He has no knowledge of anyone trying to destroy or conceal documents. He has not had a discussion with anyone where he was told what to say in order to mislead or lie to investigators.

b6 -2
b7C -2~~UNCLASSIFIED//FOUO~~



FEDERAL BUREAU OF INVESTIGATION

Date of entry 10/15/2014

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

[redacted] date of birth [redacted] Social Security Account Number [redacted]
[redacted] cellular telephone number [redacted] residential address [redacted]
[redacted] was

b6 -2,3,4
b7C -2,3,4

interviewed pursuant to a proffer agreement at the office of his attorneys
located at 575 7th Street NW, Suite 300 South, Washington, DC 20004.
[redacted] attorneys [redacted] were present for the
interview. Also present for the interview were Department of Justice
attorneys [redacted] and [redacted] and Treasury Inspector
General for Tax Administration (TIGTA) Special Agent [redacted] [redacted]
was shown several documents during the interview as indicated below.

b6 per CRM
b7C

Copies of the documents are included in the 1A section of the file. After
being advised of the identity of the interviewing parties and the purpose
of the interview, [redacted] provided the following information:

[redacted] graduated from [redacted] He was a
law clerk at [redacted] and worked at a firm prior to joining the
Internal Revenue Service (IRS). [redacted] began working in the Exempt
Organizations (EO) division of the IRS in [redacted] [redacted] spent most of
his career working international unrelated business income (UBI) and a year
in the Office of Chief Counsel working criminal tax issues. He was also a
reviewer in Exempt Organizations Technical (EOT) and a case worker [redacted]
was a front line manager in Exempt Organizations Guidance (EOG) Group 1
from 2005 through January 2011. In Group 1, [redacted] was responsible for
revenue rulings and procedures, correspondence to taxpayers, webpage
review, FOIA requests, and the review of private letter rulings from EOT.
He supervised five people. His specialties were electric water and sewer
cooperatives and insurance companies. Manager [redacted] asked whether he
could step in temporarily to cover for HOLLY PAZ when she was out on
detail. [redacted] began as an Acting Manager during PAZ's absence from EOT in

b6 -2,3
b7C -2,3

Investigation on 09/09/2013 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615

Date drafted 09/09/2013

by [redacted]

b6 -1
b7C -1

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not
to be distributed outside your agency.

282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On. 09/09/2013 , Page 2 of 10

b6 -2
b7C -2

January 2011. He was in that role for one and one-half years until July 2012. [REDACTED] was the Manager of EOG. [REDACTED] has been on [REDACTED] [REDACTED] has been Manager of EOG since June 2005. [REDACTED] is currently Manager of [REDACTED] PAZ and [REDACTED] preceded him as Acting Managers. [REDACTED] supervises 34 people and has four managers below him: [REDACTED] in Group 1, [REDACTED] in Group 2, [REDACTED] in Group 3 and [REDACTED] in Technical Group 4. The technical unit works private letter ruling requests, exemption application referrals from EO Determinations (EOD), technical advice memoranda from EO Examinations, technical assistance requests from the Office of Chief Counsel, and technical assistance requests from EOD and EO Quality Assurance. [REDACTED] heard from Congress that there have been a lot of constituent complaints on the status of private letter rulings. All of the groups work 501(c)(3) cases and some work 501(c)(4) cases.

b6 -2,3
b7C -2,3

[REDACTED] direct supervisor is KAREN SCHILLER and [REDACTED] is above her. PAZ was his direct supervisor until she was placed on administrative leave.

b6 -2,3
b7C -2,3

Some types of cases go to the Office of Chief Counsel for review. Sensitive Case Report (SCR) cases all go through several layers of review. Cases involving a large amount of money or issues of first impression go through multiple review levels. Everybody occasionally serves as a reviewer or an initiator. Reviewers are normally more senior, but currently, two-thirds of them have less than five years experience. Many of the senior employees have retired or departed. EOT receives cases as it has original jurisdiction over private letter rulings. Cases come in from EOD if they are difficult or first time issues.

While [REDACTED] was in EOG through 2010, he had no exposure to Tea Party cases. While working in EOT in late January or early February 2011, he received an e-mail from [REDACTED] regarding the status of three cases that were on the SCR. He is not 100% certain, but he believes the three cases were [REDACTED] both a 501(c)(3) cases, and [REDACTED] a 501(c)(4) case. He responded to [REDACTED] that they were working on the cases. [REDACTED] said okay and she would check back later. [REDACTED] later checked with [REDACTED] on the case status. [REDACTED] went to [REDACTED] and [REDACTED] and they said they were still working on the cases. [REDACTED] was concerned that they had already been working on the cases for three months of his tenure at EOT. [REDACTED] was pressing because she had other cases "tied down" while they were waiting for a template letter. [REDACTED] went to [REDACTED] because he was the initiator. [REDACTED] had the case since June 2010 when he received the taxpayer response. [REDACTED] looked at the case history and determined the case came in during early 2010. After one year and three months, there was still no recommendation, which is step one in

b3 -1
b6 -2,3
b7C -2,3

282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/09/2013 , Page 3 of 10

b6 -2
b7C -2

EOT. [REDACTED] did not have a conversation with [REDACTED] he just thought about the case and checked the status. [REDACTED] told [REDACTED] manager, [REDACTED] that they had to get the case moving. After talking to [REDACTED] waited for a recommendation from [REDACTED] and his reviewers.

[REDACTED] was the reviewer of [REDACTED] recommendations. [REDACTED] thinks she included her manager on her e-mail communications regarding these cases. The 501 (c) (4) case had a favorable recommendation, the 501 (c) (3) case was a recommended denial. The reviewer and initiator were not always in the same group. [REDACTED] told [REDACTED] to do the best she could on a template letter. He understood that [REDACTED] would be developing the template letter. The next step was to send the applications to EOT for review. [REDACTED] is not sure, but the applications may have gone to [REDACTED]

b6 -2,3
b7C -2,3

[REDACTED] told [REDACTED] they attempted to draft a template letter. They wanted to mass produce it in EOD because EOD was pressed for time. EOD would just plug the facts into the letter and move faster. [REDACTED] said they may not be able to use the template letter because the cases were too fact intensive.

In January, LOIS LERNER sent an e-mail that the cases had to go through a multi-tiered review process through EOG, EOT, Counsel, and LERNER's technical advisor, [REDACTED]. Cases were sent by mail to the branch chief for assignment. [REDACTED] does not know to whom the cases were initially assigned in Counsel, but eventually they went to [REDACTED]. There is a two-part report which discussed all the cases. Tax law specialists sent the detailed, first part of the report to him and he sent it to PAZ.

b6 -2,3
b7C -2,3

PAZ decided who to forward that part of the report. The second part of the report was a summary and he sent it monthly to LERNER, PAZ, and [REDACTED].

In January or February, LERNER responded via e-mail to the summary report. She wanted EO, Chief Counsel, and [REDACTED] to review it.

This e-mail was after the first inquiry he received from [REDACTED] about the cases.

It was not unusual for a case to be pending for a long time. When [REDACTED] started at EOT, over 100 cases were backlogged. The backlog situation had been the same since 2005. PAZ told him one of his jobs was to move cases and there were a lot of over aged cases that needed to be moved. She did not tell him how to move the cases or discuss any particular type of over aged cases. They had no discussion at this time about Tea Party cases.

b6 -2
b7C -2

[REDACTED] staff assistant [REDACTED] contacts the Tax Law Specialists every month for SCR updates. The SCR list goes out every month. There are

b6 -2,3
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282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/09/2013 , Page 4 of 10

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10-20 SCRs. There are individual cases within each SCR. Once a case has finished processing, the related SCR is closed. [REDACTED] forwarded the SCRs to PAZ via e-mail.

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b7C -2

[REDACTED] reviewed an e-mail chain from March 2011 (GOV-AUDIT-000258 - GOV-AUDIT-000259) regarding the status of the [REDACTED] cases. [REDACTED] understood that in Cincinnati there were multiple cases tied down by these cases. Cincinnati was going to use the template letter to develop these cases. He is not 100% sure whether it was his understanding that these cases were on hold. One case went from EOT to EOG for review. EOG forwarded the case to Chief Counsel for their review. He thinks it was the [REDACTED]

b3 -1
b6 -2
b7C -2

[REDACTED] recalls having a conversation with PAZ in spring 2011 about where to move the cases through the review path. He does not recall particular comments or whether the conversation was over e-mail or in person. He met with PAZ at least once a month. He does not recall having formal staff meetings at that time. Later on, PAZ began holding staff meetings with her subordinates.

b6 -2
b7C -2

[REDACTED] had weekly staff meetings with his group managers. Generally they did not discuss Tea Party advocacy cases at those meetings. The meetings were more about personnel issues, processes, and the backlog. In May 2011, they came up with a plan for the old cases. The backlog solution was to work easy cases first to close them.

b6 -2
b7C -2

[REDACTED] had been at the IRS for more than [REDACTED] and was slowing down. [REDACTED] would have assigned the casework to someone else who was a little faster, but it was already assigned to [REDACTED] reputation is that he does good work but is slow. [REDACTED] had a backlog of cases dating to 2005. [REDACTED] does not know the quality of [REDACTED] work product.

b6 -2,3
b7C -2,3

EOT as a unit has a large backlog. They have multiple demands on their time and cases have been allowed to sit and wait. EOT has been through a lot of turmoil. The previous manager left and there has not been a stable manager there since [REDACTED] when [REDACTED] retired. His replacement only stayed one and one-half years, and then there was a series of acting managers. There was no sense of urgency for processing cases and no timeline for processing. They were losing experienced people, people were assigned multiple work projects, and some people had performance problems. Also, the multiple tiers of review did not help.

b6 -3
b7C -3

[REDACTED] reviewed an e-mail from [REDACTED] dated 06/08/2011 with the subject line "Coordination Question." They were trying to brief PAZ and LERNER on the Tea Party cases and were pulling issues to prepare a briefing paper. The briefing paper was prepared the same month as the e-mail. An e-mail

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282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/09/2013 , Page 5 of 10

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from [REDACTED] on the same chain dated 06/08/2011 was about the briefing topic.

PAZ and LERNER requested a briefing because the cases had to go to Counsel and through LERNER's Senior Technical Advisor, [REDACTED] does not know whether PAZ or LERNER reached out to him about providing a briefing. He was simply obtaining information and did not know there was another request through a different channel to get the information, as discussed in the e-mail.

[REDACTED] asked his staff, specifically [REDACTED] to obtain the information. He told the whole team they needed to get ready for the briefing. The briefing was a joint effort between the EOG staff and his staff. EOG, EOT, and EOD staffs met to discuss the briefing paper.

b6 -2,3
b7C -2,3

[REDACTED] prepared a briefing document. [REDACTED] reviewed it and forwarded it to PAZ. [REDACTED] deferred to his staff to put together their input to include the facts, how they got there, their recommendations, and their opinions. When [REDACTED] looked at the briefing paper, his impression was that they should not be using the label "Tea Party". The name of the group is not the test to apply to the cases.

The 501(c)(4) test is an activities test. What you do is not what you call yourself. He thought the Tea Party term would be underinclusive and would only capture people who call themselves by the Tea Party name. [REDACTED] realized this point when he first looked at the briefing paper. Prior to that time, he did not recognize the name was used to identify cases.

In some emails, the cases were referred to as "Tea Party" cases. He thought they were using the term as a general acronym amongst themselves.

He did not realize they were using the terminology on the "Be on the Lookout" ("BOLO") list as a labeling device. [REDACTED] did not receive the BOLOs. He saw excerpts from the BOLOs in the press and the Oversight Committee showed BOLOs to him. He did not receive the BOLO in his section and he was not familiar with how the BOLO worked.

b6 -2
b7C -2

In his meeting concerning the briefing in mid-June, [REDACTED] met with EOT and EOG staffs and PAZ. [REDACTED] were also present for the meeting. The meeting was held in the library and lasted about an hour. The briefing paper was the only topic discussed. They showed PAZ the briefing paper and the use of the Tea Party term. PAZ was the highest ranking person at the meeting. [REDACTED] does not recall who was the lead briefer. Part of the briefing was about labeling the cases as Tea Party cases. Somebody said they may not want to use Tea Party as a labeling term. [REDACTED] had recognized they may not want to use the term Tea Party when they were doing the briefing paper, but his plan was to raise the issue with PAZ at the briefings. He does not recall PAZ's reaction.

b6 -2,3
b7C -2,3

282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/09/2013 , Page 6 of 10

b6 -2
b7C -2

He does not recall anyone disagreeing that the Tea Party label should not be used. The action plan after the meeting was to schedule the briefing with LERNER.

[REDACTED] believes LERNER and PAZ met after this meeting. He did not know about the meeting at the time, but probably read about it in the TIGTA report.

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b7C -2

[REDACTED] did not normally brief LERNER. He has briefed her on these and other SCR cases, but had not briefed her prior to the 07/05/2011 briefing.

b6 -2
b7C -2

During the briefing of LERNER on 07/05/2011, LERNER said the Tea Party labeling was not a good idea and ordered EOD to change the labeling. [REDACTED] PAZ, [REDACTED] and possibly [REDACTED] were there. [REDACTED] called in from Cincinnati. He does not recall whether [REDACTED] was there or not. The meeting occurred at 1750 North Capitol in LERNER's conference room. They collectively conducted the briefing based upon the briefing paper. The labeling issue came up and LERNER said to change the labeling because it was not the right criteria. The subject matter of the briefing paper was the only topic discussed at the meeting. LERNER instructed Cincinnati not to use the Tea Party label. Nobody voiced any disagreement with LERNER's instruction. There was a discussion of what label should be used and it was changed at the meeting. The revised label of "advocacy cases" was an organic development. The advocacy terminology would capture lobbying and political activity.

b6 -2,3
b7C -2,3

The backlog of these cases was discussed at the meeting. LERNER told them to do three things: 1) EOT would provide guidance on the triage of cases; 2) a guidesheet would be developed for EOD agents to review with criteria for advocacy and political intervention, etc., and; 3) the labeling would be changed.

They referred the cases to Counsel. One case was closed because the applicant did not respond. [REDACTED] role at this point was to make sure the triage was completed and the guidesheet was drafted in conjunction with EOG. They began to look at the applications and compile a spreadsheet with designations of: favorable, denial, and needs more development. [REDACTED] believes the team working on this project was [REDACTED] and [REDACTED]. There was no discussion of a timeframe to complete the project, but they were to complete it as soon as possible.

b6 -2,3
b7C -2,3

The triage team made recommendations and forwarded the spreadsheet with results to [REDACTED] understanding was that EOT was doing the work for Cincinnati. Looking back, he does not believe that was the right move. People can self declare by filing a 990 form. They do not need to submit a 1024. This option was not discussed at the time, and he was not aware it

b6 -2,3
b7C -2,3

282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/09/2013 , Page 7 of 10

b6 -2
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was available. The test for evaluating applications is very hard. There is no revenue ruling to quantify what constitutes a primary task. There is a revenue ruling from 2006-2007 which states the facts and circumstances test is a difficult one. While going through the process, it dawned on [REDACTED] that it would be labor intensive. The team in Washington was doing the best they could to address the issue, but they were probably frustrated.

b6 -2
b7C -2

[REDACTED] reviewed an e-mail dated 09/22/2011 which he wrote to [REDACTED] and copied to other recipients (Document ID: 0.7.2743.18835). He stated that this e-mail concerned the triage they were supposed to do on the IRS's Tax Exempt Determination System (TEDS). The plan was to go online on TEDS and look at around 100 cases and then place them in three categories. This e-mail was sent approximately two and one-half months after the LERNER briefing. It took a while to coordinate the project because people had to obtain access to TEDS and people were on vacation. If an application received a favorable determination, a favorable exemption letter would be sent to the applicant from EOD. If the application was assessed to be a denial, a denial letter would be sent from EOD. If the application needed more development, EOD was responsible for the development. A denial out of EOD would have a major impact on the taxpayer, because taxpayers do not have the right to appeal an EOD decision. Taxpayers have appellate rights for EOD denials.

b6 -2,3
b7C -2,3

The guidesheet project did not go well. The guidance was forwarded to Cincinnati in the fall of 2011. [REDACTED] does not know whether [REDACTED] or PAZ reviewed the guidance before it went to Cincinnati. It was sent to [REDACTED] for comment. [REDACTED] told him that [REDACTED] said the guidesheet was not useful. [REDACTED] was surprised when he heard the guidance was not useful. He does not recall communicating his surprise to Cincinnati. He heard the guidance was a rehash of other revenue rulings. [REDACTED] does not recall whether [REDACTED] communicated this point to him. He heard the guidance was sent to Chief Counsel to see whether they could draft it better. [REDACTED] is not an expert who could state whether the guidance was good or not.

b6 -2,3
b7C -2,3

[REDACTED] reviewed an e-mail chain dated 10/24/2011 - 11/06/2011 (GOV-EMAILS-000096 - GOV-EMAILS-000110). He stated the attachment to this chain is the guidesheet that was provided to Cincinnati. At this point, [REDACTED] had no other planned involvement with these cases beyond this guidesheet. His role with these cases was diminishing. He was focusing on other backlogged cases. Responsibility for these cases was shifting to [REDACTED] and probably [REDACTED]. He was not invited to additional meetings on these cases and did not know what subsequently happened with them.

b6 -2,3
b7C -2,3

[REDACTED] heard about the concerns with the development letters in late

282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/09/2013, Page 8 of 10

b6 -2
b7C -2

winter/early spring 2012. He heard this from [REDACTED] PAZ, or the press. He heard that the letters were asking inappropriate questions. In early 2012 PAZ said they may need reviewers and may transfer some of the cases to EOT. The cases were not sent to EOT.

[REDACTED] did not provide input to the development letters. He does not know who [REDACTED] is but knows that [REDACTED] is a current manager in EOD. [REDACTED] has not been involved with [REDACTED] on advocacy cases. [REDACTED] knows [REDACTED] was in CPE training 10 years ago when [REDACTED] was an instructor. [REDACTED] has not worked with [REDACTED] on these cases. [REDACTED] does not know [REDACTED]

b6 -2,3
b7C -2,3

Later that spring, PAZ said she would take staff assistants to Cincinnati to bucket cases. [REDACTED] was not involved in that process. Some of his staff went to Cincinnati for bucketing, but he does not recall who went. Some of his people helped EOD with the cases and EOT went through the applications.

b6 -2
b7C -2

[REDACTED] was not involved when the media and Congress became interested in these cases. He told his staff that their staff should ask their managers about development letter questions before the development letters were sent out. After the development letter problems, they conducted a survey of their cases and advised that only questions applicable to the cases should be asked. [REDACTED] was surprised when he saw the development letters in question. They seemed to ask too many questions out of laziness. They should have asked questions which were material to the applications. The donor questions were not relevant to a 501(c)(4) determination. The activity test, and not a funding test, should be used for 501(c)(4) determinations. One of [REDACTED] tax law specialists, [REDACTED] issued a letter with the donor question. They caught the question, called the applicant, and notified the applicant not to answer the question. [REDACTED] was [REDACTED] front line manager. [REDACTED] discussed the donor question and thought it was an inappropriate question to ask a 501(c)(4) applicant. The same conclusion had already been reached by EOT. [REDACTED] believes they may have reached that conclusion in the [REDACTED] case. In 501(c)(4) cases, they examine private benefit as an expenditure question, not as a donor question.

b6 -2
b7C -2
b3 -1

[REDACTED] staff had six to seven general advocacy and lobbying cases, but no Tea Party cases. The cases were transferred to EOT because they were similar to the Tea Party cases. [REDACTED] had no further involvement in the advocacy cases.

b6 -2
b7C -2

In late April or May of 2012, [REDACTED] learned that TIGTA wanted to interview him. He learned this through PAZ who checked on his availability for the interview. This was his first TIGTA interview. PAZ told him to

14-cv-1239-FBI-154

282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/09/2013 , Page 9 of 10

b6 -2
b7C -2

gather his documents. Nobody told him what to say in the interview. He thinks PAZ sat in on the interview. He and PAZ both went into the interview together and he does not recall her leaving. He cannot recall 100% whether she was there. It did not register with him who should be at the interview because he never participated in a TIGTA interview before. His TIGTA interview was over an hour long.

In late summer or fall of 2012, EOT sent people to Cincinnati to help work cases. They were doing the same work as they did when bucketing cases in early spring 2012. He thinks PAZ, [REDACTED] were providing oversight. [REDACTED] is the expert in advocacy cases. She speaks on the talk circuit about advocacy cases. [REDACTED] is not [REDACTED] supervisor.

b6 -2
b7C -2

The next time [REDACTED] heard about these cases was when the uncomplimentary TIGTA report came out in 2013. PAZ told [REDACTED] at a managers' meeting a few weeks before the TIGTA report came out that the report was going to be coming out. PAZ was not happy with the report and she said it was bad. He assumed she had looked at it. He recalls that nobody at the meeting asked to see the report, and believes it was because they were not at the executive level. His assumption was that only executive level personnel could see the report.

b6 -2
b7C -2

[REDACTED] knew the report was going to be bad but he had not seen the report. He heard about the May 9, 2013 ABA meeting where LERNER made comments. He did not help her prepare comments for the meeting. [REDACTED] came in and told him that LERNER's comments at the meeting were being covered on CNN. [REDACTED] looked at the CNN webpage and could not believe LERNER made those comments and that she used that avenue to make them. The IRS had a whole team of press people. He does not know why she did this at the ABA meeting.

b6 -2
b7C -2

[REDACTED] has not deleted documents relevant to this matter and he has observed the litigation hold. Nobody has told him to destroy anything. Nobody has tried to coach him on what to say or asked him about what he said. He read the public TIGTA audit report and briefly saw the unredacted version on the Hill. He thinks the report is incomplete. It leaves out information about the BOLO reports and about other parties like the progressive groups that were used.

b6 -2
b7C -2

[REDACTED] reviewed a document titled "A Timeline for the 3 exemption applications that were referred to EOT from EOD". He believes this document was provided to TIGTA auditors. He asked his staff to prepare the timeline for the three cases. The auditors had an SCR report. He recalls the SCR report had the names of the three organizations. He does not know of any comments provided by EOD in early November 2011 regarding the guidesheet, other than that it was not helpful. Between May 2010 and

b6 -2
b7C -2

282B-WF-2896615

Continuation of FD-302 of [REDACTED], On 09/09/2013, Page 10 of 10

b6 -2
b7C -2

October 2010, [REDACTED] informally reviewed applications. [REDACTED] was providing informal guidance to [REDACTED] does not know what the arrangements were between [REDACTED] because they were worked out before he arrived. He did not know [REDACTED] but he has heard her name in the news. He only recalls dealing with [REDACTED] in Cincinnati. [REDACTED] was adamant that he go through her.

b6 -2,3
b7C -2,3

[REDACTED] was aware of [REDACTED] political affiliation, but [REDACTED] did not discuss politics at work. He does not believe [REDACTED] would let his political viewpoint impact his work. The rule at the IRS is that you put your political views aside.

There are revenue rulings governing applicants. Applicant groups can educate the public about issues. There is a Supreme Court or federal court case regarding the educational role groups can serve. New employees receive on-the-job training on the case.

People can recuse themselves from a case if their beliefs are too strong. It has happened before. Nobody he worked with has seemed motivated by politics. Nobody has discussed the Tea Party's beliefs with him. He has never heard any concerns about viewpoint discrimination. [REDACTED] has never heard or seen discrimination against taxpayers based on viewpoint. He has no perception that STEVE MILLER and others from the top down had a political agenda. For context, not just these cases were delayed. The entire inventory of cases was delayed due to many things.

b6 -2
b7C -2

Employees cannot just be disciplined for low performance. The union needs to be contacted and grievances can be filed. [REDACTED] believes [REDACTED] was a low-performing employee. [REDACTED] was counseled. He was under a performance action at the end of his time at the IRS. [REDACTED] does not know why these cases were assigned to [REDACTED] contributed to the service for over [REDACTED] [REDACTED] He did a fairly good job.

b6 -2,3
b7C -2,3



FEDERAL BUREAU OF INVESTIGATION

Date of entry 10/15/2014

FEDERAL TAXPAYER INFORMATION

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[redacted] date of birth [redacted] Social Security Account number [redacted] residence address [redacted] was interviewed at 1400 New York Avenue NW, 12th Floor, Washington, DC. [redacted] attorney, [redacted] was present for the interview.

Also present for the interview were U.S. Department of Justice Attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent (SA) [redacted] Multiple documents shown to [redacted] by the interview team are identified below by their corresponding bates numbers or other identifying information. After being advised of the identity of the interviewing Agents and the nature of the interview, [redacted] provided the following information:

b6 -2,3,4
b7C -2,3,4
b6 CRM
b7C

[redacted] earned her Bachelor's degree in Political Science from the [redacted] She earned her Juris Doctor (JD) from [redacted] and her LLM in Tax from [redacted] After graduating law school in 1995, she was a medical malpractice attorney in Chicago. Prior to joining the IRS, she served as a Senior Consultant with [redacted]

b6 -2
b7C -2

[redacted] is currently a Senior Tax Law Specialist in Exempt Organizations Technical (EOT), Group 3. She began working with the IRS in [redacted] as an entry level tax law specialist. She was in Group 2 from 2002-2011. She was a Senior Reviewer in Group 2 for part of that time. Her supervisor in Group 2 was [redacted] She moved to Group 3 and has been a Senior Reviewer there for 2 years. She reports to [redacted] in Group 3. There are 9 people in the group. She had a few stints in management. She has conducted case reviews and was the project lead on various projects. She has not supervised anyone.

b6 -2,3
b7C -2,3

Investigation on 09/16/2013 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615 Date drafted 09/16/2013

b [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of [REDACTED], On 09/16/2013, Page 2 of 10

b6 -2
b7C -2

[REDACTED] helped [REDACTED] fix a Sensitive Case Report (SCR) on Tea Party cases. She helped him use the track changes function on the document in the June and July 2010 timeframe. [REDACTED] retired in [REDACTED] but he was a tax law specialist prior to that. They worked together in Group 2. She was [REDACTED] reviewer, but not his supervisor. [REDACTED] is not computer saavy, so she helped him with the SCR. For computer and document issues, [REDACTED] came to her often. He liked her, and they socialized and went to lunch together. She and [REDACTED] started working together in 2002 and worked on cases together. She also went to him for advice.

b6 -2,3
b7C -2,3

The next time the Tea Party cases came across her radar was when she was assigned by [REDACTED] to be a case reviewer in January 2011. She received one case at first. [REDACTED] mentioned there was another case and he was not done with it yet. He thought that case would be assigned to her too.

b6 -3
b7C -3

As a case reviewer, her role is to make sure the case has been looked at, that there has been correspondence with the taxpayer, and that the documents are signed correctly. Upon receipt of a case, she generally reviews it without reviewing the recommendation from the specialist. She takes notes, researches, and then looks at the recommendation from the specialist. She discusses it with the specialist and reviews the specialist's legal analysis.

[REDACTED] conducted the same review of the Tea Party cases as she did for other types of cases. [REDACTED] asked her to wait to review the first case until he submitted the second case so she could look at both cases together. Early in March 2011, she received the second case. The two cases she had were the [REDACTED] case which was a 501(c)(4) case and the [REDACTED] case which was a 501(c)(3) case. She received no special guidance on how to review the cases. Other than general screening, she was not sure how these cases came to EOT. There was a case history screening sheet in one of the files about political affiliation. She showed [REDACTED] and he was aware. She read how the case was screened and it was not because of the organization's activity. The case seemed to be pulled because of the applicant's political affiliation and screening is not supposed to occur that way. When organizations' applications are pulled, you have to stay away from their political affiliations and your own. She has been taught from day one by her manager that you need to avoid personal views and look at legal criteria. She wanted to alert the managers about the way the cases were being pulled. [REDACTED] said he thought cases were being pulled based upon political affiliations. She took [REDACTED] to see [REDACTED] because he [REDACTED] had been assigned to assist Exempt Organizations Determinations (EOD) on these cases, he knew more than her about these issues, and he was the initiator

b3 -1
b6 -2,3
b7C -2,3

282B-WF-2896615

Continuation of FD-302 of [REDACTED], On 09/16/2013, Page 3 of 10

b6 -2,3
b7C -2,3

on both cases. She thinks [REDACTED] said he did not know about how the cases were being pulled, but she cannot recall specifics. [REDACTED] knew the cases should not have been screened using the criteria that had been used. [REDACTED] then went to tell [REDACTED] said he would follow up on the issue and would let HOLLY PAZ know this was possibly occurring. This occurred in the mid to late March or early April 2011 timeframe. [REDACTED] does not know what happened afterward. There was a reference in an e-mail to the issue, but she did not follow up because it was management's responsibility to deal with Cincinnati.

When management was notified, they asked for a follow up. She is not involved in the screening part, so she is not sure what happened.

[REDACTED] provided her review notes to [REDACTED] and they were waiting to discuss the issues with [REDACTED] who was LOIS LERNER's Technical Advisor. The review notes documented her initial review of the case and her concerns for the Tax Law Specialist to address. [REDACTED] proposed an adverse decision for the [REDACTED] case and a favorable recommendation for the [REDACTED] case. At the end of March or April 2011 after her review, [REDACTED] found proposed Private Letter Rulings (PLRs) which indicated a narrowing of 501(c)(4) and what constituted political intervention. She wanted to speak with [REDACTED] to ask about these rulings. She and [REDACTED] met with [REDACTED] in early April 2011. They presented [REDACTED] with their opinions on the rulings and requested her assistance in analyzing the decisions. [REDACTED] directed them to certain cases and said the PLRs were good with correct analysis. The PLRs had come from EOT. One was by [REDACTED] (phonetic) who is retired. The name of the taxpayer was redacted because the PLR was obtained from Westlaw. The meeting lasted approximately one hour. [REDACTED] was concerned with the narrowing of the law. There were 4-5 PLRs in the approximate 2006 - 2008 timeframe. Prior to that, when 501(c)(4)s were looked at, they could engage in a much broader range of activities. She wondered why the activity was now considered political intervention when it was not before.

b3 -1
b6 -2,3
b7C -2,3

Under the new PLRs, the activities of [REDACTED] were not considered okay. The activities would have been okay before. [REDACTED] was concerned too after reviewing the PLRs. [REDACTED] had not previously found these PLRs. That is why they talked to [REDACTED] also recommended a few court cases. [REDACTED] got both cases to do more research. They later decided to have the office of the Chief Counsel review the cases.

b3 -1
b6 -3
b7C -3

If [REDACTED] disagrees with a case initiator, they sit down and discuss their positions. She asks the initiators to go back and look at what they have written, do more research and then they talk again. She and the initiators have never had to go to anyone else above them to resolve a

b6 -3
b7C -3

282B-WF-2896615

Continuation of FD-302 of [REDACTED], On 09/16/2013, Page 4 of 10

b6 -2
b7C -2

dispute. Per office procedure, if an initiator and reviewer cannot agree, the case goes to the Group Manager for a decision.

If an issue arises in a case and there is a project team or expert in the office, [REDACTED] will go to them for a recommendation. She went to [REDACTED] because she is a subject matter expert. [REDACTED] is higher on the organizational chart, but they did not go to her because of her position. They went to her because of her expertise.

b6 -2,3
b7C -2,3

When TERRY BERKOVSKY (deceased) was her manager, he taught her that you could not use personal criteria when looking at a case and if you had a conflict or issue with a case that you should bring it to management's attention and let them know you cannot work the case. Management will give the case to someone else if that occurs. [REDACTED] reputation is as an open, pragmatic reviewer.

b6 -2
b7C -2

She did not substantively review [REDACTED] SCR. There is no indication on the SCRs as to how they are referred for development. The cases were labeled as Tea Party cases. The screening sheets said the two cases were pulled because of the names and political affiliations. When cases come to their office, [REDACTED] usually does not know how they have been pulled. For the 3 cases on the SCR, she did not know specifically how they had been pulled. [REDACTED] did not tell [REDACTED] whether she agreed or disagreed with his findings. She wanted to evaluate the prior rulings first. She believes she agreed with the 501(c)(3) [REDACTED] case, but the 501(c)(4) [REDACTED] case was a little borderline.

b3 -1
b6 -2,3
b7C -2,3

Upon being shown a document titled "Technical Case History" (IRS0000001323 - IRS0000001324), [REDACTED] stated the notations on the document were from [REDACTED]. She probably forgot to sign the document. On 01/11/2011, the case was forwarded to her for review, then it went to [REDACTED]. Off and on until June, there was discussion about these cases.

b6 -2,3
b7C -2,3

These two cases and one additional case that was not with [REDACTED] were going to the Office of Chief Counsel for review. When the cases went to Chief Counsel, the recommendations on them were the same as [REDACTED] original recommendations. [REDACTED] felt more or less the same and wanted to let Chief Counsel weigh in on the cases.

In June there was a meeting with LOIS LERNER and the Chief Counsel's office. [REDACTED] attended from Chief Counsel. [REDACTED] was asked to draft the briefing paper for the meeting. He had not done one before. [REDACTED] sent the initial draft of his briefing paper to her, [REDACTED] and they reviewed it. They made comments on the document, but she does not recall what they were. [REDACTED] sent the draft to her because she was the case reviewer. He sent it to [REDACTED] because they were subject matter experts. [REDACTED] modified the briefing

b6 -3
b7C -3

282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/16/2013, Page 5 of 10

b6 -2
b7C -2

document. [REDACTED] wrote a comment for [REDACTED] to address what Cincinnati had been doing with the cases [REDACTED] did not know what Cincinnati had been doing. The second draft went to [REDACTED] for review. When one of the drafts was sent forward, [REDACTED] sent it back asking for additional items to be included. The final draft did not look at all like [REDACTED] version. [REDACTED] completely revised it.

b6 -2,3
b7C -2,3

It was [REDACTED] understanding that LERNER was being briefed because of the legal analysis under 501(c)(4) and the difficulty EOD was having in deciding the cases. Her understanding was that they had been holding cases in EOD for a while awaiting guidance. She did not know they were not developing the cases until she read the TIGTA report. They wanted to make sure LERNER and other SES personnel were aware of the issue and were advised of the screening process.

b6 -2
b7C -2

[REDACTED] did not want these cases to languish like the downpayment assistance cases. That is why she asked [REDACTED] to include language on Cincinnati's actions for LERNER and the others to read. In the downpayment assistance cases, Cincinnati felt they could not resolve the underlying legal issues without guidance in place. DC thought they could continue to work using existing laws.

b6 -2, 3
b7C -2,3

Prior to the meeting with LERNER, there was a premeeting with people in Cincinnati about the screening process. She, HOLLY PAZ, [REDACTED] [REDACTED] were on the phone. [REDACTED] and others may have been there too.

b6 -3
b7C -3

[REDACTED] participated in the meeting because she was the reviewer of two cases. PAZ asked [REDACTED] how the screening process was conducted and whether they were using certain criteria like Tea Party to pull cases out. [REDACTED] said yes. PAZ responded that they were not supposed to do it that way and LERNER would be mortified by the use of the term Tea Party or political affiliation to select cases. She said they have to look at the activities the organization is conducting. People in the room understood that using Tea Party was not a good idea. [REDACTED] had not discussed this issue with people she worked with before this meeting other than in the discussions with [REDACTED] she previously described. [REDACTED] knew how the cases were selected and knew it was inappropriate. [REDACTED] thinks [REDACTED] used the word inappropriate or wrong to describe the case selection. [REDACTED] impression is that Cincinnati knew they should not have been using the terms they had been using to screen. She believes they were not malicious in Cincinnati, and they were just using an easy way to screen due to the sheer volume of applications. Her impression is that they used a short cut by using the Tea Party terminology.

b6 -2,3
b7C -2,3

In June, [REDACTED] attended the meeting with LERNER. Prior to this meeting, [REDACTED] and maybe PAZ indicated that cases should be referred to as

b6 -2,3
b7C -2,3

282B-WF-2896615

Continuation of FD-302 of [REDACTED], On 09/16/2013, Page 6 of 10

b6 -2
b7C -2

advocacy cases, not Tea Party cases. [REDACTED] PAZ, and possibly [REDACTED] also attended the meeting with LERNER. [REDACTED] and some of her personnel called in from Cincinnati. Nobody from the Chief Counsel's office attended the meeting. The meeting was held at 1750 Pennsylvania Avenue in LERNER's conference room. Legal cases and precedential court cases were discussed. It was determined that the two cases and a third would be sent to Chief Counsel for review. A briefing paper was presented at the meeting by [REDACTED]. Briefing bullets were discussed and LERNER asked Cincinnati about the bulleted screening items. LERNER said they had to stop using those criteria and asked for statistics on the number of cases pulled, denied, and favorably closed using those criteria. LERNER was pretty angry at hearing how criteria were being used. [REDACTED] believes that when LERNER asked about the number of cases screened, it was to determine the number of cases coming in and how they were weeding out bad actors. An example of a bad actor would be a promoter with a cookie cutter case with nonexempt activity who is screened out or an organization which had previously been denied or revoked and is reapplying. [REDACTED] does not know why these cases were pulled. There is nothing in their activity that would have stood out from any other organization engaged in similar activity. [REDACTED] does not recall any discussions at the meeting as to whether Cincinnati was working cases or not. After the meeting, she told [REDACTED] to copy the files.

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b7C -2,3

The plan forward was to send the three DC cases to Chief Counsel with recommendations from Tax Law Specialists (TLS). [REDACTED] were asked to draft a guidesheet to help Cincinnati work through the cases.

b6 -3
b7C -3

[REDACTED] attended a meeting with the Chief Counsel's office in approximately August 2011. LERNER, PAZ, [REDACTED] participated in the meeting.

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b6 -2,3
b7C -2,3

They went through the three cases counsel reviewed and discussed the legal analysis. One of the cases was [REDACTED]. It was developed originally by [REDACTED] and was transferred to someone else. [REDACTED] looked at the case at some point. She does not know whether he was a reviewer or not, but he did look at it as a Guidance reviewer. They discussed the merits of the two additional cases. They then walked through the case facts and the activities of the [REDACTED]. The organization had applied in 2009 and Chief Counsel personnel chastised them for not getting the election year data from the 2010 election. Chief Counsel's office wanted to see whether the group was still nonpartisan and conducting educational activities during the election cycle. [REDACTED] discussed the additional information that was needed. [REDACTED] thinks they should have obtained the additional information and agreed with [REDACTED]. She does not recall any discussion about the length of time the cases were pending. She believes PLR issues were discussed at the meeting. By the time cases

282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/16/2013 , Page 7 of 10

b6 -2
b7C -2

arrive in her office, they have usually been pending a year or more. It is her understanding that the [REDACTED] case is still open. [REDACTED] sent a letter out after the meeting seeking the additional information. In this case, she told [REDACTED] she thought it was fine to ask for the 2010 information.

b3 -1
b6 -2,3
b7C -2,3

On the two cases she worked, her role was to wait for a response from the taxpayers and for [REDACTED] recommendations. During the time she was waiting, [REDACTED] was taken off the cases and they were transferred to [REDACTED] may have drafted one of the cases. The bigger picture was handled by [REDACTED] ended up with most, if not all, of the cases.

[REDACTED] sent a guidesheet to [REDACTED] for comment. She read through it. She was no longer on the project team and was not using the guidesheet. It was difficult to determine how LERNER and Cincinnati wanted the guidesheet presented. The version she read contained questions to help people develop their questions. [REDACTED] later sent her a second version saying Cincinnati did not like the first version. [REDACTED] did not get involved because she thought LERNER would determine what the guidesheet should contain. [REDACTED] thought [REDACTED] guidesheet was helpful, but her perspective is different than Cincinnati's. It was probably too legal. Cincinnati was hoping for more of a checksheet than a broader presentation.

b6 -2, 3
b7C -2, 3

[REDACTED] had originally asked for a template denial letter. [REDACTED] office and EOT typically do not use templates. She recalls telling [REDACTED] that she did not think they could do a template because the cases are not cookie cutter. They have to look at the Tea Party organizations and how they are conducting activity.

b6 -2,3
b7C -2,3

At the same time the guidesheet went out, [REDACTED] was taken off the review. She thinks [REDACTED] were put on the reviews. There was a sheet that went out about advocacy cases to people who were developing and reviewing the cases and her name was not on it. She asked [REDACTED] if she was off the review team and he said yes. It was good for her because she had other work. Also, she was transitioning to Group 3 with new issues. Her supervisor never criticized her work on the case to her knowledge and it was not reflected in her reviews. There was a decision to consolidate the cases with a few subject matter experts in political advocacy. The timeframe was spring 2012.

[REDACTED] responded to the request for more information. [REDACTED] showed [REDACTED] the response. [REDACTED] responded with several boxes of information.

b3 -1
b6 -2,3
b7C -2,3

It is unusual for a group to respond with that volume of information. The volume of the response may have had something to do with the way the letter was broadly written and the taxpayer may have been overly inclusive. This

282B-WF-2896615

Continuation of FD-302 of [REDACTED], On 09/16/2013, Page 8 of 10 b6 -2, 3
b7C -2,3

has happened before. Usually the letters are caveated with directions to provide a sample. This one was not. [REDACTED] came to her and said she was ready to propose an adverse recommendation. [REDACTED] asked [REDACTED] to put a memorandum in a proposed adverse template and come back to her. [REDACTED] was working on it when [REDACTED] was taken off the review. Since then, [REDACTED] has had no more involvement in these cases.

[REDACTED] has never met with TIGTA auditors. She was not asked to comment on the audit. Just before the audit came out, [REDACTED] held a group meeting to advise that the report was going to be released. He said it was not pretty. This meeting occurred before LERNER made her comments at the ABA meeting. She was on vacation when she read LERNER's comments on her phone. She was surprised that LERNER was discussing this issue publicly at ABA before the report was released. She also thought it was odd that [REDACTED] [REDACTED] asked LERNER the question that led to her comments.

b6 -2,3
b7C -2,3

[REDACTED] read the redacted version of the TIGTA audit report on the computer when she heard it was released. She was not previously aware of a few things in the report. For example, she did not know the criteria reverted back after LERNER asked EOD to change them, because the broader criteria were not producing the desired results. She was also surprised that the applications had not been worked in Cincinnati at the time. She did not know additional facts in the report such as the timing of when Cincinnati received the cases and asked for assistance. She had previously asked [REDACTED] whether Cincinnati was working the cases and it was frustrating to hear they were not. Otherwise, the report seemed accurate to her knowledge.

b6 -2,3
b7C -2,3

[REDACTED] has complied with the litigation hold notice. She believes others who received the notice have also complied. She is not aware of anyone who has destroyed or altered documents or covered up anything.

Nobody has come to her in an inappropriate way to ask about the allegations. She is not aware of anyone trying to influence testimony or interviews. She has no knowledge of people discriminating against taxpayers because of their political beliefs.

When she and [REDACTED] reviewed the two cases and did Internet research,

[REDACTED] had a [REDACTED]
[REDACTED] She asked [REDACTED] whether he had read [REDACTED]
[REDACTED] and told him he should read it since it was interesting.

b3 -1
b6 -3
b7C -3

Some people in the office have made their political affiliations known, but it did not come up when they were looking at cases. None of these

282B-WF-2896615

Continuation of FD-302 of [REDACTED], On 09/16/2013, Page 9 of 10

b6 -2
b7C -2

people who made their political affiliations known worked on these advocacy cases. Nobody on the advocacy cases made disparaging remarks about Republicans, the Tea Party, or similar organizations.

[REDACTED] had a lack of research skill. A reviewer needs to look at rulings to make sure they are consistent. There is nothing different between him and others in their approach to working cases other than pulling cases in research. [REDACTED] point of view did not impact his decisions. The cases were awaiting Chief Counsel input. There was really nothing [REDACTED] could do between March and August until he had input from the Chief Counsel's office. [REDACTED] competently worked the cases. She had difficulty in catching up and picking up cases from someone else. She had to modify [REDACTED] letters. [REDACTED] came to her with several questions. Her [REDACTED] political affiliation did not come into play. [REDACTED] interactions with [REDACTED] were minor. She has no knowledge of his political affiliation.

b6 -2,3
b7C -2,3

[REDACTED] reviewed documents on a laptop shown to her by Attorney [REDACTED]. She reviewed a case history snapshot of the [REDACTED] case. She identified what appeared to her to be [REDACTED] handwriting on an EOD document. She identified a "TE/GE Case Chronology Record", which she described as a case history for EOD. She also identified an "EP/EO Case Chronology Record", a document she identified as an EOD chronology. She had not seen the sheet since March 2011 in the file. It was typed and from EOD. [REDACTED] identified an SCR dated 11/18/2010 with track changes.

b3 -1
b6 -2,3
b7C -2,3

(NOTE: copies of all of the documents identified by [REDACTED] will be maintained in the 1A section of the case file). She did not help with this SCR. She assisted with similar versions in June and July 2010. Some of her projects have been on the Be On the Lookout, or BOLO, report. She has seen a version of the BOLO. She does not know how the BOLO list was created. The screening criteria were very different from the BOLO list.

The BOLO list does not contain criteria. It contains a bigger picture of several topics. It is not as detailed as screening criteria or a checklist. By the time a case comes to EOT, it has been through those processes. They do not look at processes that occurred before. She would not have noticed the processes by the time the case came to her.

[REDACTED] reviewed a 09/22/2011 e-mail chain between her and [REDACTED]. [REDACTED] was taken off the cases and the office was undergoing an IRP. [REDACTED] believes IRP stands for Inventory Reduction Project or Process.

b6 -2,3
b7C -2,3

The office received 1000s of applications from January to June. All of the IRP cases were sent to EOT to be worked by a group. The cases were given a quick look rather than full development. Letters were sent to the taxpayers and the cases received intermediate review. The third bucket of cases received more thorough development. High grade 13 and 14 employees worked the cases. The purpose was to reduce the inventory in Cincinnati.

282B-WF-2896615

Continuation of FD-302 of , On 09/16/2013, Page 10 of 10b6 -2
b7C -2

Five to ten people sat on the IRP and worked 1000s of cases, not just political advocacy cases. The goal was to meet a number of case closures before the end of the fiscal year. They were told the IRP had to meet a certain percentage of closures and that IRP was the priority. needed to develop the cases she had. As they went through the development process, they put things aside to work on IRP.

b6 -3
b7C -3



~~UNCLASSIFIED//FOUO~~

FEDERAL BUREAU OF INVESTIGATION

Date of entry 07/15/2014

FEDERAL TAXPAYER INFORMATION

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b7C -2,3,4

NANCY J. MARKS, also known as NAN MARKS, date of birth [redacted]
 [redacted] Social Security account number [redacted] residence address [redacted]
 [redacted] was interviewed at the
 offices of the Department of Justice (DOJ), located at 1400 New York
 Avenue, Washington, D.C. 20005. Present during the interview were DOJ
 Attorneys [redacted] and [redacted] MARKS' attorneys [redacted]
 [redacted] and Treasury Inspector General for Tax Administration
 (TIGTA) Special Agent [redacted]. During the interview, documents were
 shown to MARKS and hereafter those documents will be referred to by their
 respective bates numbers or other identifying information and copies will
 also be maintained in the 1A section of the case file. After being advised
 of the identities of the interviewing Agents and the nature of the
 interview, MARKS provided the following information:

b6 per CRM
b7C

MARKS received her Bachelor's degree in Biology and Psychology from Boston State University. She received her Juris Doctor from Suffolk University. MARKS joined the Internal Revenue Service (IRS) in June 1973 and retired from the IRS on August 3, 2013. In 1981 she joined the Office of the Chief Counsel (Counsel) with the Treasury Department. In June or July 2000, that office became part of the IRS. In 1982, MARKS moved to the Civil Rights section of DOJ, but then went back to Counsel in 1985, where she was until late 2011. She then moved from Counsel over to the IRS. While at the IRS, she held positions including auditor, revenue agent and appeals officer. When she left Counsel, she was the Associate Chief Counsel for Tax Exempt and Government Entities (TEGE), a Senior Executive Service (SES) position. When she rejoined the IRS in 2011, she became the Senior Technical Advisor to the TEGE Commissioner, a non-SES position. The TEGE Commissioner at that time was JOSEPH GRANT, who was filling in for SARAH HALL INGRAM, who had been moved over to help on the Affordable Care Act (ACA). INGRAM and STEVE MILLER, Deputy Commissioner of Services and Enforcement, talked to MARKS about her coming over from Counsel. MARKS knew MILLER since the late 1980's when she worked in Employee Plans and Exempt Organizations (EPEO). MILLER was special counsel at that time. MARKS knew GRANT before he joined the IRS, when he worked sporadically with

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Investigation on 09/16/2013 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615 Date drafted 09/27/2013

by [redacted]

b6 -1
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282B-WF-2896615

Continuation of FD-302 of Interview of Nancy Marks, On 09/16/2013, Page 2 of 10b6 -2,3
b7C -2,3

the IRS in the 1990's in his position with the Pension Benefit Guarantee Corporation.

No one reported to MARKS in her position as Senior Technical Advisor. The biggest area of her work in the advisor position was published guidance in pension work. Occasionally LOIS LERNER would pull MARKS in to help on issues with Counsel. MARKS knew LERNER from when MARKS supported LERNER's programs when MARKS worked in Counsel. MARKS did not have too much interaction with LERNER initially while she was in Counsel, as [redacted] [redacted] was the attorney who worked with LERNER. However when [redacted] moved to work on the ACA, MARKS worked more often with LERNER.

One issue that LERNER brought MARKS, in her role as Senior Technical Advisor, in to help with was when LERNER'S people wrote guidelines on the determinations process. These guidelines had to be reviewed by Counsel since they would be made publicly available. Guidelines were made public so that the public could know about what the IRS was doing. Counsel had stripped out a lot of information from the guidelines that was helpful, and therefore left a lot of questions to be dealt with. LERNER was at a "loggerhead" with Counsel. LERNER wanted MARKS to help on the issue since she had worked in Counsel before. MARKS knew that there were cases in inventory and Exempt Organizations Determinations (EOD) needed guidance. She knew that there was not much guidance on 501(c)(4) organizations. Two questions that surround 501(c)(4) organizations include: what is political activity; and what is the amount of political activity allowed? EOD was trying to treat the term "political" the same as found in other guidance. The problem was that the term "political" could mean different things in different sets of guidance. Counsel's viewpoint was that other information and guidance about the term "political," as found in other guidance and rulings, was not applicable across the board. MARKS attended a meeting with JANINE COOK, [redacted] of Counsel on the issue. Counsel could be condescending to LERNER's people, and LERNER protected her people, so MARKS tried to help bridge the gap. LERNER is very volatile. When something upsets LERNER, she flies up into the rafters and yells and targets people, then she settles down and figures it out in a rational manner. She then becomes very reasonable again. MARKS tried to "broker reasonableness" on both sides, however the issue was taken over by the complaints the IRS started receiving regarding the 501(c)(4) groups.

The only recollection that MARKS had regarding the 501(c)(4) cases while she was at Counsel was a status meeting where her notes reflected that she was told that HOLLY PAZ was [redacted] and [redacted] was acting in her place. [redacted] stated that people in Cincinnati in Exempt Organizations Determinations (EOD) were seeing 501(c)(4) applications with political activity and there might be a request for assistance on the matter.

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282B-WF-2896615

Continuation of FD-302 of Interview of Nancy Marks, On 09/16/2013, Page 3 of 10

In March 2012, MILLER called a meeting about the 501(c)(4) area. He had two objectives for the meeting. The first objective related to discussing the increased allegations in the press and Congressional inquiries about the IRS' handling of these cases. The second objective was to discuss who would go to a Congressional hearing about the IRS' handling of 501(c)(4) applications, since it was probably not going to be IRS Commissioner DOUGLAS SHULMAN. It was probably going to be MILLER or INGRAM. MARKS attended several meetings over the course of the next couple of weeks regarding the hearing and these cases. The first meeting was with MILLER at the IRS office located at 1111 Pennsylvania Avenue. LERNER was not at this meeting. NIKOLE FLAX was either at the meeting or MARKS spoke to her shortly after the meeting. She is not sure who else was at this meeting. MILLER wanted her to look into the issue of how these 501(c)(4) cases were handled and find out what the problems were. MARKS also attended meetings with GRANT at the IRS office located at 999 North Capitol Street, as well as meetings with LERNER and PAZ.

There was a letter directed to TIGTA that was reported in the press and included allegations about the IRS. JOE URBAN flagged the issue and sent it out to people in the IRS. MARKS reached out to GRANT and told him she thought TIGTA should look into the allegations. GRANT agreed and flagged it for either FLAX or MILLER. MARKS was told that TIGTA had already been asked to look into it.

The issue of the handling of these 501(c)(4) applications overtook the guidance issue that Exempt Organizations (EO) had with Counsel. The guidance would no longer be effective enough to get the issue back on track. MARKS told LERNER and PAZ she would need their people to help her. PAZ seemed thrilled. LERNER offered MARKS assistance. LERNER was already frustrated about Counsel and the guidelines, and she was on leave the first week in April 2012. MARKS asked LERNER to have her people review the development letters that went out to these organizations to determine if they were "out of line," which was being reported in the press. [redacted] came up with a list of eight questions from the letters they thought were an issue.

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MARKS was able to get access to TEDS, the IRS case management system, however it was not helpful because the files in TEDS were not complete. The most helpful information was probably going to be in the physical files. At this point, it became apparent that MARKS needed to go to Cincinnati. INGRAM told MARKS that MILLER really wanted this done and she helped MARKS with suggestions for people to go with MARKS. MARKS talked to INGRAM and ROBERT CHOI about using Employee Plans (EP) people for this review, however they really were too far removed from the issue. [redacted] who did not have much previous experience, URBAN, [redacted] and PAZ were

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282B-WF-2896615

Continuation of FD-302 of Interview of Nancy Marks, On 09/16/2013, Page 4 of 10b6 -2,3
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selected to help MARKS. PAZ would help with logistics in Cincinnati. MARKS had met with [redacted] a few times in Washington, D.C. (DC), and MARKS asked [redacted] to get all the case files sent to Cincinnati. [redacted] walked them through the procedures of how cases were worked, and now some procedures, like the ones related to the BOLO, were being updated.

One objective for going to Cincinnati was to become familiar with the operation from beginning to end so that they did not craft a solution that did not fix the problem. Another objective was to talk to people in the Cincinnati office to get an idea of what they were doing, why they were doing it, what were they worrying about, and what was the history of the issue. A third objective was to review the files and find out where the problems were. They wanted to see if there was anything to worry about in the files. Lastly, they wanted to accomplish all of this without "pissing off TIGTA." Sometimes when TIGTA looks into a problem, they don't want people to know they are doing it. MARKS did not want it to appear like they were cleaning up the problem and coaching people on what their answer to TIGTA should be. So [redacted]

[redacted] called TIGTA to tell them this was what MARKS' group was doing. MARKS stated they accomplished the objectives laid out for the trip.

MARKS' group traveled to Cincinnati on April 23, 2012. They toured the Covington office and then went to the processing office in Cincinnati. MARKS asked [redacted] to gather personnel who had worked on these cases. MARKS and her team met with most of the personnel in a meeting, and then met some additional personnel in a second meeting. What MARKS took away from her meetings with personnel in Cincinnati was that those people cared about their jobs and doing the right thing. They received these cases that had fair amounts of political activity and they were not sure how to work them; specifically they were not sure as to the threshold for the amount of political activity that was acceptable. Cincinnati seemed "hyper active" to the presence of political activity. Cincinnati was used to working 501(c)(3) applications, however they were not as familiar with working 501(c)(4) applications.

A manager named [redacted] told his people to search for 501(c)(4), 501(c)(5), and 501(c)(6) applications with political activity. The first case brought to [redacted] attention was a Tea Party case. He wanted his people to find other cases with similar behavior, and the behavior he wanted was political activity. However, during one of the meetings with MARKS' team, it became clear that other people took this to mean they should look for certain terms like "Tea Party." Some people thought all "Tea Party" cases were the same, much like how all cases associated with the [redacted] are the same. [redacted] screeners had group

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282B-WF-2896615

Continuation of FD-302 of Interview of Nancy Marks, On 09/16/2013, Page 5 of 10b6 -2,3
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meetings where they discussed that if they saw cases with political activity, they would send them to [REDACTED] felt like she was not getting the right cases sent to her; that it was an imperfect capture of cases. It was not until much later that MARKS saw information that [REDACTED] was only looking for Tea Party cases. This was not conveyed at the meetings MARKS held in Cincinnati. [REDACTED] appeared to have asked for political behavior. After the meetings, MARKS received copies of the BOLOs. The BOLO showed that at various points the criteria called for "Tea Party" name, and then later the ideology.

MARKS heard enough from the people in Cincinnati to realize that there was a problem with screening the cases and working the cases. She went back and met with MILLER on May 3, 2012. She told him that Cincinnati was categorizing cases based on name and ideology, not just activity. Cincinnati did not understand that using this shortcut was a problem. When MARKS told MILLER this, he threw his pencil across the room and said, "Oh, shit." FLAX was possibly there, but MARKS is not sure who else may have been there. It was a small group. LERNER and PAZ were not there. MARKS identified four problems from her trip. The first problem was that the criteria for selecting cases was wrong, but it was nothing animus. Secondly, taxpayers had been asked questions that were burdensome, which was a function of the IRS revenue agent, not the taxpayer. Thirdly, Cincinnati had asked for help from DC repeatedly, and not received it for over two years. Cincinnati was fearful of "doing it wrong." This was not unprecedented. While the legal issue was not new, the volume of cases was. Lastly, there was a lack of management oversight on these cases.

MARKS' team found that when they looked at the cases, about a third of the cases had the names used to categorize, but two-thirds did not. Those two-thirds, however, did have the behavior of the issue, which was political advocacy. MARKS did not know if this was due to the change in the criteria of the BOLO over time, or not. MARKS' team looked for bias, a belief that the taxpayers were bad, or discrimination. MARKS did not hear any of this in her meetings in Cincinnati. After looking at the files, it appeared that the problems were more indicative of who worked the cases, as opposed to who the taxpayers were. PAZ appeared shocked by the extent of what MARKS' team found, but MARKS is not sure how surprised PAZ was by the terms used to describe the cases. MARKS would not have expected for MILLER to be told about these cases by LERNER. LERNER "ran her shop" in a way that if she found a problem, she would fix it. As to whether the issue should have been raised up the management chain; that would be up to the person. Personally, MARKS would have wanted LERNER to raise it. However, EO is a small piece of Services and Enforcement.

When [REDACTED] moved to a different group, the cases went to [REDACTED]

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282B-WF-2896615

Continuation of FD-302 of Interview of Nancy Marks, On 09/16/2013, Page 6 of 10b6 -2,3
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For whatever reason, he just held the cases instead of working them.

[redacted] headed up a group to work the cases. His prior experience included credit counseling, which helped make sense as to why the development letters were filled with everything for large sophisticated cases, despite the fact these cases were smaller, not as sophisticated, and were very different from each other. When Cincinnati originally sent the cases to DC, they told DC that they had issues and sent sample cases to get DC familiar with the cases so DC could help Cincinnati sort out the issues. Cincinnati had hoped that this would lead to templates they could use. The cases were assigned to [redacted] worked the cases. [redacted] was not the fastest worker, but MARKS was unsure of what else he was working on. When she interviewed [redacted] he felt templates would not work because the cases were too disparate. These cases had to be crafted around the facts and circumstances. It was unclear if this was communicated up the chain. The prevailing thought had seemed to be that a template would be produced. However, in June or July of 2011, Cincinnati was told that a template would not work. One year seemed like a long time to MARKS for this to be decided. While some of the delay was understandable, it just took too long. Around that same time, Counsel was brought in and they wanted more development on the cases.

The BOLO terms, which were wrong, had been fixed, but then they reverted back to unacceptable criteria. No one was checking it. LERNER was working on auto revocation at the time instead of following up on the backlog of advocacy cases. PAZ wrote a procedure that required management approval to make changes to the BOLO. MILLER thought that was a good. MILLER knew the management challenges of working in EO. EO was overwhelmed and under a lot of scrutiny.

MARKS met with PAZ, GRANT and LERNER after her initial visit to Cincinnati. GRANT had seemed surprised when MARKS told MILLER about the issues in Cincinnati. MARKS was cynical that regular training would help Cincinnati. PAZ felt the same way, and they both felt like they needed to "hand hold" Cincinnati on this issue and conduct a workshop. The training entailed working through sample cases. LERNER did not think Cincinnati could handle the cases, and she wanted them moved to DC. GRANT and MILLER agreed with MARKS that with more than 300 cases, DC might become overwhelmed. Cincinnati had the people to handle the cases. MARKS recommended to MILLER that she and her team go back to Cincinnati, conduct training and review files. Cincinnati was confused on how to work the cases and the people there had many different viewpoints on how to work them. MARKS wanted to get the cases "unstuck." She and her team went back to Cincinnati, conducted training, and began "bucketing" the cases. [redacted] led the bucketing exercise after the training. MILLER got involved with regard to who was involved in the bucketing. MILLER did not want [redacted]

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282B-WF-2896615

Continuation of FD-302 of Interview of Nancy Marks, On 09/16/2013, Page 7 of 10b6 -2,3
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involved. MILLER felt that despite [redacted] background in credit counseling, that [redacted] did not use good judgment in handling the cases. MILLER also wanted [redacted] counseled regarding the criteria that was used to select cases. MARKS later learned that [redacted] was not counseled the way MILLER wanted it to happen. [redacted] counseled all the managers, not just [redacted] because she did not think he was to blame for it. MILLER asked for weekly reports on the bucketing, particularly on how many approvals were made. MARKS stated applications were getting approved. SHULMAN was "all over this" issue when the bucketing began.

There is a culture in the IRS regarding how to handle EO applications. That culture emphasizes that DC should be walled off from EO applications because the IRS does not want the appearance of political involvement from DC in these types of applications. MARKS remembered that when she started in 1973, the IRS had targeted taxpayers, and as a result the IRS was reorganized and divided into regional groups thereafter. A tough question that IRS management was dealing with was how much does DC stay involved in these cases to make sure the issue was fixed without creating the appearance of involvement for political reasons. MARKS was not very involved in the day to day operations surrounding these cases after the training was conducted.

The next time MARKS really got involved with the cases was when she received the draft TIGTA report. She worked with PAZ and [redacted] to evaluate whether TIGTA had found things they had missed or whether they agreed or disagreed with items in the report. Overall, MARKS felt like the report found the same stuff she and her team found. They did go back and forth with TIGTA on a few things. An example of something they went back and forth on was whether the IRS asked TIGTA to look into the issue and conduct an audit. The report did not mention this, but it was MARKS' understanding that there was a conversation between TIGTA and MILLER, but it was not documented anywhere. A couple of times during the review of the draft report, LERNER expressed her view that this was a Cincinnati problem, and she wished that was made clearer in the report. PAZ and MARKS did not think that view was right, rather they both felt it was more a systemic problem. MARKS did not view LERNER's attitude as one that was "scape goating" Cincinnati, but rather it was how LERNER really felt.

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b7C -2,3

While the American Bar Association (ABA) meeting was a good place to get guidance out and receive feedback, MARKS was surprised at LERNER's comments. MARKS did not know LERNER was making the comments, and she was surprised because the TIGTA report had not been released yet. MARKS did not feel that language should be used that distanced the IRS from the issue. LERNER told MARKS that she was misquoted about some part of her comments. A lot of people felt that LERNER orchestrated the ABA comments.

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282B-WF-2896615

Continuation of FD-302 of Interview of Nancy Marks, On 09/16/2013, Page 8 of 10

MARKS later got the impression that LERNER and MILLER may have had conversations about the ABA comments. MARKS did not have any discussions with MILLER about LERNER's comments after the fact. LERNER's comments showed "spectacularly bad judgment." MARKS stated that hindsight being 20/20, it was a "dreadful" idea for LERNER to make the ABA comments.

After the report came out, [redacted] Legislative Affairs, scheduled a series of meetings. Although MARKS was not part of the planning of these meetings, she was supposed to go to Capitol Hill (Hill) to attend them with FLAX and [redacted] had met with several committees and offices just prior to the report being released. MARKS read the report in order to prepare for the meetings. She was not given any talking points. MARKS had a meeting with FLAX in the car on the way to the Hill. The purpose of the meetings was to get people up to speed on what happened. FLAX and MARKS kept changing their approach with each meeting. When MARKS got back to her office that night, it was clear that people were very upset. She met with IRS media people, [redacted] MILLER and FLAX to discuss how they could explain the issue. They talked about what "Q&A" sessions they could do to help people understand.

b6 -3
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MARKS was not sure if it was that night or the next day that MILLER told her he would be leaving the IRS. MARKS had one conversation with MILLER when the press reports about "rogue agents" came out. MILLER said he absolutely did not say that, and he was very adamant about it. That was after he met with someone's staff in Congress. [redacted] received a letter from Congressman DARRELL ISSA that wanted LERNER to appear at a hearing almost immediately. LERNER was in Montreal, Canada for her anniversary. MILLER asked MARKS to call LERNER. MARKS called LERNER and read her ISSA's letter over the telephone. The letter suggested that LERNER lied to Congress and it stated that was a crime. LERNER cried on the telephone and asked MARKS what she should do. MARKS suggested that she contact Legislative Affairs and talk to them. GRANT went into a severe depression after everything happened. He could only cry when something came up regarding this situation. He was asked to leave the IRS. When he left he was very "despairing" in his departure, not because he had done something wrong, but because his position and status were very important to him and now they were gone.

b6 -3
b7C -3

SHULMAN testified in 2012, but MARKS was not involved in the briefings leading up to it. In fact, MARKS did not know that SHULMAN had spoken about the 501(c)(4) issue until after he and MILLER testified together in May 2013. SHULMAN's Chief of Staff was [redacted] Last Name Unknown (MARKS did not remember his last name.) MARKS did not know if MILLER briefed up the chain after the May 2012 meeting where MARKS laid out the issues in Cincinnati.

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14-cv-1239-FBI-174

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282B-WF-2896615

Continuation of FD-302 of Interview of Nancy Marks On 09/16/2013 Page 9 of 10

There was a press report that the [redacted] was approved on a very fast basis. While a very fast approval is not impossible, it is uncommon. Someone brought this to MARKS' attention, and since there was no real leadership left since everyone had left, she asked someone to review it. If it seemed accurate then she would forward it to TIGTA. [redacted] helped reach out to TIGTA for MARKS on this issue. There was another case, based on the facts of the case, that should have gone to the 501(c)(4) political activity group for development but did not. Instead it sailed through and got approved. This case was brought to MARKS' attention by [redacted] MARKS could not remember the name of the group. There was also concern in EO about newspapers and media outlets applying for 501(c)(3) status, but MARKS had no knowledge about it.

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b7C -2,3

PAZ was present during MARKS' TIGTA interview. PAZ's presence during her interview seemed fine at the time, and in fact was helpful to MARKS as PAZ helped her remember names. It did not seem unusual at the time for PAZ to be there.

MARKS was shown an e-mail dated May 16, 2013 from "Marks Nancy J" to "Marks Nancy J" with the subject "You keep saying this is Cinn. Why." MARKS wrote e-mails to herself to remind herself about stuff. She could not remember this e-mail or why she wrote it.

MARKS was shown an e-mail chain dated May 15, 2013 between MARKS and [redacted] This address belongs to a personal friend of MARKS, [redacted] (ph), who was the Acting Director of [redacted] This e-mail exchange was after MILLER had been asked to resign. [redacted] was friends with MILLER and she had previously worked for him. In the e-mail [redacted] states, regarding LERNER, that "they'd better fire her because she doesn't deserve to resign." MARKS stated this sentiment was not the common view after what happened.

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b7C -2,3

MARKS noted that after everything had happened [redacted] was followed home from the school bus stop one day and a process server tried to break into PAZ's house. MARKS received death threats and MILLER had people protecting his family.

b6 -2
b7C -2

MARKS was shown a set of handwritten notes (GRANT00000030-37). The notes were not hers.

MARKS had no knowledge of targeting at the IRS based on political viewpoint. She had no knowledge of anyone not observing the litigation hold or preserving documents. She did not know of anyone trying to obstruct investigations into the matter. At time the litigation hold was

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282B-WF-2896615

Continuation of FD-302 of Interview of Nancy Marks, On 09/16/2013, Page 10 of 10

put into effect, GRANT was not focused on it and had not searched his documents on the matter. MARKS urged him to search his documents and then GRANT did do it.

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FEDERAL BUREAU OF INVESTIGATION

Date of entry 07/02/2014

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

HOLLY PAZ, date of birth (DOB) [redacted] Social Security account number (SSAN) [redacted] residence address [redacted] [redacted] home telephone [redacted] was interviewed at the offices of the Department of Justice (DOJ), located at 1400 New York Avenue, Washington, D.C. 20005. Also present during the interview were DOJ Attorneys [redacted] and [redacted] PAZ's attorney [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent (SA) [redacted]. Prior to this interview PAZ provided a copy of her timeline of employment with the Internal Revenue Service (IRS). This document will be maintained in the 1A section of the case file. During the interview, documents were shown to PAZ and hereafter those documents will be referred to by their respective bates numbers or other identifying information and copies will be maintained in the 1A section of the case file. After being advised of the identities of the interviewing agents and the nature of the interview, PAZ provided the following information:

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PAZ received her undergraduate degree from Alleghany College and graduated from Law School at the University of Pennsylvania in 1999. She worked in the tax area while in private practice until she joined the IRS in May 2007 in the Office of the Taxpayer Advocate. She was the Acting Manager of Exempt Organizations (EO) Technical Unit in September 2009, and became the permanent manager of EO Technical in September 2010. She reported to ROB CHOI. PAZ was on [redacted] leave from [redacted] until [redacted]. She became the Acting Director of Rulings and Agreements (R&A) in January 2011.

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b7C -2, 3

In late February 2010, in her position as Acting Manager EO Technical, she received an e-mail from [redacted] about the application from the [redacted]. The email discussed that [redacted] was planning to spend a certain amount of funds to conduct political campaign intervention. The Internal Revenue Manual (IRM) section 7.20.4.1 discusses what cases have to be transferred to EO Technical. [redacted] was contacting PAZ to see if EO Technical wanted the cases. PAZ does not recall whether the case was a "must take" or a "can take." EO Technical will often take

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b6 -3
b7C -3

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Investigation on 09/23/2013 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615 Date drafted 09/27/2013

by [redacted]

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282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/23/2013, Page 2 of 11

cases that have a national impact as opposed to a regional impact. Additionally, 2010 was an election season and the issue of how much political activity and what constitutes political activity for a 501(c)(4) organization is a difficult issue. EO Determinations had gotten the issue of political activity wrong in the past. EO Determinations approved an application for either [redacted] PAZ could not remember which, where the practitioner who filed the application was so surprised by the approval that the practitioner contacted the IRS national office to verify the approval. PAZ did not consult anyone when she accepted the [redacted] case into EO Technical.

b3 -1

Two weeks later EO Determinations found another 10 cases that were similar to [redacted] and [redacted] asked PAZ via e-mail whether she should send all 10 to EO Technical. PAZ only wanted one or two cases in order to see what the issues with the cases were and asked [redacted] to hold the rest. It is difficult to give instruction on the cases until the actual files are examined. It is not uncommon to review a few cases and hold similar ones in order to provide consistent treatment. PAZ then went on [redacted] the next day and was not in EO Technical when the cases came in. [redacted] was acting in PAZ's place while she was gone.

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It was understood that when EO Technical received the cases, it would review them and come up with a plan of action. At the same time, EO Technical had received a similar request for assistance regarding foreclosure assistance. Foreclosure assistance cases were sent to EO Technical and they were working on a template. This was a typical practice, but it was not formal policy.

PAZ had experience with political cases. PAZ is not sure how familiar she was with the Tea Party in February 2010. [redacted] did not specify how Cincinnati came up with the other cases; PAZ was acting on the assumption they were involved in campaign intervention. PAZ does not recall having conversations with [redacted] about the cases outside of the e-mails. PAZ had not reported up to CHOI as it was not needed at that point. While the potential media interest and political sensitivity were considerations, PAZ did not think this was different than other sensitive cases they dealt with.

b6 -3
b7C -3

When PAZ came back from [redacted] she returned as a manager in EO Guidance. She had no discussions about these cases while she was out or when she first got back. In October 2010, [redacted] forwarded her a memorandum that [redacted] wrote regarding his work on these cases. This memorandum provided more information than was in the Sensitive Case Report (SCR). It was forwarded to her just for informational purposes.

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PAZ was shown two e-mails with SCRs attached for the Tea Party for the

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282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/23/2013, Page 3 of 11

months of October and November 2010. A SCR is a one or one and a half page summary of cases deemed sensitive in the office. Large amounts of money and congressional interest are two reasons cases may be deemed sensitive. PAZ reviewed SCRs over e-mail as the manager of EO Technical. Either EO Technical or EO Determinations can initiate an SCR. Group managers gather the SCRs in their group and send them to the EO Technical manager for review. PAZ would review them and edit them if they were not well written. She would meet with CHOI and walk him through the SCRs on a monthly basis. They did not always meet, however. PAZ does not recall if she met with CHOI on the Tea Party SCR. She would review all SCRs with him if she did meet with him. There were usually 20 SCRs ongoing at the same time. SCRs would get briefed up the chain. [redacted] would get her SCRs together and send them to EO Technical, who would give them to the R&A Director. The R&A Director would decide which ones should go up to the EO Director, who was LOIS LERNER. CHOI would select certain cases and send them to [redacted] who worked for the Commissioner of Tax Exempt and Government Entities (TEGE). [redacted] would then decide what goes to the IRS Commissioner. Usually the cases that were briefed up were ones close to a decision point. The Tea Party SCR was not at that point. PAZ does not recall whether it was briefed up. The use of the Tea Party term did not raise discussions at this point.

b6 -2
b7C -2

In November 2010, [redacted] asked for a case status. PAZ talked to [redacted] and [redacted] was working his cases and seeing the cases [redacted] worked. The cases were factually distinct, and therefore it was not possible to create a template for them. PAZ told [redacted] they were still working the cases and had not come up with a template. [redacted] continued to work and review the cases and discuss the cases with [redacted]. The cases were still in development. It had been roughly six to eight months since the cases had come in, and the back and forth involved in case development takes time.

b6 -3
b7C -3

In December 2010, [redacted] checked back on the status of the cases. [redacted] the reviewer on the cases, recommended that [redacted] review the cases. [redacted] had expertise in these types of cases and had been asked to review cases before. PAZ reported this to [redacted] could take a while to review cases. At some point, PAZ was informed that [redacted] had taken over for [redacted]. PAZ did not know that [redacted] stopped working the cases. PAZ had no direct contact with [redacted]. EO Determinations managed their people; however PAZ would expect EO Technical to be in the loop about decisions made on cases. [redacted] indicated that more cases were coming and over time [redacted] expressed concern that it was taking too long. PAZ saw after the fact in [redacted] congressional testimony that [redacted] was not happy with how the cases were going.

b6 -3
b7C -3~~UNCLASSIFIED//FOUO~~

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282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/23/2013, Page 4 of 11

[redacted] never raised any issues with [redacted] as of the fall of 2010. Many applications and private letter rulings (PLR) were three years old in EO Technical. When PAZ took over EO Technical they had a backlog of work. There were non-confrontational managers who had personnel with issues, and therefore the personnel were not being held accountable for the backlog. PAZ spent very little of her time on the Tea Party cases. They used Tea Party as the name of the group of the cases. [redacted] memorandum used the name Tea Party in quotes. PAZ thought they used the name as the group. Only half of the cases had Tea Party in their names. She understood the issue was campaign intervention.

b6 -3
b7C -3

In January 2011, PAZ became acting Director of R&A. [redacted] took her position as manager over EO Technical. [redacted] took over the SCRs. She met monthly with [redacted] and monitored the progress and followed up on the cases. She kept following up on [redacted] involvement. For whatever reason, the meeting with [redacted] did not occur until April 2011. PAZ nagged [redacted] to get to this step. [redacted] was trying to make stuff happen. His resources were strained. The Affordable Care Act (ACA) caused issues with tax exempt hospitals and there was the auto revocation issue. There were lots of competing priorities. PAZ does not know why [redacted] had not met with them yet. PAZ had not reviewed the cases herself.

b6 -3
b7C -3

When PAZ initially got the acting R&A position, it was only supposed to be temporary, as management was going to bring someone else in. So PAZ met with LERNER because PAZ needed to run stuff by her since PAZ would only be temporary. She sent the SCRs in a chart form to LERNER in February 2011. LERNER looked through them and e-mailed her back regarding the advocacy cases and said they needed to go to [redacted] and IRS Counsel (Counsel). [redacted] was on this e-mail exchange. LERNER had comments on other SCRs in the same e-mail exchange. PAZ wanted the [redacted] meeting to happen so she could give her input before going to Counsel. When EO Technical met with [redacted] in April 2011, [redacted] suggested sending the cases to Counsel. [redacted] reported back to PAZ that [redacted] wanted to send the cases to Counsel and that they needed more development. [redacted] had an initial recommendation for the cases which PAZ had not reviewed, but she knew that one was an approval and one was adverse.

b6 -3
b7C -3

EO Technical sent the cases to Counsel and got feedback from them. Another case, [redacted], was being worked by [redacted] and it was sent over and lumped in with [redacted] cases because of similar issues. It came to EO Technical in late 2009. [redacted] was the initial specialist who had it, but he left the IRS. The case had campaign intervention issues.

b3 -1
b6 -3
b7C -3

In May 2011, LERNER inquired about [redacted] during a meeting.

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282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/23/2013, Page 5 of 11

LERNER wanted to know whether [redacted] had an application in with the IRS. PAZ is not sure what prompted LERNER to ask about [redacted]. PAZ followed up with [redacted] who told her they had received an application and it was pending in EO Determinations. She also told her it was routed into the advocacy and Tea Party cases. There were no conversations about the Tea Party name at this point. LERNER wanted a copy of the [redacted] case to go to [redacted] for review. PAZ reminded LERNER that they had these advocacy cases. LERNER asked to have a briefing on the advocacy cases. She wanted to know about the status of the cases and what the issues were. LERNER routinely asked for briefings on issues, so this request was not unusual.

b3 -1
b6 -3
b7C -3

In preparation for the briefing, PAZ told [redacted] to prepare a briefing paper which included a summary of the cases in EO Technical, the issues involved, and the next steps they were planning to take. In June 2011, PAZ asked [redacted] to find out what criteria were used to select the cases. She asked this based on [redacted] saying the cases were very different [redacted] the manager over screening, responded to [redacted] who then forwarded his response to PAZ. While preparing the briefing paper, PAZ realized the number of pending cases.

b6 -3
b7C -3

The [redacted] issue sparked PAZ to look into what criteria were being used to select these cases. [redacted] did not have Tea Party in the name and seemed to be Republican. PAZ asked [redacted] as PAZ knew the cases had been pulled out of screening. PAZ was shown an e-mail chain dated June 2, 2011 (bates GOV-EMAILS-000053-GOV-EMAILS-000054). [redacted] was not the reason she asked [redacted] about over inclusion in the e-mail, but it made her wonder what was being included. PAZ was not saying [redacted] was an over inclusion. She also saw growing inventory and a large range of issues. She did not know what [redacted] was exactly, but they may have been involved in campaign intervention. They were also in the press and there were allegations that the organization was engaged in inappropriate criteria. Over inclusion would mean getting stuff that was not campaign intervention. For example, if a 501(c)(4) does strictly lobbying, it should not been in this group of cases. Past experience with EO Determinations Quality Assurance (QA) was that there were issues with lobbying.

b3 -1
b6 -3
b7C -3

PAZ received the criteria from [redacted]. His response listed specific names and certain policy issues, not campaign intervention. PAZ scheduled the June 2011 meeting. [redacted] felt [redacted] briefing paper was lacking and [redacted] needed time to redo it, so he asked her to push the briefing back. The briefing was moved to July 5, 2011. PAZ did not brief LERNER beforehand. The concern was also equally that there was under inclusion; that they were leaving cases out.

b6 -3
b7C -3~~UNCLASSIFIED//FOUO~~

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282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/23/2013, Page 6 of 11

Calling the cases Tea Party cases was just shorthand for a group of cases involved in campaign intervention. Not all cases had Tea Party in the name. PAZ knew this from the names of cases she saw in the fall of 2010.

The Emerge cases involved organizations that acted as training academies for Democratic women. These cases received [redacted] These cases were received prior to the Tea Party cases. These cases were viewed on their own merit.

b3 -1

PAZ discussed with [redacted] that the criteria used by EO Determinations in screening needed to be in the briefing. During the briefing in June 2011, [redacted] briefed on the BOLO. During her congressional testimony on this matter, PAZ was shown an e-mail from March 2011 that she received from [redacted] about international issues. At the end of the e-mail, [redacted] mentioned that the BOLO was attached. PAZ got the answer she needed from the e-mail itself and does not remember reviewing the BOLO at that time. PAZ understood the issue was broader campaign intervention, not just the Tea Party.

b6 -3
b7C -3

When PAZ saw the names from [redacted] response, she thought "oh boy" as she knew there might be an issue. PAZ was not worried about there actually being discriminative behavior, but the perception of such behavior. EO Determinations had things blow up on them in the past, and the appearance of bias is just as bad as there actually being bias because of the public trust.

b6 -3
b7C -3

PAZ was shown an e-mail dated June 27, 2011 with the briefing paper attached (bates GOV-AUDIT-000293 - GOV-AUDIT-000294). PAZ stated there were e-mail exchanges about the briefing but she does not remember any meetings beforehand. She got the draft of the briefing paper from [redacted] [redacted] There was not a need to express the concerns in the paper; the paper should just list the facts to be presented. [redacted]

b6 -3
b7C -3

[redacted] attended the briefing with LERNER. [redacted] discussed the briefing paper. The meeting lasted about one hour. LERNER worried about the perception of the criteria used to select cases. LERNER typically was loud and boisterous in meetings. LERNER reacts loudly and quickly and then becomes practical. PAZ does not recall how LERNER reacted at this meeting. LERNER directed that the Tea Party name on the BOLO be changed to advocacy groups. They discussed calling the cases advocacy cases and changing the criteria on the BOLO to advocacy issues. Prior to this meeting it never seemed that the name was an issue. There was some confusion about the issue with these groups, whether it was

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282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/23/2013, Page 7 of 11

campaign intervention or whether it was the media attention of the Tea Party. Campaign intervention by 501(c)(3) organizations was in the press at the time.

EO Technical was going to work on a template/guidesheet to help Cincinnati. PAZ was supposed to reach out to NAN MARKS and Counsel. PAZ, MARKS, LERNER, JANINE COOK and [redacted] of TEGE Counsel had a briefing later in July 2011. The brief was about them (EO Technical and Counsel) working together going forward and about general issues related to the cases. There was a staff level meeting between EO Technical and Counsel in August 2011. Counsel had complained in the past about being brought in late as opposed to early in the process. Counsel was brought in early on this issue. [redacted] called PAZ to ask about the purpose of the August meeting in light of the July meeting they just had. In the August meeting Counsel said they needed more information, which was not surprising to PAZ, as Counsel often wanted more information and wanted perfect information. PAZ was frustrated.

b6 -3
b7C -3

[redacted] would provide the guidance, with [redacted] doing the work and [redacted] reviewing it. [redacted] had a conversation with PAZ about [redacted] and [redacted] concerns about the speed and quality of [redacted] work. [redacted] reassigned the advocacy cases to [redacted]

b6 -3
b7C -3

PAZ was in Cincinnati in September 2011 on unrelated work. She talked with [redacted] about the cases, as they had an inquiry from an attorney about a specific case. PAZ had [redacted] look at the file. The application was in the advocacy cases group but should not have been. PAZ, [redacted] and [redacted] reviewed the case together. [redacted] and PAZ then discussed having a triage of these cases to get approvals out as quickly as possible. PAZ had [redacted] try and re-screen cases. PAZ then went on [redacted] again in October 2011. PAZ learned later that this triage analysis was emailed out. [redacted] was acting while she was out from October 2011 until February 6, 2012. PAZ provided [redacted] information and briefings on the cases before she left. PAZ was not briefing LERNER regularly on the issue. The action items from the briefing were still in development.

b6 -2,3
b7C -2,3

About a week or two after PAZ returned in February everything "blew up." Development letters that were deemed burdensome were in the press and were getting Congressional attention. They needed to look at the applications in conjunction with the development letters. PAZ asked [redacted] for copies of all of the development letters. LERNER was calling PAZ about this as she had concerns about what happened; were these form letters; why was the donor question included and did everyone get the donor questions? PAZ learned upon her return that the triage sheet did not help and that the draft guidesheet was not helpful as it was very "lawyerly."

b6 -3
b7C -3~~UNCLASSIFIED//FOUO~~

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282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/23/2013, Page 8 of 11

In May 2012, PAZ attended a meeting with STEVE MILLER, the Acting Deputy Commissioner or Acting Commissioner, she cannot recall which, along with LERNER, MARKS, NIKOLE FLAX (MILLER's Chief of Staff), JOSEPH GRANT and SARAH HALL INGRAM along with other members of MILLER's staff. PAZ had gone to Cincinnati with a team from Washington and the purpose of this meeting was to discuss the findings that MARKS had come up with. MARKS had not found bias or political motivation, but had found that there was confusion about what political activity is permissible in 501(c)(4) organizations. The applications often had internal conflicting statements. There was discussion about the BOLO and the various criteria used on the cases. Development letter criteria and screening of cases were issues discussed. MILLER wanted to know if there was a pattern to the development letters. There was discussion about the longest letters coming from [REDACTED] MILLER seemed concerned and wanted to know whether disciplinary action was needed. MARKS explained [REDACTED] credit counseling background. MARKS also explained the bucket approach to fixing this issue. Bucketing started in Cincinnati after this meeting. MILLER wanted regular reports on the progress of the bucketing. MILLER is not as animated as LERNER, but he will ask a lot of questions. He was unhappy during this meeting.

b6 -3
b7C -3

During this time, the IRS received a request from Congressman DAVE CAMP for copies of all applications for 501(c)(4) organizations. The TIGTA audit was also being discussed. In March or April 2012, PAZ and LERNER met with the TIGTA audit team. LERNER made PAZ the primary contact for the audit interviews. TIGTA gave PAZ a list of people they wanted to talk to in July 2012. LERNER wanted PAZ to sit in on the interviews. PAZ relayed this to TIGTA. She may have made the request to [REDACTED] but [REDACTED] [REDACTED] made the decision. TIGTA had no issue with it but wanted her to leave the interviews for one question. Since they were going to need to respond to the audit, LERNER wanted her to sit in on the interviews. No one expressed concerns about her sitting in the interviews.

b6 -3
b7C -3

PAZ was surprised to read [REDACTED] congressional testimony that [REDACTED] sent back non-Tea Party cases. During a meeting in Cincinnati in May 2012, a number of people said if there was political intervention indicated in the case but there was no Tea Party name, they would still include the case with the advocacy cases.

Initially PAZ got weekly updates during the bucketing process. This shifted to less regularly as the cases got developed.

PAZ reviewed potential denial letters. The first one she reviewed was sometime in February or March 2013. This proposed denial was issued in May 2013 to [REDACTED]. This case was reviewed by [REDACTED] and briefed to LERNER and MARKS. It was given to Counsel and then sent back

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b6 -3
b7C -3~~UNCLASSIFIED//FOUO~~

14-cv-1239-FBI-184

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282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/23/2013, Page 9 of 11

around for comment. All denials stopped in June 2013 when the new Acting Commissioner DANIEL WERFEL took over.

LERNER, MARKS, GRANT and FLAX looked at the draft of the TIGTA audit report. In October 2012, PAZ received the timeline piece of the report. This was the first draft and lots of people had issues with it. Some things seemed inflammatory with no basis. PAZ participated in meetings to discuss the report with LERNER and [REDACTED] of TIGTA. It was the IRS' impression that the audit was about whether political motivations were used, while TIGTA was looking at the criteria that were used to select cases. There were internal IRS meetings about the audit without TIGTA that included LERNER, GRANT, MARKS and FLAX. One of the issues addressed in these meetings were lists that TIGTA prepared of cases that should have and should not have been included in the group of cases. The list for cases that should have been included was small. The IRS mostly agreed with these. The longer list was of the cases that TIGTA thought should not have been included. The IRS disagreed with TIGTA on most of these cases.

b6 -3,4
b7C -3,4

[REDACTED] LERNER and [REDACTED] were involved in these discussions. TIGTA reduced their list from about 300 cases to 40 cases after discussions with them. They agreed to disagree about these last 40 cases.

PAZ was informed by LERNER a few days before the ABA meeting that MILLER told LERNER to raise the audit report issue at the ABA meeting. PAZ was not asked her opinion. MILLER wanted LERNER to focus on the wrong behavior of the people in Cincinnati and apologize. PAZ did not think this was a good idea, as it was not the same as the written response to the TIGTA report. PAZ told LERNER she had concerns. LERNER told PAZ that since LERNER's boss told her to do it, she was going to do it. LERNER went to the main IRS building after the ABA meeting. PAZ heard from [REDACTED] that Cincinnati was upset with LERNER's comments. LERNER asked PAZ to call [REDACTED] and let [REDACTED] know that LERNER would contact her.

b6 -3
b7C -3

Sometime in March/April/May of 2013, media affairs brought the case of the [REDACTED] to the attention of [REDACTED]. [REDACTED] was the applicant. The application appeared to have been approved quickly. [REDACTED] opinion was that it should not have been approved in screening, so she brought it to MARKS' attention. They referred it to TIGTA. PAZ had no knowledge of the case before this.

b3 -1
b6 -3
b7C -3

The criteria used in selecting the cases originated in EO Determinations and it was not elevated to management. EO Determinations also changed the criteria on the BOLO in January 2012 which was not appropriate. In May 2012 PAZ had discussions with LERNER and MILLER where PAZ wrote a new rule that stated that changes to the BOLO had to be

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14-cv-1239-FBI-185

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282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/23/2013, Page 10 of 11

approved by management. Managers did not review or approve the development letters, which was a problem. Delays in cases in Washington were not uncommon in EO Technical or Counsel.

The explanation LERNER gave at the briefing as to why the criteria were not appropriate in selecting cases was because it appeared as if they were not treating people fairly. The larger issue was the optics of how things would look from the outside. There was no discussion about people targeting based on political beliefs. The focus was on correcting the issue.

The triage of cases was not as successful as PAZ had hoped. [redacted] used the TEDS system to try and review cases, but it might not have all the information that had come in that would be in the physical file. PAZ would have changed [redacted] notes on the triage sheet so that they discussed the political issues, not be party specific.

b6 -3
b7C -3

Questions in the development letters needed to be more about activities and not about who you were hanging out with or have your volunteers run for office. The donor questions can be problematic because when an application is approved it becomes public. So if the organization provides a list of donors it will be made public. Donor identities are relevant in 501(c)(3) organizations.

PAZ did not see the basis for disciplining [redacted] but per MILLER, someone needed to be disciplined for the letters and criteria.

b6 -3
b7C -3

PAZ found it hard to tell what LERNER thought of having to give the comments at the ABA meeting. It seemed like LERNER was reading the remarks verbatim from a document MILLER had given her.

No one went back to [redacted] to ask for clarification on the four criteria listed in his e-mail.

PAZ has not heard of anyone not preserving documents related to this matter. She has not been pressured to be untruthful. She was directed generally by the IRS to be available to all inquiry requests. She received this direction from [redacted] before her appearance in front of the House Oversight Committee in mid-May 2013. She also understood she could take "the 5th" if needed. She has not contacted [redacted] since.

b6 -3
b7C -3

Paz has no knowledge of people being targeted because of their political beliefs.

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282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/23/2013, Page 11 of 11

PAZ feels she has been treated unfairly by the IRS and that there has been disparate treatment of employees involved in this matter.

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FEDERAL BUREAU OF INVESTIGATION

Date of entry 07/21/2014

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

[redacted] date of birth [redacted] Social Security
 account number [redacted] residence address [redacted]
 [redacted] home telephone [redacted] was interviewed at
 the offices of the Department of Justice (DOJ), located at 1400 New York
 Avenue, Washington, D.C. 20005. Also present during the interview were DOJ
 Attorneys [redacted] and [redacted] attorney [redacted]
 [redacted] and Treasury Inspector General for Tax Administration (TIGTA)
 Special Agent [redacted] During the interview, documents were shown to
 [redacted] and hereafter those documents will be referred to by their
 respective bates numbers or other identifying information and copies will
 also be maintained in the 1A section of the case file. After being advised
 of the identities of the interviewing agents and the nature of the
 interview, [redacted] provided the following information:

b6 -2,3,4
b7C -2,3,4

b6 CRM
b7C

[redacted] received his undergraduate degree from [redacted] He
 received his law degree from [redacted] in 1971 and his Masters
 of Law in Taxation from [redacted] in 1975. From [redacted] until 1984 [redacted]
 worked as an Assistant Commissioner Technical at the Internal Revenue
 Service (IRS). In this position he provided Technical Advice Memorandums
 (TAM) and Private Letter Rulings (PLR) to corporate groups. His position
 was merged with IRS Counsel (Counsel). [redacted] left the IRS and worked
 at a private Certified Public Accounting (CPA) firm from 1984 - 1994. In
 [redacted] he rejoined the IRS and worked in Exempt Organizations (EO)
 Technical. In 2008, he became a Group Manager in EO Technical. He
 currently is the Supervisory Tax Law Specialist of Group 2 and [redacted]
 is his supervisor. [redacted] is the head of EO Technical. HOLLY PAZ was in
 that position before [redacted] for a period of time, and [redacted] was in that
 position prior to PAZ. [redacted] may have been an acting head of EO
 Technical at some point, but [redacted] is not sure. In the 2010/2011 time
 period, [redacted] supervised 14 Tax Law Specialists (TLS).

b6 -2,3
b7C -2,3

In early 2010, [redacted] asked [redacted] group to take two cases.
 [redacted] does not recall conversations about the cases. Cases are usually

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Investigation on 09/26/2013 at Washington, District Of Columbia, United States (In Person)
 File # 282B-WF-2896615 Date drafted 09/27/2013
 by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 09/26/2013, Page 2 of 6

b3 -1
b6 -2,3
b7C -2,3

assigned out by the manager of EO Technical to a group. [REDACTED] was an expert in 501(c)(4) cases and his inventory of cases was lower than others in the group so [REDACTED] assigned the cases to him. The two cases [REDACTED] assigned to [REDACTED] were [REDACTED] and [REDACTED]. [REDACTED] usually puts the new cases on the TLS's chair and gives them some background. He cannot remember what he did for these two cases. A TLS will review the file, figure out what the determination issues are, determine if there is a need to develop the case, make an analysis and then come to a conclusion. The case will then go through group review. [REDACTED] job was to work the cases and provide feedback to a revenue agent in Cincinnati, in order to help with cases there.

[REDACTED] was shown an e-mail chain dated April 26, 2010 between [REDACTED] with the subject "Re: Tea Party Cases" (GOV-EMAILS-000029-30) where it discusses the cases being assigned in Cincinnati to [REDACTED]. [REDACTED] noted that his computer crashed in late 2010 and he lost everything including his e-mails, documents, and management documents. [REDACTED] did not recall meeting or having any conversations with [REDACTED]. [REDACTED] has met [REDACTED] but has only had a few interactions with her as they are not the same level in the IRS.

b6 -2,3
b7C -2,3

[REDACTED] was shown an e-mail chain dated October 19, 2010 to PAZ from [REDACTED] with the subject "FW: Coordinating Tea Party Cases Update Memorandum" (TIGTA EMAILS -00013-17) discussing a memorandum describing the work [REDACTED] was doing on the Tea Party cases. [REDACTED] was given the assignment to write a summary document about these cases. [REDACTED] did not recall why he forwarded it to PAZ. He did not recall why the document was created. It was probably not normal to do this, so something probably triggered a request for this information. He had no recollection of any conversations with [REDACTED] about these cases leading up to this memorandum. [REDACTED] had a limited friendship with [REDACTED] outside of the office where they would go to lunch and participated together in a book club.

b6 -2,3
b7C -2,3

In 2011 [REDACTED] was working with [REDACTED] on these cases and there was some back and forth between the two of them regarding these cases. [REDACTED] based this knowledge on some e-mails he saw recently. He had no recollection of this on his own. [REDACTED] who was his best reviewer, was assigned as the reviewer on these cases. [REDACTED] did not remember assigning her as reviewer.

b6 -2,3
b7C -2,3

Sensitive Case Reports (SCRs) are created monthly, and while some are important, some are not. [REDACTED] did not think these were special cases other than they were on the report. They seemed routine to him. He did not realize they would be the "cases of the century."

b6 -2
b7C -2~~UNCLASSIFIED//FOUO~~

14-cv-1239-FBI-189

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 09/26/2013, Page 3 of 6

b6 -2
b7C -2

In early 2011, he asked [REDACTED] how the cases were going. It seemed like [REDACTED] was coming to a conclusion on them. [REDACTED] was not concerned about how much time it was taking to work the cases; it seemed to him that the cases were moving along well. He does not remember any concerns from [REDACTED] or [REDACTED] about these two cases or about the coordination with Cincinnati. [REDACTED] sent [REDACTED] the two cases, [REDACTED] and [REDACTED] and the recommendations from [REDACTED]. [REDACTED] kept an informal record of cases that were closed, and his record showed that [REDACTED] was closed out earlier. [REDACTED] thought the recommendations were well written. The recommendation for [REDACTED] the 501(c)(4), was a favorable determination, and the recommendation for [REDACTED] a 501(c)(3), was a denial.

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] understanding was that the cases would go to [REDACTED]. He had no recollection of a differing of opinions between [REDACTED] and [REDACTED] on these cases. [REDACTED] was at a meeting where [REDACTED] met with [REDACTED] but he did not remember what was discussed. He may have received an e-mail where [REDACTED] said [REDACTED] would be sent to Counsel.

[REDACTED] brought up the need to speak to LOIS LERNER on these cases. [REDACTED] was involved, as he had some expertise in these types of cases. [REDACTED] was one of the talented people in the office. [REDACTED] asked [REDACTED] to set up the meeting and write a briefing paper on the cases. The briefing paper would advise LERNER of the status of the cases and discuss the large number of cases in Cincinnati. [REDACTED] may have had conversations with [REDACTED] about the cases in Cincinnati.

b6 -2,3
b7C -2,3

[REDACTED] is not sure what his impression of the use of the term "Tea Party" was. He was confused about what the term meant as far as describing which cases were in inventory. There was uniform usage of the term "Tea Party" in the office and at this point they did not use the name "advocacy." Nobody had expressed concern about the use of the name "Tea Party" prior to LERNER's briefing. EO Technical had worked political advocacy cases in the past and had worked them before the Tea Party cases. [REDACTED] was familiar with what the Tea Party was.

b6 -2
b7C -2

[REDACTED] met with [REDACTED] prior to the briefing. [REDACTED] wanted to bring [REDACTED] on to give her experience in these types of cases. [REDACTED] was leaving the IRS, and [REDACTED] wanted more experience in Group 1, which worked political advocacy. [REDACTED] got the sense that this meant these cases would move off of [REDACTED] plate and over to [REDACTED] however there would be a period of transition. This was unexpected. [REDACTED] did not complain about [REDACTED] decision. [REDACTED] did not have a concern with [REDACTED] work at that time, however he knew the number of cases were growing. He also knew that [REDACTED] and [REDACTED] were getting involved and that it seemed like this was a much bigger thing than one TLS working a few cases. It seemed like it was becoming a project. [REDACTED] did not seem to

b6 -2,3
b7C -2,3~~UNCLASSIFIED//FOUO~~

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 09/26/2013, Page 4 of 6

b6 -2
b7C -2

react "completely favorably" to the news, but [REDACTED] did not argue about it.

[REDACTED] attended the LERNER briefing, but he had no role in it. [REDACTED] and PAZ were there. He is not sure if [REDACTED] was there. LERNER talked about the use of the term "Tea Party." She stated it did not sound good to use the term and they should use a more politically neutral term. She did not want them to use the term in e-mail or discussion. She suggested they call them "advocacy." No one had expressed concerns about the "Tea Party" label up to this point. When LERNER brought it up, he thought it was a good point. There was also conversation about Cincinnati and how they processed or screened the cases. [REDACTED] recalled being frustrated because this conversation was "over his head." It seemed to be a conversation back and forth between PAZ, LERNER and people from Cincinnati. Everyone calls the cases "advocacy cases" now.

b6 -2,3
b7C -2,3

[REDACTED] received an e-mail from [REDACTED] in July 2011 that stated [REDACTED] would take the lead on these cases. Counsel also responded regarding [REDACTED] around that time. [REDACTED] was confused about whether he was at a meeting with Counsel or not. He did talk to [REDACTED] on the telephone about [REDACTED] felt that the case needed more factual development on whether there was political intervention during the period right before the 2010 election. [REDACTED] of Counsel held a meeting, but [REDACTED] was not sure if he was there.

b6 -2,3
b7C -2,3
b3 -1

[REDACTED] group's role in these cases was winding down, and in November 2011 [REDACTED] took [REDACTED] off of them. [REDACTED] gave [REDACTED] new duties, including "gate keeping" questions, which required him to respond to questions from Determinations Specialists in Cincinnati as well as people and taxpayers on the outside. The questions he responded to for Cincinnati were for all types of cases, not just advocacy cases. At the end of 2011, all of the cases moved to [REDACTED] knew more was going on with the cases, but he was not sure what it was.

b6 -2.3
b7C -2,3

In the summer of 2012, several TLS were sent to the IRS office at 1111 Pennsylvania Avenue to review original case files in order to respond to a Congressional inquiry. [REDACTED] attended a manager's meeting held by [REDACTED] where they selected TLS to participate in this project. [REDACTED] was selected from [REDACTED] group and [REDACTED] was the alternate. [REDACTED] is not sure if [REDACTED] went. [REDACTED] told [REDACTED] they were reviewing the files for anything inappropriate. This meant they were reviewing the files for material that should not be there, such as anything that would be "embarrassing." There have been instances where cases were

b6 -2,3
b7C -2,3~~UNCLASSIFIED//FOUO~~

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 09/26/2013, Page 5 of 6

b6 -2,3
b7C -2,3

given to a court and the TLS wrote stuff that was "embarrassing." The IRS did not want the "embarrassing" stuff on the record. [REDACTED] did not know what they were doing with that type of information if they found it.

In early 2012, the issues regarding the development letters came to light. [REDACTED] asked [REDACTED] if he asked about donors in his development letters and if his development letters were appropriate. [REDACTED] said he did not ask about donors and that his questions were appropriate.

[REDACTED] read the TIGTA audit report and asked [REDACTED] again about his letters. [REDACTED] repeated his answer from before. There was an e-mail in the audit report where LERNER asked PAZ about what [REDACTED] had done on the cases, and [REDACTED] had responded. PAZ was on his e-mail.

b6 -2,3
b7C -2,3

[REDACTED] had a conversation with [REDACTED] at [REDACTED] retirement party in June 2013. It was a noisy environment and [REDACTED] had a hard time hearing her, but [REDACTED] said she had come across the Be On The Lookout (BOLO) list, which was a problem in the TIGTA report. She said she discovered that problem when she worked the cases with [REDACTED] did not remember her expressing those concerns back then. [REDACTED] had no knowledge of the Tea Party cases in the BOLO prior to reading the TIGTA report. [REDACTED] described his office as a "back water office," where nothing exciting ever happens. Now this whole thing is a big scandal.

b6 -2,3
b7C -2,3

[REDACTED] participated in an audit interview with TIGTA. PAZ participated in his interview, but he did not think it was an issue. In fact, he liked having her participate, as he felt like she would support him. She did the introduction at the interview, and then she sat quietly for the rest of the interview.

b6 -2
b7C -2

The Tea Party cases took a long time, but all cases take a long time as there are lots of levels of review. His office now realizes they have to close cases quickly. Closing cases is two or three times faster now.

[REDACTED] office went through a reorganization which caused the number of TLS he supervised to drop from 14 to 10. When this happened, he got rid of his problem employees, which allowed him to focus on case management. That is when he noticed [REDACTED] older inventory. [REDACTED] who was not one of the problem employees, was not the fastest worker in the office and he had older cases in his inventory. [REDACTED] brought up this issue up with [REDACTED] and [REDACTED] was critical of the age of [REDACTED] cases.

b6 -2,3
b7C -2,3

[REDACTED] had no reason to believe anyone in the IRS, including LERNER, PAZ, [REDACTED] and [REDACTED] were motivated by political viewpoint in dealing with these Tea Party cases. [REDACTED] observed the litigation hold and has no knowledge of anyone not observing the hold. He has not destroyed documents

b6 -2,3
b7C -2,3~~UNCLASSIFIED//FOUO~~

14-cv-1239-FBI-192

~~UNCLASSIFIED//FOUO~~

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 09/26/2013, Page 6 of 6

b6 -2
b7C -2

and has no knowledge of anyone destroying documents related to this investigation and no one tried to influence what he would say to investigators.

~~UNCLASSIFIED//FOUO~~



FEDERAL BUREAU OF INVESTIGATION

Date of entry 03/25/2014

FEDERAL TAXPAYER INFORMATION

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b6 -2,3,4
b7C -2,3,4

[redacted] date of birth [redacted] Social Security Account
number [redacted] home address [redacted]

was interviewed at the offices of her attorneys located at 801 15th Street
NW, Washington, DC 20005. Her attorneys [redacted]
were present for the interview. Also present for the interview was
Department of Justice (DOJ) attorney [redacted] and Treasury Inspector
General for Tax Administration (TIGTA) special Agent (SA) [redacted]

[redacted] was shown documents during the interview which are listed below
by bates stamp number or other identifying information. Copies of the b6 per CRM
documents shown to [redacted] are included in the 1A section of the file. b7C

After being advised of the identity of the interviewing Agents and the
purpose of the interview, [redacted] provided the following information:

b6 -2,3
b7C -2,3

[redacted] described her employment history with the IRS, but advised
that she was confused about the dates. She provided her best recollection
of the dates. She joined the IRS in [redacted] as a Revenue Agent in Employee
Plans Determinations for approximately one year, then became an Employee
Plans Field Auditor. She spent all of her years until the 2000
reorganization in pension plans. Her position there was abolished. She
moved to Exempt Organizations Determinations (EOD) after the office
reorganization. In 2001 she was the Staff Assistant to an Area Manager in
EOD. She served as Area Manager for Area 1 of EOD from 2002 - 2010. [redacted]

[redacted] was her most recent direct supervisor. When [redacted] first started
there, [redacted] was her program manager.

b6 -2,3
b7C -2,3

[redacted] worked out of the Los Angeles office. EOD groups in Los
Angeles, Cincinnati, and Chicago reported to her. People were
grandfathered in to what they were working prior to the reorganization.

The goal was to eventually centralize everybody in Cincinnati, but
Cincinnati did not initially have enough staffing. When people retired,
the new hires all went to Cincinnati. [redacted] retired in [redacted]
and lives outside of Los Angeles.

[redacted] began as manager of the screening unit in October 2009. He

Investigation on 09/26/2013 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615 Date drafted 09/26/2013

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/26/2013 , Page 2 of 5

b6 -2,3
b7C -2,3

coordinated with the Covington Service Center and reported to her on his inventory. He provided information on the number of cases, time goals, processing progress, and time constraints. They maintained an approximate two week time frame to screen cases and then the cases were either closed or sent for further development. [REDACTED] experienced no performance problems with [REDACTED] and he was a very good manager. He understood the law and the logistics of working with Cincinnati. He had a good idea of what was in the pipeline and kept her informed. It was not as logistically easy for her to get immediate information because she was not onsite.

[REDACTED] first became aware of Tea Party cases in February 2010 either via a telephone call or an e-mail. An agent in screening identified Tea Party cases and thought they may be sensitive because of the television coverage he had seen on the Tea Party. On 02/25/2010, she received an e-mail about a Tea Party case which had been sent from [REDACTED] to [REDACTED] and then to her (GOV-EMAILS-000017 - GOV-EMAILS000020). She forwarded the e-mail to [REDACTED]. There may have been a phone call either before or after the e-mail. [REDACTED] has no specific recollection on this case, but the standard practice was for managers to call and explain complicated cases to her because she had no exempt organizations (EO) background. She would then review the information and forward it to [REDACTED]

b6 -2,3
b7C -2,3

In the e-mail referenced above when [REDACTED] advised [REDACTED] to let "Washington", meaning Exempt Organizations Technical (EOT), know about a "potentially politically embarrassing case," she meant the case would have been embarrassing because of the media attention the cases were getting. Whenever you put media together with the IRS, it always ends up being embarrassing. She thought the media would become aware they had the cases and were not granting approval to them. At this stage of the game, they were just alerting DC to the cases and looking for guidance. There were not any expectations about what they should do at this point. After forwarding the e-mail to [REDACTED] would have forwarded it to EOT for review, and EOT would have sent a reply back down the chain and she would send it to [REDACTED] does not recall having a conversation with [REDACTED] about this case.

b6 -2,3
b7C -2,3

In February 2010, [REDACTED] had heard of the Tea Party on television. They were planning demonstrations. She did not know which side of the political spectrum they were on.

When the case was forwarded to EOT, the expectation was that they would review the case and provide guidance on how to proceed. Her understanding was that EOD should contact the taxpayer and get more information. She did not provide guidance to [REDACTED] or anyone else on what

b6 -3
b7C -3

282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/26/2013, Page 3 of 5

b6 -2,3
b7C -2,3

to do. Any guidance would have been directed by [REDACTED] or someone at EOT.

In dealing with issues that were forwarded to EOT, someone would usually communicate to [REDACTED] via a telephone call to explain the sensitivity or importance of an issue to her in simple terms. She would then forward the issue in an e-mail.

Every month, [REDACTED] received a report from [REDACTED] on the number of Tea Party cases and a request for guidance. She would send it to [REDACTED] who would send it to Washington asking for guidance. The holdup on these cases was not "run of the mill." Other than working on the initial contact letters, they were holding these cases as they were unique.

[REDACTED] was in her area. [REDACTED] had the Tea Party cases. [REDACTED] was unlikely to have spoken directly to [REDACTED] may have provided [REDACTED] information, but most information would have been forwarded to [REDACTED] spoke to [REDACTED] and he expressed frustration over the aging cases and not meeting timeframes or getting support from EOT. She heard from him on a fairly routine basis over the telephone when [REDACTED] had the cases. [REDACTED] would provide her a monthly briefing and would send her information via e-mail.

b6 -2,3
b7C -2,3

[REDACTED] visited the Cincinnati office one week per month. She had four to five groups in Cincinnati with different functions. [REDACTED] would hold a staff meeting during her visits. She also had regular telephone calls with [REDACTED] These cases were usually a topic of conversation during staff meetings. The meetings were usually via telephone. She told [REDACTED] about [REDACTED] frustration and [REDACTED] would tell her what Washington was doing.

b6 -2,3
b7C -2,3

She understood that the Tea Party cases were somehow politically motivated and because of their political activity, the agents could not determine whether they were exempt or not. She understood the category to be Tea Party which is primarily an application that came in with Tea Party in their name. Other than the name of the cases, [REDACTED] does not remember any specific criteria used to identify them.

b6 -2
b7C -2

She does not recall sitting in on CPE training in 2010. She saw the agenda for a training this morning during her Congressional appearance and it said that the Area Manager was there. Often, Area Managers would come in and do the opening and leave. She does not remember attending any briefings on this issue and does not recall seeing a PowerPoint presentation in 2010 on this topic.

Toward the end of 2010 before her retirement, there was concern about referring to cases as Tea Party cases. They were told to stop using Tea Party and instead to refer to the cases as political advocacy. She

282B-WF-2896615

Continuation of FD-302 of [REDACTED]

, On 09/26/2013, Page 4 of 5

b6 -2,3
b7C -2,3

received this direction in a conference call from [REDACTED] was probably also on the call, but she cannot remember who else was on the call.

[REDACTED] is sure agents used criteria other than the Tea Party name to identify the cases, but she cannot remember what was used.

They have raised money laundering cases to EOT in the past. They held cases because the criminal investigation was ongoing. They held some money laundering cases for four years. Those cases had a different type of delay than the Tea Party cases. The delay for the money laundering cases was as much a delay from the criminal investigation than from the EOT side.

It is very unlikely that she interacted with screeners on this issue.

She is not aware of any performance issues with [REDACTED]

[REDACTED] They were all good agents. There were no issues with [REDACTED]

b6 -2
b7C -2

She has no knowledge of agents making decisions for inappropriate reasons such as politics or race. She has no cause to believe political motivations against the Tea Party were a part of the process.

[REDACTED] reviewed an e-mail chain which originated from [REDACTED] to [REDACTED] on 07/02/2010 and was forwarded to her (Document ID: 0.7.2743.12265). She vaguely remembers the name [REDACTED] but does not recall this particular e-mail. The e-mail is alerting them to people without Tea Party in their names. She does not remember any specific action taken concerning this issue. In general, what would have normally happened is that [REDACTED] would have called to alert her, dumbed down the information, and she would have sent the information to [REDACTED]

b6 -2,3
b7C -2,3

She cannot remember any additional discussions specifically about the Tea Party. The topic would be an agenda item on [REDACTED] monthly conference call. [REDACTED] did not normally deal directly with EOT.

b6 -2,3
b7C -2,3

She has no documents relating to this subject. She was not interviewed by TIGTA. Nobody reached out to her in an inappropriate way to try to influence what she would say to Congress.

[REDACTED] stated she has a total lack of training in EO. She was an expert in employee plans. All of the managers who worked for her were well-versed in EO law and she relied on them heavily for their expertise.

b6 -2
b7C -2

She is not aware of anyone using personal bias or political viewpoints to influence work on Tea Party cases.

282B-WF-2896615

Continuation of FD-302 of



, On

09/26/2013

, Page

5 of 5b6 -2
b7C -2

She had one agent who was religious and refused to work on a gay/lesbian case. Somebody else took the case.



FEDERAL BUREAU OF INVESTIGATION

Date of entry 09/15/2014

FEDERAL TAXPAYER INFORMATION

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b6 -2,4
b7C -2,4

JANINE COOK, date of birth (DOB) [redacted] Social Security Account number [redacted] residential address [redacted] was interviewed at 1400 New York Avenue NW, Washington, D.C. Also present were Department of Justice (DOJ) attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent [redacted] COOK was shown documents during the interview which will be identified below by their bates stamp numbers or other identifying information and placed in the 1A section of the file. After being advised of the identity of the interviewing Agents and the purpose of the interview, COOK provided the following information:

b6 CRM
b7C

COOK earned her undergraduate degree from Bob Jones University in South Carolina and her law degree from Georgetown University. She began working at the IRS in 2004 after graduating from law school. She has served in her current position of Deputy Division Counsel and Deputy Associate Chief Counsel in Tax Exempt Government Entities (TEGE) since February 2011 working exempt organizations and employment tax. COOK stated she had nine direct reports consisting of eight managers and one support staff with a total of 35-40 people reporting to her. COOK's boss in February 2011 was NAN MARKS. When MARKS retired, COOK was made "Acting" over her area and reported to BILL WILKINS. The position was filled in August 2011 by VICKI JUDSON.

b6 -3
b7C -3

The Exempt Organizations (EO) function within Counsel consisted of Branch Chief [redacted] Assistant Branch Chief [redacted] Special Counsel [redacted] and Senior Technician reviewers [redacted] [redacted] and [redacted]

The Internal Revenue Service (IRS) interpreted and applied the law, code, regulations, and revenue rulings. The IRS decided when to engage Counsel. There was very little with which Counsel had to be involved. The IRS only had to come to Counsel when they were going to issue a final adverse decision to an applicant. COOK's staff approved decisions and the

Investigation on 10/02/2013 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615 Date drafted 10/02/2013

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of Janine Cook FD-302, On 10/02/2013, Page 2 of 9

cases only came to her if there was a problem or a novel issue, if the matter was well known in the media, or if there was possible litigation. Sometimes someone above COOK provided guidance in sensitive cases. Counsel was trying to increase collaboration with the IRS. By the time a case got to Counsel, it was not an easy case. They received the complicated cases. Cases had to go to Exempt Organizations Technical (EOT) first, which meant they were more complicated cases.

In late April 2011, there was a meeting at EO's building. COOK could not remember whether LERNER and MARKS were at the meeting or who else was there. They discussed looking at legal issues regarding 501(c)(4)s and political groups. They wanted to get a group together to include JOE URBAN from the IRS and [redacted] from Counsel to look at the law and put together a white paper. URBAN may have been tasked with starting the product. COOK never saw a paper and did not think it ever got that far.

b6 -3
b7C -3

COOK reviewed a 07/19/2011 e-mail she received from PAZ which contained a bullet point about how there were over 100 advocacy cases. Prior to the 07/26/2011 meeting, they tried to set up a meeting between COOK's office and the IRS. At that time, PAZ emailed COOK to try to set up the meeting. One meeting had already been scheduled when they held the 07/26/2011 meeting.

COOK, LERNER, MARKS, [redacted] participated in a call on 07/26/2011. COOK had notes from this meeting. COOK understood there was a briefing paper for this meeting. She just saw it this summer. At the meeting they were told there was a pool of advocacy cases. She thought the cases were from both sides of the political spectrum. Her notes said "Tea Party" but the cases were from both sides. Counsel was enlisted to help the IRS move forward with the cases. There were approximately 100 cases. They talked about creating guidance for agents. They discussed the pending cases related to [redacted] entities, which were of a [redacted] ideology. The IRS had already issued several favorable applications for [redacted] entities and then decided the groups may have engaged in too much political activity. The IRS wanted to know if they could revoke those exemptions. EO in DC could revoke a Cincinnati decision if it was wrong. There was a question about whether DC should do this and they wanted to raise the issue up the chain. LERNER was doing most of the talking during the call.

b3 -1
b6 -3
b7C -3

She did not recall any discussion about how the cases were identified. She had nothing in her notes about that. LERNER and MARKS were on the phone and she assumed they had resolved this. COOK never heard of the Be on the Lookout list (BOLO) until the audit report came out. Cases were referred to as "advocacy cases" during the call and this whole time.

14-cv-1239-FBI-200

282B-WF-2896615

Continuation of FD-302 of Janine Cook FD-302, On 10/02/2013, Page 3 of 9

There was sensitivity with the [redacted] issue and how it would be perceived if they revoked the Cincinnati decision. Normally DC did not step in and revoke Cincinnati decisions and they were concerned that it would look bad since it was in a political context. The IRS felt confident that Cincinnati was wrong and subsequently issued unfavorable decisions to some of the [redacted] affiliates. COOK did not recall being blown away by the issues discussed during the call. She did not remember thinking there was an extraordinary problem. When they saw similar cases with similar issues, the IRS tried to get their hands around it and work it. The newspaper cases were an example of this. COOK had no action items from the 07/26/2011 meeting. She was not certain, but she did not recall telling WILKINS about this meeting. It did not strike her as something necessary to give him a heads up about.

b3 -1

The next steps were two meetings on 08/04/2011 and 08/10/2011. There was back and forth between [redacted] and PAZ about the purpose of those meetings. COOK was not on those back and forth e-mails, but they may have been forwarded to her or she saw them afterward. The meetings were case specific meetings and COOK did not participate in them.

b6 -3
b7C -3

Later in August, people who were in the earlier meetings that month reported to her about the two cases they were reviewing. Her staff discussed developing the 2010 year. Time had passed and they needed to know what the applicants did in 2010. [redacted] told her this was his position and she agreed. COOK was not involved with the development letters that went out and never saw them.

b6 -3
b7C -3

In September or October, COOK saw a press item come through from an exempt organizations blogger named [redacted]. He reported on a press article on Tea Party cases or something similar. It may have been an article about one of the organizations holding themselves out as a 501(c)(4) when they were doing a lot of political work. The article prompted her to ask what was going on. [redacted] said there was a draft white paper, but they had not seen it yet and things were pretty quiet. Upon reviewing a 10/10/2011 e-mail she sent to JUDSON, COOK identified it as the press item she had been discussing.

b6 -3
b7C -3

In February 2012, COOK received an e-mail from [redacted] [redacted] in EO had forwarded a draft guidesheet to [redacted] [redacted] said LERNER wanted to know if the guidesheet could be released. LERNER had a meeting on Capitol Hill and there was a reference to the guidesheet during the discussion. LERNER asked if it could be shared. [redacted] said some things were missing and not stated correctly and he told LERNER the guidesheet was not ready to go. Over the next two months, they went back and forth with the IRS on the draft. COOK's office was concerned about the

b6 -3
b7C -3

282B-WF-2896615

Continuation of FD-302 of Janine Cook FD-302, On 10/02/2013, Page 4 of 9

technical nuance of the template. They did not want to go beyond the current law. Counsel was being particular on how the document tracked the law. There was a revenue ruling in 2007 on what was political intervention in the 501(c)(3) world and other rulings were issued on what they could do on 501(c)(4), (c)(5), and (c)(6) cases.

The draft had a lot of "yes" and "no" questions. It was unclear what they meant and what it meant if you had a certain number of checks. They wondered what someone would do with all of the "yes's" and "no's". Some of the language had a slant. They had philosophical differences and they wanted to be careful so they would best accomplish good guidance for the agents. There was concern at the time about the IRS draft and putting out something that was not correct. They thought the document was usable for agents, but they may have gotten the wrong answer in some cases. They needed to look at the entirety of the facts and circumstances. There was discussion that there were questions asked that may not need to be asked. There was confusion at the time about what happened to the guidesheet.

sent an e-mail that the guidesheet may have been shared with Cincinnati, but they were not certain. The e-mail they had contained a draft that was being sent around for comment, but it did not have a clear indication that it went to Cincinnati. There were probably 12-15 drafts.

b6 -3
b7C -3

There was a sense of urgency in COOK's office to get the guidesheet out. Her staff put in hundreds of hours. Three people worked on the guidesheet essentially full-time many days for six weeks. They ended up with a draft they were comfortable with that stated the law and had citations. They were incredibly careful. The draft only asked what had to be asked to help the agents screen cases. All of the law was cited in the appendix. They knew it would get a lot of attention so they told the IRS to decide whether they wanted to use it or not. LERNER told her the IRS did not want to put anything out. They decided they were going to train Cincinnati instead. COOK thought NIKOLE FLAX may have conveyed this information to LERNER, but she was not certain.

Counsel first received the guidesheet on 02/24/2012 and finished working on it during the first week of May. COOK spoke with LERNER approximately three times during that period about the guidesheet. Staff was included on the calls. Counsel did not think the IRS appreciated why the document was not ready to go on 02/24/2012. The IRS and LERNER thought Counsel did not understand the issue. LERNER was frustrated because Counsel was not getting her what she needed. JUDSON was involved. ERIK CORWIN and WILKINS were involved as well. JUDSON and CORWIN came on board at the end of August. They had more formal bi-weekly meetings.

Formal guidance had to be cleared by Treasury. For example,

282B-WF-2896615

Continuation of FD-302 of Janine Cook FD-302, On 10/02/2013, Page 5 of 9

regulations required notice and comment. Ministerial guidance items historically did not go to Treasury. In early 2012, Treasury became much more hands-on, even for ministerial guidance. Any kind of guidance was released and put on IRS.gov to include things such as field guides and training. They had a highly proactive public release policy. This guidesheet would have been released.

COOK provided an example of gaps faced by agents. In campaign intervention, one of the questions was whether there was the same definition for 501(c)(3) and 501(c)(4) organizations. They had six fact patterns and they talked about what was out there. The question had never been formally answered and the first guidesheet was not precise in addressing this issue.

The inventory in Cincinnati went up, but she did not know when that occurred in the timeline.

Counsel had five advocacy cases including [redacted] In August 2011 they sent back the [redacted] and [redacted] cases to the IRS for further development. In April 2012 the [redacted] [redacted] case came to Counsel. Counsel opened it in late April 2012 and closed it on 06/21/2012. [redacted] were probably assigned to the case, or possibly [redacted] Counsel closed the case after their role had been completed. Cook stated the case may still be open elsewhere. [redacted] said they did not have the whole file so Counsel sent it back to the IRS. Counsel never got the file back again. The e-mail shown to COOK dated 05/01/2012 refers to this situation.

b3 -1
b6 -3
b7C -3

Counsel was not involved in the Cincinnati training in mid-May. When the group of DC people came back from Cincinnati, COOK, [redacted] [redacted] PAZ, and some of PAZ's people had a telephone conversation. The returning group reported back on their training and bucketing in Cincinnati. Counsel was available if they wanted help, but no specific requests were made of Counsel. Cincinnati was going to have some hard cases to work and presumably would need assistance from Counsel. The IRS felt like they were making some progress with the cases. They viewed what was accomplished in Cincinnati as positive. At the time, the IRS told agents not to make assumptions or speculate about whether groups were going to do anything political based upon what was in the applications. COOK stated she had a set of notes from the call that she could provide.

b6 -3
b7C -3

Counsel did not have much else to do on this issue after that time. There were a lot of Congressional requests (Congressionals). The IRS handled Congressionals, but occasionally the IRS provided a question to Counsel. Counsel received questions in-house about big picture issues

282B-WF-2896615

Continuation of FD-302 of Janine Cook FD-302, On 10/02/2013, Page 6 of 9

regarding the law and unanswered questions. In Spring 2013, Counsel started to think about creating guidance. This was prior to the release of the audit.

There was a Congressional from Senator Levin which focused on the "primarily" standard being 51%. Representative Camp and others were more interested in why these cases were taking so long and about the burdensome requests in the letters.

COOK attended one meeting this spring with staff from the offices of Senator Levin and Senator McCain. The meeting occurred before the audit report came out and the purpose was to discuss the responses to the Congressionals. She was a "back bencher" at the meeting. LERNER discussed the determinations process and other functions. MARKS and FLAX were there as "front benchers." [REDACTED] and Legislative Affairs were also "back benchers" with COOK. The Tea Party/political advocacy issue did not come up.

b6 -3
b7C -3

In the December 2012 - January 2013 timeframe, Counsel started a project on the gift tax issue. In May 2011 there had been a question about whether donors who contributed to a 501(c)(4) organization were subject to gift tax. COOK was on an ABA panel with PAZ. Someone at ABA had asked about gift tax and donors. The ABA alleged that the IRS was going after donors. After the panel COOK learned that the IRS sent a letter to approximately six donors of an organization asking them to pay gift tax. COOK recalled the organization was conservative and called [REDACTED]. An EO agent looked at the application and saw large donations. The application was referred to the gift and estate tax folks. There was talk that summer about how to handle gift tax. The view was that gift tax applied, but the IRS never applied it to 501(c)(4)s. STEVE MILLER issued a memo in July 2011 that the application of gift tax would not be enforced by the IRS until the question of gift tax was resolved. The issue never got a lot of steam. COOK was not heavily involved.

b3 -1

In 2011 when the first audit started and letters were sent to donors, the gift tax issue stood out. There were some statements in the public that particular individuals were being targeted. Her view was that it was just someone at the IRS who was trying to do his job.

In October 2012 NAN DOWNING, head of EO Examinations, put out a memo on the dual track procedure. One group named the [REDACTED] was previously audited under the Political Activity Compliance Initiative (PACI). They were given an advisory that they should not be doing something, but the IRS did not revoke the group. A referral came back where it sounded like they were still doing the same stuff. The IRS wanted Counsel to look at an audit with them. The group was a [REDACTED]

b3 -1

282B-WF-2896615

Continuation of FD-302 of Janine Cook FD-302, On 10/02/2013, Page 7 of 9

[redacted] organization. COOK was not sure, but [redacted] was possibly affiliated with the group. Counsel supported the IRS looking at this group again.

b3 -1

COOK was shown an e-mail dated 12/06/2012 from LERNER to COOK and [redacted] with the subject line "Repeat Offender." This e-mail was about an exam in EO and involved the PACI project. The project was primarily geared toward 501(c)(3)s. The dual track project involved two tracks related to political intervention. One track dealt with referrals and one track involved data from 990s.

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COOK saw references on the news to some development letters that went out. She wondered if it was really true. She heard about a question from a development letter about whether the applicant believed there was a State of Israel. That did not sound right. For other questions she could see where they were coming from, for example asking for Internet pages. She never saw any letters. She only heard about the donor questions in the press. Some questions seemed over the top and some seemed like they might be reasonable to ask based on something in the file. The questions might have been relevant in some cases, but COOK did not see the questions in context.

COOK recalled that when JUDSON first looked at the guidesheet some questions used the word "all." The question requesting them to send all of their pamphlets was an example. JUDSON thought they may be able to ask for a sample and not all items. COOK never saw a triage sheet.

COOK was in the audience at the May 2013 American Bar Association (ABA) meeting when LERNER made her comments. Her boss, JUDSON, was on the panel filling Counsel's role. [redacted] asked her question. It was odd when LERNER said "we apologize." She did not know what was behind it. JUDSON told her either Wednesday or Thursday before the meeting that JUDSON was told a question would be posed to LERNER and that JUDSON should let LERNER answer. COOK believed FLAX may have told this to JUDSON. There had been many press and Congressional statements about how the IRS was handling things, so COOK thought the statement was related to that. When COOK came back into the room later someone told her how fast the statement hit the news. She felt foolish because the statement did not initially hit her between the eyes. The press issue was still very generalized and still just allegations. That is why "apology" was an odd word. It was an odd fit because the statement was saying it was a procedural processing problem and not a political issue.

b6 -3
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She did not know there was a TIGTA audit until she saw the audit report. She first heard about the audit on the weekend after LERNER's ABA speech. The TIGTA report contained a lot of information that was new to

14-cv-1239-FBI-205

282B-WF-2896615

Continuation of FD-302 of Janine Cook FD-302, On 10/02/2013, Page 8 of 9

her, such as the information about the BOLO. The criteria used to select the Tea Party cases and the list of words used was new to her. She was partly glad she did not know about a lot of that stuff, but partly wished Counsel was more aware of what was going on. She was surprised Counsel was not asked about things in the audit. Counsel could have been more proactive or raised things up the chain if they had known more. She presumed all of the players in the IRS who could make decisions knew what was happening. There seemed to be a suggestion that Counsel slowed down the guidesheet process. Counsel's work was done with the best intentions.

The biggest problem was how the cases were framed, in particular calling them "Tea Party" cases. The issues to address were the amount of political campaign intervention they could engage in and the definition of intervention.

This summer COOK looked at many applications and it was not easy. The question that it came down to was whether there was additional political campaign intervention or not. If yes, they failed; if no, they passed. The problem was using the short hand of self-chosen labels and more terms on one side of the political spectrum than others. It was fair for the IRS to decide the cases should be looked at. The problem was if you just cast it as if you were only looking at Tea Party cases and not other like cases. It created a bad perception of political motivation. COOK did not think there was political motivation.

COOK believed it was unconstitutional to base decisions on viewpoint. She did not know whether there was anything about using political viewpoint in the Internal Revenue Manual (IRM). WILKINS or STEVE MILLER initiated a meeting on the Thursday before the ABA conference. MILLER, WILKINS, CORWIN, JUDSON, LERNER, FLAX, MARKS and tax practitioners [redacted] participated in the meeting. The meeting was to discuss the law, principally regarding 501(c)(4). They discussed whether the IRS would create guidance to clarify the law and what it would be. [redacted] were part of the Bright Lines project which was a group that looked at defining political campaign intervention.

b6 -3
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Nobody from the IRS discriminated intentionally against taxpayers based on their political beliefs.

She preserved everything pursuant to the litigation hold at the IRS and had no knowledge or anyone not complying with the litigation hold. Nobody tried to influence her statements on Capitol Hill, for this interview, or elsewhere.

COOK reviewed an e-mail she sent to JUDSON on 06/01/2012 with the subject "This morning." The e-mail discussed LERNER's presentation at an

14-cv-1239-FBI-206

282B-WF-2896615

Continuation of FD-302 of Janine Cook FD-302, On 10/02/2013, Page 9 of 9

in-house Counsel lecture series. LERNER spoke about the Hatch Act and her FEC experience. The presentation was not about 501(c)(4) political participation.

COOK had no exposure to [REDACTED] prior to this summer. She heard through the grapevine that their application had been released. In early April 2013, she and JUDSON were told the IRS was going to send over a proposed denial of the application and they wanted Counsel to review it. JUDSON heard from WILKINS and the Commissioner's office that the application was going to come to Counsel and they needed to move quickly. Instead, approximately three weeks later Counsel received a different case, [REDACTED]. The group was on the other side of the political spectrum. The IRS wanted Counsel to look at the proposed denial for that case which could possibly be used for other cases as a model. Counsel agreed with the decision. COOK and her staff sent it back. They did not receive a report back, but they know it was issued.

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COOK recently reviewed the [REDACTED] proposed denial and it went out approximately two weeks ago. They still had the opportunity to protest. Per protocol, if the group protested [REDACTED] JUDSON, and [REDACTED] would then review the case before it became a final denial.

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In the summer after the audit report, COMMISSIONER WERFEL identified cases pending greater than 120 days and Counsel was involved with them. There was an expedited process for the cases. The date when cases should have been done was 09/30/2013. If organizations complied with the process and made representations, they would have been approved.

[REDACTED] case came to Counsel in late 2010 - early 2011. The Technical Advice Memorandum (TAM) recommended revocation. COOK's team sent comments back to the IRS on 02/11/2011. They had a briefing for LERNER in November 2012, but COOK was not there. COOK heard the group was revoked because of political campaign intervention, but later learned the IRS did not do anything or revoke the organization.

b3 -1

COOK advised she would provide copies of the following to SA [REDACTED] her 07/26/2011 notes, her 05/04/2013 pre-ABA notes; her May 2012 notes after the training, and any other relevant notes she assembled.

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FEDERAL BUREAU OF INVESTIGATION

Date of entry 07/03/2014

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

SARAH HALL INGRAM, date of birth (DOB) [redacted] Social Security account number (SSAN) [redacted] residence address [redacted] [redacted] work telephone [redacted] was

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b7C -2,3,4

interviewed at the law offices of Crowell & Moring, 1001 Pennsylvania Avenue NW, Washington, D.C. 20004, telephone (202) 624-2795. INGRAM's attorneys, [redacted] were present during the interview. Also present during the interview were Department of Justice Attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent [redacted]. Prior to the interview, INGRAM's attorneys provided a set of documents that will be maintained in the 1A section of the case file and will be referred to by their respective bates numbers during the interview. After being advised of the identities of the interviewing agents and the nature of the interview, INGRAM provided the following information:

b6 per CRM
b7C

INGRAM graduated from Yale University and received her law degree from Georgetown University Law Center in 1982. She joined the Internal Revenue Service (IRS) in 1982. In 1992 she was Deputy Counsel and in 1994 she began working on Exempt Organizations (EO) issues. She worked in IRS Chief Counsel (Counsel) until 2004, and while she was there she worked Employee Plans (EP). In 2004 she worked on the reorganization of the IRS. In Spring 2009, she moved from her position as the Chief of Appeals to become the Commissioner of Tax Exempt Government Entities (TEGE).

As TEGE Commissioner, INGRAM had three deputies, but also did 18-20 performance evaluations of employees. JOSEPH GRANT, who was responsible for EP in TEGE when INGRAM was in Appeals, was made a Deputy Commissioner in TEGE by STEVE MILLER. In December 2010, MILLER and IRS Commissioner DOUG SHULMAN needed someone to move over to work the Affordable Care Act (ACA) and build it from the ground up. The position was supposed to be a six month temporary assignment, and GRANT would be Acting TEGE Commissioner while she was gone. When INGRAM moved over to the position, it became very apparent to her that it was going to be a full time position. The people who had worked the previous phases were no longer around and INGRAM needed

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Investigation on 10/11/2013 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615 Date drafted 10/18/2013

by [redacted]

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282B-WF-2896615

Continuation of FD-302 of Interview of Sarah Hall Ingram, On 10/11/2013, Page 2 of 7

new people and teams. It was clear to her that it was going to take more than six months worth of work. INGRAM sent an e-mail saying she was going to stay through the end of 2011. She was then kept in her position in three month increments. She became the permanent Director of ACA, Services and Enforcement, in the Spring of 2013. She worked 60-70 hours a week on ACA, including weekends. MILLER told her that her title of TEGE Commissioner would transfer to GRANT in January or February 2013, but in actuality it did not happen until May 2013. When INGRAM testified on November 15, 2011 before Congressman CHARLES BOUSTANY regarding ACA, her title was Commissioner of TEGE on assignment to ACA. INGRAM provided an organizational chart entitled "ACA Offices within the IRS" (this document will be maintained in the 1A section of the case file).

While INGRAM was acting Director of ACA, she kept responsibility for certain topics related to her old position as TEGE Commissioner. She kept an EP determinations letter study, a building move project (completed at the end of 2011), and tribal issues. INGRAM was no longer located with TEGE in her position with the ACA. INGRAM had a regular slot on her calendar to meet with GRANT, if needed, every Tuesday and Thursday evening for half an hour to address things. This was set up so that GRANT did not have to go to MILLER with all of his questions. Some of the discussions were about EP items, some were about issues related to the building move, and some were personal issues.

From time to time, MILLER would ask INGRAM to step into meetings and help out with other issues. For example, in 2011 he asked her to do an interview with the New York Times about church audit regulations, pulpit politics and 501(c)(3) organizations. Every election cycle the IRS receives correspondence from people stating that the IRS should be looking at specific groups. Some of the groups are political, some are social, and some people just offer names of groups. There was discussion in the fall of 2010 about how the IRS could use a more robust Form 990 and come up with a system to review information from the 990 before they would have to begin bothering taxpayers with questions regarding these kinds of complaints.

EO was in the press a lot, and in early 2012 there was stuff in the press regarding non-IRS people complaining about the IRS. INGRAM was in a big staff meeting with MILLER where there was discussion about interest from Capitol Hill on development letters sent to 501(c)(4) groups. Her impression was that interest was more from the Republicans in the House of Representatives. MILLER held weekly meetings with his staff and direct reports. There were monthly senior executive meetings that the IRS Commissioner held which included his deputies and direct reports, which accounted for 30-35 people. These meetings with the Commissioner were not substantive meetings, but more about what was going on in the IRS.

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282B-WF-2896615

Continuation of FD-302 of Interview of Sarah Hall Ingram, On 10/11/2013, Page 3 of 7

At the end of March and the beginning of April 2012, there were lots of inquiries from Congress to the IRS. Sometime in April, MILLER asked INGRAM to sit in on a meeting with people from TEGE. The discussion was about how they had a problem. There were allegations against the IRS that included bias, unbalanced focus with cases, and delays. MILLER was very frustrated and upset. He had been trying to get a clear explanation of what was going on in Cincinnati. MILLER did not think he had a good explanation and he was concerned that he was not receiving consistent answers to his questions. He decided he had to send people from Washington, D.C. (DC) that he trusted to go figure out what was going on. He wanted NAN MARKS to go to Cincinnati and he asked INGRAM to talk MARKS into going. MARKS did not want to travel and was not interested in running things in EO. INGRAM had originally talked MARKS into coming to TEGE from Counsel instead of retiring. MARKS did not want to be a line supervisor, so INGRAM persuaded her it would be fun to move to TEGE and take an advisory role. MILLER's style is normally to use humor; however there was no humor in this meeting. He was angry because he had asked for information and had not received it. There was a general "oh shit" reaction at the meeting. INGRAM was not sure what had caused the meeting to occur, but her impression was that people were preparing responses to Congressional letters. INGRAM was not sure who was at the meeting, but it was probably MARKS and NIKOLE FLAX. MILLER, FLAX and MARKS understood how serious this was. She is not sure if GRANT or LOIS LERNER were there. [REDACTED] was at some of the meetings when the team from DC that went to Cincinnati returned, as was HOLLY PAZ. INGRAM is not sure if PAZ was at some of the meetings before the team went. There was discussion about bringing in TIGTA because INGRAM asked if they were involved. The Congressional letters stacked up while the IRS waited to respond since they did not know what was going on in Cincinnati.

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INGRAM stated that the foundation of tax collecting in a democracy is that people need to feel like everyone is being treated fairly. EO is an extremely diverse area, and encompasses more than just political issues. So in order to work EO, people have to be "opinionless" when looking at cases; otherwise it undercuts what is done. The IRS needed to shoot straight down the middle and be focused on what was the law.

A team of MARKS, PAZ, [REDACTED] and JOE URBAN went to Cincinnati. [REDACTED] was new to the IRS, and PAZ had recently been made permanent in her position. When the team returned, the first meeting that occurred was on either April 30 or May 1, 2012. A second meeting was held May 3 or 4, 2012. INGRAM was not sure exactly who was at which meetings after the Cincinnati trip. The team looked at some of the case files, talked to some of the people and brought back versions of the Be On the Lookout (BOLO) list. They opined on the technical ability of people in Cincinnati and

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14-cv-1239-FBI-210

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282B-WF-2896615

Continuation of FD-302 of Interview of Sarah Hall Ingram, On 10/11/2013, Page 4 of 7

suggested they conduct training on basic EO law, on the difference between determinations and examinations, and on the difference between 501(c)(3) and 501(c)(4) organizations. The game plan they came up with was to conduct more training and go through cases and separate them using "buckets."

In the May 3 or 4 meeting, MARKS, PAZ and possibly [redacted] were doing most of the reporting while LERNER [redacted] FLAX and MILLER listened. GRANT may have been there. MILLER was very vocal about the schedule and expressed his concern that the timetable the team came up with was way too slow. INGRAM did not remember any comments on the actual plan, only that it needed to move faster. There was a general sense of urgency to move the cases. MILLER wanted updates on the "buckets" of cases. MILLER was also upset about the facts that were found in Cincinnati. This included the fact that cases that looked fine were stuck with cases that did not look fine. When they described the BOLO lists, MILLER made the comment "Oh the maroons" about what Cincinnati was doing. "Maroons" was MILLER's humorous way of calling people "morons." The perception in the room to the information about the BOLO lists was "oh my God," because you do not use labels like "Tea Party." That was wrong and inappropriate. In a practical way, INGRAM was not sure it was even a good filter to work cases through, because it did not include all types of cases who had higher risk. The team would need to go back to Cincinnati and review the cases to figure out if there was risk that warranted segregating all of these cases. Usually if a label was used on cases, it was because there was significant internal data, cases, and reviews that naturally dictated the need for a review. The "Tea Party" was not in this same situation. INGRAM would not expect a name to be immediately turned into a filter. MILLER wanted a new memorandum to go out that set the approval for changes to the BOLO list at a much higher level of management.

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In one of these meetings, LERNER showed frustration about how she thought she made Cincinnati stop with the labels and how she thought she had fixed that issue. Based on what INGRAM knows now, even if LERNER thought she had fixed the issue, it should still have been elevated up in management in order to decide if anyone was harmed by the issue and if there was a greater training issue that needed to be addressed.

One of the challenges that faced the team that went to Cincinnati was that after this was all over, they needed to have people in Cincinnati who could be counted on, and who would not quit. The IRS was in a hiring freeze at the time. This meant they needed to work with people there and help them do the determinations and not just issue all favorable letters. The schedule that played out for the training and bucketing was faster than MARKS' original plan but not as fast as MILLER wanted it to be. INGRAM did

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282B-WF-2896615

Continuation of FD-302 of Interview of Sarah Hall Ingram, On 10/11/2013, Page 5 of 7

not have discussions with LERNER about EO issues as MILLER would not allow LERNER to "bug" her while she was working ACA. INGRAM did not recall hearing about the "Tea Party" until these meetings in the Spring of 2012.

INGRAM stated there were a many other issues regarding exempt organizations that occurred over this same time period. After the Citizens United decision, there was a significant amount of debate and discussion in the exempt organization community about how the Federal Elections Committee (FEC) would not do anything about political contributions, therefore the IRS needed to regulate. INGRAM noted that FEC law is different from IRS standards. Other issues that were debated included the protections afforded donors in 501(c)(3) organizations compared to 501(c)(4) organizations. U.S. Senators were requesting the IRS look at certain groups. From an IRS work standpoint, the three year auto revocation issue that affected tens of thousands of exempt organizations and the ACA work with hospitals were two big issues that the IRS had to address.

If someone thought an employee was biased in their work, that complaint should have gone up the chain to INGRAM. If there were groups that were being looked at, INGRAM would probably not see that.

The exam function had built in protection for employees. For instance, more than one person was needed to agree on a review or examination of a political case.

In May 2012, the Senate Finance Committee and the Senate Indian Affairs Committee held hearings on Indian tribal issues. INGRAM did the Senate Finance hearing on May 15, 2012. In early June 2012, MILLER asked INGRAM to do both the ACA work and the TEGE work. She told MILLER he was "stupid" for thinking she could do both jobs. MILLER was "Mr. EO," while GRANT had almost no EO background. Their styles were very different as well, as MILLER was more direct and GRANT was more of a people person. MILLER asked her to do a July 11, 2012 hearing on EO because MILLER would be out during that time. The hearing would be a second foundational hearing on 501(c)(3), how the program worked, and would discuss colleges and universities, hospitals and the three year revocation issue. MILLER set up the outline for the testimony. There would probably be questions on 501(c)(4) organizations as well. IRS staff, located at the office on 999 North Capitol Street, created briefing binders on 501(c)(3) and 501(c)(4) issues, including Congressional letters. INGRAM focused on the 501(c)(3) information. BOUSTANY eventually postponed the hearing, and the Supreme Court ruled on June 28, that the ACA could proceed forward. This caused INGRAM to go back to ACA full time.

INGRAM was in Boston from November 2012 until February 2013 dealing with Her meetings with

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282B-WF-2896615

Continuation of FD-302 of Interview of Sarah Hall Ingram, On 10/11/2013, Page 6 of 7

GRANT became less frequent due to their busy schedules. Additionally he was traveling to Texas to deal with the [REDACTED] while she was in Boston. GRANT was very humble, and he always treated TEGE as if INGRAM would come back at any point.

b6 -2
b7C -2

The next time INGRAM heard about these cases was when she read about LERNER's American Bar Association (ABA) remarks in May 2013. INGRAM had given comments at the ABA on that Saturday morning, and on her way home she read LERNER's remarks. She did not receive any advance warning that LERNER was making the comments, and INGRAM had no discussions ahead of time about the comments. INGRAM skimmed the TIGTA audit report after LERNER's ABA remarks. INGRAM was surprised because she thought that TIGTA conducted an investigation, not a business audit, due to the allegations of bias. INGRAM did not read much information about the report because her name was in the press so she avoided reading about it.

After LERNER's remarks and the release of the audit report, INGRAM did not have discussions with MILLER, as he seemed to isolate himself prior to when [REDACTED] announced his departure from the IRS. INGRAM had no knowledge when, if anything, went up the chain to SHULMAN regarding the Tea Party cases. A long standing view in the IRS was that information about specific exempt organizations was kept away from political employees. Both she and MILLER came up through Counsel learning that.

b6 -3
b7C -3

INGRAM was shown an e-mail from GRANT to her dated June 7, 2012 with many handwritten notes (000005-6). INGRAM stated these were notes from a "report out" meeting. She was not sure why EMERGE was discussed. INGRAM was not sure if they were some of the cases in the buckets or not. These notes were taken from her notebooks. INGRAM was not consistent in how she took her notes or where she took them, but the documents she provided to the interviewers included all 501(c)(4) information she had as well as Political Action Committee (PAC) related information, therefore her documents were probably over inclusive regarding information relevant to this whole issue. When TEGE moved buildings in December 2011, a lot of stuff was thrown out.

INGRAM was shown notes discussing EO and advocacy (000032). These notes were from a meeting when she was briefed on what were the hot topics in her area. The focus was on examinations, not determinations. These notes were mostly likely from the summer or fall of 2010.

INGRAM was shown notes from a meeting on May 1, 2012 (000102 and 000104). INGRAM explained these were her notes from when the team that went to Cincinnati reported back.

INGRAM stated that none of her meetings at the White House had to do

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282B-WF-2896615

Continuation of FD-302 of Interview of Sarah Hall Ingram, On 10/11/2013, Page 7 of 7

with "Tea Party" related issues or political advocacy organizations. She did not receive requests about political advocacy organizations or any specific taxpayers from the White House. INGRAM did not believe she had inappropriately disclosed any taxpayer information.

The bonuses INGRAM received at the IRS were not due to how she treated specific taxpayers or groups of taxpayers. In 2009, she received her 3rd Presidential bonus for career oriented work. In 2010, she received a bonus for her Appeals work in 2009. In 2011 and 2012 she received bonuses for her ACA work. INGRAM had not seen her performance bonus write ups.

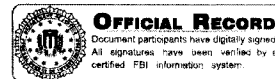
URBAN helped craft the Internal Revenue Manual (IRM) section 7612 (INGRAM was unsure if this was the correct section) where it states that if someone asks an IRS employee for specific information on specific cases, the consequences are on that employee if the employee does not report it. INGRAM had not had anyone outside of the IRS try to influence her or ask her about these cases. She was not aware of anyone being biased as they worked cases. INGRAM complied with the preservation order and had no knowledge of anyone not complying with it.

INGRAM described FLAX as a trusted advisor who was usually in MILLER's meetings. Prior to PAZ being the Acting Director of Rulings and Agreement (R&A), she was a rising star in the IRS, who was calm, polite, and had good technical skills. PAZ, who was a new executive, could be trusted to go out on her own. MILLER did not want PAZ's first interaction with Cincinnati to coincide with her being sent out there to fix this issue. That is one reason he wanted MARKS to lead the team.

LERNER was recruited by MILLER to come to the IRS from the FEC. LERNER was a good lawyer who was not as experienced in EO as those that worked above her or below her. She was high energy, smart and very extroverted. She was a multi-tasker and fast paced. EO could move at a slow pace. LERNER was more of a crisis responder than a long range planner. She would look for someone else to do the long range planning. EO culture was a "whac-a-mole" culture where it frequently responded to the current issue or emergency. EO was demand-based work, where it was difficult to treat all cases the same all of the time. With fewer workers and a large amount of work, there was pressure to find other ways to help relieve the pressure of all the work that needed to be done. There were many reorganizations in EO and workers tried to find new ways to filter cases and come up with advantages. When MILLER was in charge of EO, his perspective, when determining cases, was not to look for the "perfect" organization, but to look for the "good enough" organization. INGRAM believed there could never be enough training in EO on issues.

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14-cv-1239-FBI-214



FEDERAL BUREAU OF INVESTIGATION

Date of entry 10/15/2014

FEDERAL TAXPAYER INFORMATION

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JOSEPH GRANT, date of birth (DOB) [redacted] Social Security Account number [redacted] residential address [redacted] was interviewed at 1400 New York Ave NW, Washington, D.C. GRANT's attorney [redacted] was present for the interview. Also present were Department of Justice (DOJ) attorneys [redacted] and [redacted] [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent [redacted] GRANT was shown documents during the

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interview which are identified below by their bates numbers or other identifying information. Copies of the documents are saved in the 1A section of the file. After being advised of the identity of the interviewing Agents and the purpose of the interview, GRANT provided the following information:

b6 per CRM
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GRANT earned his Bachelor's Degree in Liberal Arts from the University of Texas and his J.D. from the University of Texas law school. In 1982, he worked in Congressman J.J. Pickle's personal office for approximately one year. Beginning in 1984-1985 he worked with the Committee on Ways and Means. When the Congressman went to the Oversight Subcommittee, GRANT worked there until the Congressman retired in 1993. GRANT worked at the Pension Benefit Guarantee Corporation from December 1994 until he joined the Internal Revenue Service (IRS) in August 2005. He served as the IRS' Director of Tax Exempt Government Entities (TEGE) Employee Rulings and Agreements (R&A) for a little over a year. He was Director of Employee Plans (EP) from 2006-2007. He became the Deputy Commissioner of TEGE in the fall of 2007. He served as Deputy Commissioner officially until May 2013. When GRANT became Deputy Commissioner, STEVE MILLER was the Commissioner of TEGE. MILLER moved to a different position as Division Commissioner for Large and Mid-sized Business for a while. SARAH INGRAM became Division Commissioner after MILLER moved on. Starting in December

Investigation on 10/16/2013 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615

Date drafted 10/18/2013

by [redacted]

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282B-WF-2896615

Continuation of FD-302 of Interview of Joseph Grant, On 10/16/2013, Page 2 of 11

2010, GRANT became the Acting Division Commissioner when INGRAM was detailed to work Affordable Care Act issues. When GRANT was Acting Division Commissioner he reported to MILLER, who became Deputy Commissioner for IRS Services and Enforcement. GRANT retired on 06/03/2013.

GRANT became aware the IRS was reviewing applications for 501(c)(4) status when he became Deputy Commissioner. He became aware of Tea Party and advocacy case issues in late February/early March 2012 through letters from Congress and articles in the press. His staff alerted him to the issues during that timeframe. The letters from Congress were brought to his attention by his Technical Advisor Staff. He was Acting Commissioner of TEGE at that time. Over 20 people reported directly to him. The senior executives who reported to him in the March 2012 timeframe were ROBERT CHOI, EP Director; LOIS LERNER, Exempt Organizations (EO) Director; and

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[REDACTED] had become Acting Deputy Division Commissioner. GRANT oversaw Administrative Report Functions to include human resources, budget, planning, Equal Employment Opportunity (EEO), communications, and outreach. GRANT also supervised the Technical Advisor Staff. In March 2012 the staff included NAN MARKS, [REDACTED] JOE URBAN, [REDACTED] [REDACTED]

GRANT recalled a Chairman Charles Boustany Congressional letter that came in around the March 2012 timeframe. The letter referenced an earlier letter from fall 2011 which was not based on the Tea Party. The letter asked a number of specific questions. In the March 2012 letter, Boustany mentioned his concern about Tea Party 501(c)(4)s and asked about specific information or numbers. People were complaining about the amount of time the process was taking and about the questions that were being asked of them in determination letters. One organization recommended that TIGTA be brought in to take a look. URBAN thought they should ask TIGTA to come in. [REDACTED] who worked with TIGTA for TEGE, concurred. In the second half of March, the concerns seemed significant enough for GRANT and his staff to recommend TIGTA be brought in. GRANT was in Texas for four to five days on annual leave when this occurred, so he did not have a meeting to discuss the referral. His expectation was that the referral would be made to TIGTA when he returned at the end of March. He did not know whether the referral was made. MARKS emailed him back and stated the issue regarding the TIGTA referral was being brought to MILLER's attention. GRANT received an e-mail on approximately March 29 that notified him TIGTA was opening an audit on the matter. GRANT was pleased about this. He assumed MILLER or someone in his office had notified TIGTA and asked them to do the audit.

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URBAN circulated items of interest to GRANT and others. That was the main way they became aware of concerns to the public at large. URBAN sent

282B-WF-2896615

Continuation of FD-302 of Interview of Joseph Grant, On 10/16/2013, Page 3 of 11

out articles about political advocacy complaints made by the Tea Party.

URBAN may have sent one of the articles before GRANT went to Texas. GRANT and others said this was a serious issue and they should refer it to TIGTA. URBAN commented in the e-mail that the legal foundation raising the concern was thoughtful and credible. GRANT did not have conversations about this with URBAN or others. GRANT was in Texas at the time. He quickly replied back via e-mail that he was concerned. URBAN, MARKS, and [REDACTED] were on the e-mail and he trusted them. He did not want the fact that he was out of town to slow things down. The origin of his concern was a letter from Chairman Boustany and the articles URBAN referred to him.

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GRANT's [REDACTED] and he went to Texas for several days to be with family and [REDACTED]. While he was there, MILLER asked members of his direct staff to go to Cincinnati for a management review of what was transpiring. GRANT was not part of the meetings which led to the review and was focused on family. He was aware MARKS and [REDACTED] were going to Cincinnati with others from the EO division to look at things. He was under the impression that they had coordinated with TIGTA to make sure it did not interfere with their work. He believed [REDACTED] had these conversations with TIGTA.

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GRANT was out of the office for approximately a week. He was back in Washington, D.C. (DC) on 04/26/2012 and met with MARKS that evening. She briefed him on what they found in Cincinnati. MARKS went to Cincinnati at MILLER's request, but she briefed GRANT because she was his Senior Technical Advisor. MARKS' concerns were that inappropriate and incorrect selection criteria were used to gather cases, cases were not moving, decisions were not being made on cases because the Cincinnati staff did not feel they had the guidance needed to make decisions, and inappropriate questions were being asked of some applicants which were beyond what was needed. The issue of responsibility was discussed. MARKS conveyed the feeling that people in Cincinnati were looking for something more. Beyond that, there was not a discussion of who did what. They needed to continue to take a look. The conversation was approximately 10-20 minutes. [REDACTED] was also present at the meeting and INGRAM participated telephonically.

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GRANT had previously scheduled a time to chat with [REDACTED] and INGRAM, and MARKS came in to meet at the same time. [REDACTED] participated because he was GRANT's deputy. There was no particular reason why INGRAM was involved. She was there already.

There was no discussion of follow up actions at the 04/26/2012 meeting. That would occur after they had briefed the Deputy Commissioner. The conversation made him think there was merit to the previous letters and he needed to be aware of the issues before he went to Cincinnati. GRANT had previously organized a trip for himself and some of his direct staff to go

14-cv-1239-FBI-217

282B-WF-2896615

Continuation of FD-302 of Interview of Joseph Grant, On 10/16/2013, Page 4 of 11

to Cincinnati to meet with EO and EP for town hall seminars scheduled to occur at the end of April/beginning of May.

GRANT had no prior conversations with LERNER on the Tea Party/ Patriot issue. He did not believe he had a conversation with LERNER after the meeting with MARKS. At that time, he was more focused on what the actual situation was and the required response than who should have done what and when. He knew TIGTA was conducting its own audit and they would have a full report. GRANT believed that people paid attention to TIGTA audits.

Before participating in the town hall in Cincinnati, he had to know the concerns previously raised from outside the service were not being validated at some level by their initial review. There was no time to hash out a response at this point because he had to go back out to Cincinnati shortly. GRANT was very concerned about the information. They would have to give attention to the problem and respond in an appropriate way.

In the e-mail traffic back and forth with LERNER on 04/04/2012, she was concerned that the Cincinnati office had a lot of work beyond 501(c)(4) issues, for example auto revocation cases. She did not want the staff's work in Cincinnati to be disrupted in order to prepare for GRANT's visit.

He told her he needed to meet with Cincinnati to discuss issues and it was not going to be "a beating." [REDACTED] who was on GRANT's staff, prepared data on what was happening with various issues in Cincinnati. The EP staff in Cincinnati provided him with briefings. He did not receive similar information from LERNER or her staff on the EO side.

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MARKS, [REDACTED] and GRANT were the DC representatives in Cincinnati for a town hall meeting. The political advocacy subject came up at the town hall. He did not want to raise the issue because they did not know enough yet. At some point, people asked about the TIGTA audit and what would happen. He said something about how they would work together to resolve things and nobody would "get thrown under the bus." That was the tone he wanted to leave with the people out there. There was a concern in Cincinnati that a TIGTA audit was occurring and they might be left hanging, somehow bearing responsibility alone. He told them it was not their issue to deal with alone. Most of the questions he received at the town hall were about budgets and resource levels, training, job opportunities and hiring. Answering those types of questions was more what he was trying to accomplish with the town hall than addressing the political advocacy issue. There were not a lot of questions about the audit or political advocacy issues.

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GRANT met with [REDACTED] while he was in Cincinnati. He did not recall specific discussions with her about the audit, but imagined they had some discussion. He did not learn anything new about this issue while he

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282B-WF-2896615

Continuation of FD-302 of Interview of Joseph Grant, On 10/16/2013, Page 5 of 11

was there. The town hall was two days, with one day for EP and one day for EO. Between the time he returned from Cincinnati until the group briefing, he had no private conversations with MILLER or MARKS. MILLER and MARKS had worked together many years, so GRANT did not need to counsel MARKS on how to present material to MILLER. MILLER had great trust in her.

The results of MARKS' Cincinnati trip were briefed to MILLER on 05/03/2012 and 05/04/2012. GRANT believed he was there on 05/03/2012 but was not certain. He was at the meeting on 05/04/2012. At the briefing for MILLER on 05/04/2012, MARKS walked through the situation and said they had some very serious problems in Cincinnati that needed to be addressed.

GRANT, LERNER, and maybe others were also present. MARKS went through the same four previously mentioned concerns she had from Cincinnati. They began discussing what they needed to do to address the concerns and provide additional guidance to Cincinnati. They looked at the selection criteria and who approved decisions. They also discussed the BOLO and the use of the names of the organizations and the evolution to a philosophy of using key words that seemed to lead back to the organizations. He did not recall whether he learned of LERNER's June 2011 effort to change the BOLO and its later reversion to the key word philosophy at this meeting. He never heard the term BOLO prior to MARKS raising it.

GRANT was aware that from time to time they would aggregate cases and use selection criteria, such as with conservation easement cases where they looked at facades, and credit counseling cases. He was not involved in the selection of the criteria. It did not reach his level. The selection criteria was wrong. The issue they were looking at was who was making the decision and how they ended up there. He did not believe there was discussion of actual deliberate bias, but they could all see how the perception of bias could be there. He did not remember the conversation around this particular topic. He did not believe anyone in the room could think there was any animus or bias. This thought was not actually discussed in the meeting, rather this was GRANT's speculation.

MILLER wanted people to come back to him with specific recommendations. MILLER was clearly not pleased to hear of problems and to hear about them only after he had asked people to go out to Cincinnati. He was not trying to single out blame at that meeting, but he wanted to make it clear to all of them that action needed to be taken. It was not MILLER's style to single out any individual during a group meeting. However, nobody left the room thinking they had done a great job. GRANT did not recall MILLER's specific words, but he said that they had a law to administer and needed to do a better job of it. The meeting lasted about an hour. LERNER spoke at the meeting, but he did not recall her words. The meeting was mostly MARKS talking and MILLER asking questions.

282B-WF-2896615

Continuation of FD-302 of Interview of Joseph Grant, On 10/16/2013, Page 6 of 11

They were supposed to get back to MILLER in approximately a week with their responses. Before they went back into the next meeting, GRANT looked at proposals from MARKS and LERNER, and they looked fine.

There was a meeting approximately a week later with MILLER when the recommendations were provided. LERNER, MARKS, GRANT and others were at the meeting. LERNER and MARKS presented the information. GRANT did not recall whether he had a pre-meeting with LERNER and MARKS. One of the recommendations at the meeting with MILLER was to follow up with organizations who had received letters that had inappropriate questions such as those requesting information on the donor list and membership in the organization. The follow up action was to contact the organizations to let them know they did not need to provide the information if they had not already done so. If the organizations had already provided the information requested by the inappropriate questions, they wanted to destroy the information. They needed to work with the Chief Counsel's office (Counsel) on how to execute the destruction of that information. There was discussion of sending people out to Cincinnati for training or live casework. They opted for live casework. These points were all discussed before and during the MILLER meeting. MILLER's reaction was that these ideas seemed reasonable and they needed to make them happen "yesterday."

The purpose of the meeting was to move forward. The front line manager was changed. A new person was brought in at MILLER's suggestion. MILLER thought it would be better to have another manager in place. GRANT believed the manager was [REDACTED] but he did not know for sure and never met him.

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One of the recommendations at the meeting was for the selection of criteria for the BOLO to be elevated to HOLLY PAZ's level. This was a reaction to the fact that LERNER thought the BOLO issue was addressed in June 2011, but then it reverted without anyone knowing. This recommendation was implemented. All of the proposals at that time were accepted. Bucketing cases was another recommendation. Staff from DC went back out to Cincinnati to do the bucketing.

When GRANT found out LERNER had known about the BOLO in June, he wished it would have come to his attention earlier. He would have addressed it more thoroughly and could have mitigated the impact. At that time and now, he had a wide range of responsibilities in his position. If he was made aware of problems, he had the opportunity to think about them and provide thoughts on what could be done to address them. In hindsight, it would have been helpful to have known earlier. He could have sped up a more effective response.

GRANT's management style was to trust the judgment of his people. He

282B-WF-2896615

Continuation of FD-302 of Interview of Joseph Grant, On 10/16/2013, Page 7 of 11

wanted them to take the initiative to act. There were some areas of TEGE where he had little background and areas where he had more experience like EP. He did not keep his superiors in the dark about things they would expect to know about. He would have expected to know what was happening here. He had a regular meeting with his direct reports where they could bring things to his attention. He speculated that LERNER thought she had addressed the problem and thought she did not need to bring it to his attention. He did not discuss this with her. LERNER had worked with MILLER for many years in the EO world and they both had a good understanding of EO. GRANT and LERNER had quarterly meetings with MILLER.

GRANT had more frequent meetings with MILLER. GRANT believed MILLER would have wanted to know about the problem earlier. Whether MILLER looked to GRANT or to LERNER, because she had the expertise, MILLER had to be disappointed he did not hear about it earlier. The problem developed over a protracted period. He did not know whether MILLER ever discussed this matter with LERNER. GRANT did not recall having a discussion with MILLER that LERNER should have briefed up this matter. He speculated that MILLER would have felt comfortable expressing those thoughts directly to LERNER. GRANT was not part of any conversation that may have occurred.

Neither LERNER nor GRANT received an performance rating. He thought the handling of this situation factored into the ratings. MILLER said he was not happy and that was a consideration in his evaluation of GRANT. GRANT took this situation into account in his evaluation of LERNER. He did not recall whether he included this incident in LERNER's write-up or not.

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Letters went out reasonably promptly to the groups explaining they did not need to respond to some questions. No complaints came back from the groups. Cases began to move forward. The plan moved forward and there were no execution problems that he needed to address. MILLER asked for progress reports. GRANT was not invited to all of the meetings where MILLER received the reports. GRANT did not believe he was disinvited and was not troubled by that. MILLER provided no indication that GRANT needed to take further action. GRANT was busy on the EP side of the house with the backlog in determination letters for EP. He was working with TEGE and outsiders on a plan to address the backlog and was executing that plan in 2012. The plan was a significant topic of conversation in Cincinnati with the EP folks. In EO, a significant challenge he was working on was with medical resident Federal Insurance Contribution Act (FICA) issues. The FICA issue went to the Supreme Court. He was more involved in this than the 501(c)(4) issues because he was dealing with different agencies and with different parts of the IRS. Those were areas where involvement at his

14-cv-1239-FBI-221

282B-WF-2896615

Continuation of FD-302 of Interview of Joseph Grant, On 10/16/2013, Page 8 of 11

level was required to make things happen. The 501(c)(4) area was handled largely within EO with some involvement with Counsel. It was not at a level where he had to intervene with Counsel.

GRANT and [redacted] met quarterly with TIGTA. At a meeting with [redacted] and others from TIGTA, it became clear that the audit was done at the request of Congress. TIGTA had three questions for him. He responded to them in the October/November 2012 timeframe or maybe a little earlier.

The first question was whether GRANT was contacted by anyone on the outside. The answer was no. The second question was whether anyone in management condoned the selection criteria. GRANT provided TIGTA a longer answer including the context of how the criteria came about. The third question was about the date he first found out about the issue. His answer was 04/26/2012. He received these questions later in an e-mail from [redacted]

TIGTA did not ask any further specific information of him. He told [redacted] he expected TEGE to fully cooperate with TIGTA and TIGTA should come to him if they were not getting the cooperation they needed.

The draft TIGTA audit was done around April or May of 2013. He did not see the initial document that was shared. Iterations went back and forth.

The management response was being developed in coordination with the Commissioner's office and TEGE staff to include MARKS and LERNER. The decision was to focus on the TIGTA recommendations and the response and not to make a long management justification. GRANT did not think the TIGTA report was incorrect in its analysis of the facts. Before it was sent back to TIGTA, GRANT reviewed it and worked with [redacted] and LERNER and maybe MARKS to try to make it clear so a lay reader could understand it.

The TIGTA report had additional recommendations such as documenting in the files why a particular case was selected to go to an aggregation and review process. Also, they recommended that the law be clarified and more clarity of rules be provided for 501(c)(4) cases. The response discussed the disconnect between the statute and the regulation. The IRS recommendation was to make them conform to each other. Treasury and Counsel would need to have a significant role in this. [redacted] sent the response to [redacted]. GRANT believed this information was also briefed to MILLER. GRANT was not involved in the initial meetings on this response.

He became involved when things were closer to being final. He went back and forth to NIKOLE FLAX who was MILLER's Chief of Staff. He believed after looking at the e-mail traffic, that FLAX and MILLER were okay with the response. He did not have a conversation with MILLER about it.

He did not know LERNER was going to make the statements at the American Bar Association (ABA) conference. He was not involved in meetings with LERNER and MILLER about these statements, the content, and how they would

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282B-WF-2896615

Continuation of FD-302 of Interview of Joseph Grant, On 10/16/2013, Page 9 of 11

be released. He first found out about her statements on the day of the speech when it hit the press. He knew LERNER would be speaking at ABA that day, but did not know she would be making those comments. He had already signed the management response to the TIGTA audit at this point. There was a subsequent press conference later that day. He was not invited or involved. He became aware of the ABA statements through the press conference. He also saw press reports that night. He never read the text of LERNER's exact response. He just saw press clips that said she apologized. The notion of apologizing did not strike him as inconsistent with his management response to TIGTA. The fact that her statement occurred before the report came out was what struck GRANT as unusual.

GRANT was not tasked with managing Congressional or press relations. He was not surprised he was not consulted, and he did not expect to be. He was surprised this approach was taken because the report was not yet out. He would not have advised the planting of a question. He never took the approach of being "cute" and liked to be direct. He was surprised they were commenting on a report that had not yet been made public. He was not frustrated that he did not have a heads up. It became clear that LERNER had a conversation about this directly with MILLER. There was nothing GRANT needed to do. This was a public affairs issue and not his responsibility. His position on the report and recommendations was already in writing in the management response.

He did not remember being involved in the response during the weekend after LERNER's speech. At some point, he began to type out a document about how they needed to be clear about what they were apologizing for. He had not seen any animus in going after groups and this is not what the TIGTA report said happened. He was distressed because he did not want to indicate this was what occurred. He was not defending the selection criteria, letters, delayed decisions, or lack of guidance to Cincinnati. That all occurred, he thought it was wrong, and it needed to be addressed. The notion that there was deliberate animus based on political beliefs in the public dialogue led him to create a document (GRANT00000208 - GRANT00000211). He created this document on his own initiative. There were four separate iterations. He sent his final iteration to FLAX, but it did not go anywhere. GRANT did not know how the bates stamp number with his name got on the documents.

GRANT was not involved in much that happened afterward regarding this matter. He did not remember ever meeting with MILLER to discuss this issue. The next thing he remembered about MILLER is when MILLER called the senior staff to say he was stepping down. LERNER went on a prescheduled vacation. The only time he talked to her was in a phone call to tell her he was going to be retiring. They were in a few meetings where they let

282B-WF-2896615

Continuation of FD-302 of Interview of Joseph Grant, On 10/16/2013, Page 10 of 11

the rest of the TEGE staff know he was going to retire and that they would be working with [REDACTED] on the transition. GRANT was not involved with LERNER and PAZ being placed on leave. He learned from [REDACTED] that LERNER was going to be placed on administrative leave and would not be back in the building. GRANT escorted her out of the building at the end of the day at [REDACTED] request. GRANT was still serving as Division Commissioner at the time and LERNER had reported to him for several years. She was sorry for things and he accepted it. He was already retired when PAZ was put on administrative leave.

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GRANT never met with Commissioner DOUGLAS SHULMAN on this topic. He was involved with Senior Executive Staff meetings with SHULMAN every month or every other month. He did not provide SHULMAN with briefing materials on this subject. MILLER never indicated to GRANT what information he was or was not providing to SHULMAN on this topic. GRANT was aware that SHULMAN testified before Congress in approximately March 2012 and that SHULMAN was subject to public criticism for the accuracy of his responses. GRANT was never involved in conversations with MILLER or SHULMAN about correcting SHULMAN's testimony or working on follow up responses.

GRANT sent LERNER an e-mail directing her to appear before Congress in May 2013. He was directed to do that by MILLER's acting replacement. The request would have come through Counsel's office or Human Relations. [REDACTED] [REDACTED] was trying to head things up because MILLER was out. [REDACTED] was the Deputy Commissioner for Support Services and was one of SHULMAN's two principal deputies. She covered Human Resources and other areas. The decision was made out of the Commissioner's staff about how the IRS was going to respond to the request from Congress. He was not involved in any preparation sessions for LERNER's Congressional testimony. He noted that LERNER "took the 5th" in her testimony. He knew she had retained counsel. GRANT believed he knew the facts. He was comfortable with the interview today and meeting with the Congressional committees. He never testified before Congress. He did not know why LERNER was not comfortable testifying before Congress at the time. He did not see how it made sense. He just thought "huh." GRANT stated that "you wouldn't be human if you didn't wonder whether there was something else there."

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The term "triage sheet" did not ring a bell. He did not see a triage sheet or a guide sheet. He did not see an article in the news about a triage sheet being disclosed.

GRANT compiled documents for the IRS. Not all of them were his own documents. Anything generated by e-mail or the electronic system was turned over to the IRS upon his retirement in June. He did not delete

14-cv-1239-FBI-224

282B-WF-2896615

Continuation of FD-302 of Interview of Joseph Grant, On 10/16/2013, Page 11 of 11

anything. Counsel and others advised him and other personnel not to delete anything and he complied. He complied with the litigation hold and had no knowledge of anyone who did not comply. He had no knowledge of anyone destroying or altering documents. Nobody attempted to influence him in an inappropriate way regarding his statements here today or to Congress. Nobody tried to get him to change his story. He had no information that anyone was asked to lie or change their story.

GRANT also had files in his possession that were not in an electronic format. He provided the files to the Office of General Legal Services. Some of the documents were handwritten. All of these documents were in his possession and were not collected from others.

He never witnessed deliberate discrimination of applicants based upon their viewpoints, to include Tea Party applicants. Intentional viewpoint discrimination was wrong. He was sure it violated a rule. There was no indication what happened was intended. The selection criteria were wrong. The criteria were administratively inefficient. They were selecting people who they would not have if they were using the correct criteria. It makes no sense either for public perception. They addressed the issue promptly to fix it when they became aware. The training provided to agents addresses what was appropriate and what was not. What was done was not consistent with the training.

When GRANT came to the IRS, he committed in the interview to staying at least seven years. He was trustee of his family's trust beginning in 2009. Due to family health concerns, he was constantly assessing when to retire. Initially he wanted to retire in January 2013. When SHULMAN stepped out and MILLER was made Acting Commissioner, GRANT said he would continue through the transition. When MILLER met with him at mid-year, GRANT's [REDACTED] suddenly. MILLER asked how long GRANT could continue and he said January 2014. MILLER asked him to extend through the April filing season. When GRANT was uncertain, MILLER said staying through January 2014 would be enough. When all of this began to unfold, GRANT thought the opportunity for him to lead in the way he wanted to lead was not going to occur. Neither Treasury, Counsel, [REDACTED] nor anyone else asked him to resign or said there would be consequences if he did not. GRANT made the decision on his own and it was sad. June 3 was a date that worked for him to depart.

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FEDERAL BUREAU OF INVESTIGATION

Date of entry 05/07/2014

FEDERAL TAXPAYER INFORMATION

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LOIS G. LERNER, date of birth [redacted] Social Security account number [redacted] residence address [redacted] home telephone [redacted] e-mail address [redacted]

[redacted] was interviewed pursuant to a proffer letter at the law offices of Zuckerman Spaeder LLP, 1800 M St. NW, Suite 1000, Washington, D.C. 20036, telephone (202) 778-1800. LERNER's attorneys, [redacted] and [redacted] were present during the interview. Also present during the interview were Department of Justice Attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent [redacted]. Prior to the interview, LERNER's attorneys provided a copy of her resume which contained her professional and educational background information. This document will be maintained in the 1A section of the case file. During the interview, documents were shown to LERNER and hereafter those documents will be referred to by their respective bates numbers or other identifying information and copies will be maintained in the 1A section of the case file. After being advised of the identities of the interviewing Agents and the nature of the interview, LERNER provided the following information:

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When LERNER first joined the Internal Revenue Service (IRS) in 2001 it was as the Director of Rulings and Agreements (R&A) in Exempt Organizations (EO). STEVE MILLER was the Director of EO at the time. He was then promoted to Commissioner of Tax Exempt and Government Entities (TEGE). LERNER became the Acting Director of EO for three to four months after MILLER left. MARTHA SULLIVAN, who was in charge of Small Business (SB), was brought in to be EO Director because she had experience in Examinations and LERNER did not. SULLIVAN held the position for a year before leaving. MILLER then asked LERNER to be EO Director. After turning MILLER down three times, LERNER finally took the permanent position of EO Director at the end of 2005. LERNER stated that the joke was always that MILLER was the Director of EO no matter who was in the role because he was very involved in EO.

For background, former IRS Commissioner MARK EVERSON moved the focus of

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Investigation on 10/23/2013 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615 Date drafted 10/29/2013

by [redacted]

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282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 10/23/2013, Page 2 of 17

the IRS back towards enforcement on the tax side, particularly on tax abuses. The Federal Trade Commission (FTC) put out "buyer beware" type information on the credit counseling business. EVERSON called LERNER over to discuss the credit counseling issue before he met with the press to discuss it. EVERSON wanted a focused project on credit counseling because it appeared individuals would take advantage of the exempt status afforded credit counseling. With over 18 million exempt organizations, and only 450 people working in EO for the IRS, only about one percent of exempt organizations are audited annually. Since EO did not have the resources for more, they focused on areas of significant non-compliance. A working group was created from various groups in the IRS, which included IRS Counsel (Counsel) and Outreach, to review large amounts of information and come up with a work plan which was then used to guide where the IRS focused its resources. This work plan went to the TEGE Commissioner and the Deputy Commissioner of Services and Enforcement and was then usually shared with the IRS Commissioner. It was EO's desire to be open with the exempt sector so that they knew what issues the IRS reviewed.

In 2010, LERNER reported to the Deputy Commissioner of TEGE, JOSEPH GRANT. SARAH HALL INGRAM was the Commissioner of TEGE and she reported to MILLER, who was the Commissioner of Services and Enforcement. When GRANT took over as Acting Commissioner of TEGE after INGRAM went to work on the Affordable Care Act (ACA), he was not given a Deputy with whom to share the administrative burden of the position. Unlike INGRAM, GRANT did not have an EO background; rather he had an Employee Plans (EP) background. As such, GRANT had a tough time transitioning to the position of TEGE Commissioner. This created an atmosphere where functionally LERNER reported directly to MILLER, depending on the issue. LERNER would mostly talk with NIKOLE FLAX, MILLER's advisor. Once the Tea Party issue was recognized, it was coordinated through MILLER's office even when MILLER moved from Services and Enforcement to the IRS Commissioner at the end of 2012. LERNER stated the worst thing you can do is to not tell people above you about issues because you do not want them to get "caught with [their] pants down" on issues.

The direct reports for the Director of EO included the following: Director of R&A, an executive assistant, secretary, Customer Outreach, Director of Examination, Senior Technical Advisor, and Administrative Program Manager.

The first time LERNER recalled the issue of the advocacy cases coming up was in a meeting held in June or July 2011. LERNER acknowledged that there had been articles in the press recently about how she received documents earlier than this, including a Sensitive Case Report (SCR) that she responded to in an e-mail; however, she did not recall that e-mail

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282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 10/23/2013, Page 3 of 17

exchange. HOLLY PAZ, [REDACTED] attended the meeting along with others who she did not remember. In this meeting, LERNER was told or shown something that stated that the EO Determinations people in Cincinnati were selecting cases for further review based on name. When she found this out, she went "ballistic." She had them change the name to advocacy. She did not recall there being a lot of cases at the time nor did she recall why this meeting/briefing came about. It would be normal for her to get briefed on relevant issues. LERNER did not believe the reason she was briefed was because of the name issue or because people had a problem with what Cincinnati EO Determinations was doing. LERNER yelled and raised her voice at the meeting; she is passionate and tended to get loud when that happened. She was definitely upset at the meeting. She found it extraordinarily inappropriate and dangerous to use names as a way to refer to and select cases. After the meeting, LERNER had a conversation with PAZ. PAZ mentioned the term "Tea Party" was just used inside the IRS to describe these cases. LERNER explained that was still not right. It probably never occurred to Cincinnati that it would be wrong to use the term "Tea Party" to describe the cases. LERNER recognized that PAZ was a new executive who did not come up through the ranks of the IRS, and therefore, had not learned the political sensitivity piece of the job yet. LERNER described her conversation with PAZ as "this was her lesson" in political sensitivity.

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The action item people left the meeting with was to describe the cases as advocacy cases. LERNER received no pushback on this issue from anyone at the meeting. People at the meeting understood the fact that labeling could be a problem because she told them that during the meeting. The people in the meeting were Washington D.C. people, not Cincinnati people. "They were lawyers; they should get it." Cases should be selected based on the issues and she told them what the criteria should be based on the issues that were discussed at the meeting. LERNER advised that you "don't argue with the boss at the IRS." LERNER focused her talking to PAZ. PAZ went back and talked to [REDACTED] and they changed it. LERNER may have talked to [REDACTED] on the telephone about it, but she was not sure when. LERNER was told the "Be on the Lookout" list or BOLO list was set up because cases needed to be categorized together as determinations specialists were based all over the country. The BOLO also consolidated e-mails that had previously been the primary way specialists were notified about issues.

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Shortly after the meeting, LERNER told GRANT that Cincinnati selected cases based on the organization, not based on issue criteria. LERNER did not use the name of the groups or the term "Tea Party" when she described it to GRANT. She told him that she told Cincinnati to fix it. She gave him this information as part of a bunch of other items on which she briefed

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14-cv-1239-FBI-228

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282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 10/23/2013, Page 4 of 17

him. She did not emphasize the issue because she knew it was taken care of based on her meeting with PAZ and everyone else.

The next time LERNER dealt with these cases was around February 2012 when she received a call from FLAX requesting that she talk to some Capitol Hill staff, most likely from Representative DARRELL ISSA's office, about 501(c)(4) applications and how some were taking too long. As background, the IRS employees in Cincinnati are revenue agents. As such, their job was to expedite the handling of cases and get through their work as quickly as possible. Their function is similar to that of an assembly line. The employees in Washington D.C. are tax law specialists, and most of them are also attorneys, especially those that work in EO Technical. The specialists work with the grey area of tax law. LERNER met with PAZ and [redacted] to prepare for this meeting. They told her about the process that these cases went through which seemed very normal to LERNER. To start off, there were new or different issues, so EO Technical got involved. EO Technical would often try to come up with a guidesheet to assist Cincinnati in working the cases. Cincinnati would use development letters to work their cases. For example, when Cincinnati had an influx of credit counseling cases, EO Technical helped come up with a questionnaire to assist in creating the development letters. Also, with regard to the credit counseling cases, every group was asked every question in the development letter questionnaire. The other useful part of development letters was that the IRS put them on its website so that the public knew what was needed when other organizations sought exemption in similar areas.

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As background, 501(c)(4) organizations can do general advocacy, lobbying, or political advocacy. While they can do political advocacy, it cannot be the organization's social welfare purpose. The distinction between political advocacy and lobbying can be a difficult one to make and usually requires further review and development. The hardest issue is determining whether activity is political or not. Determining whether something has a social welfare purpose or a non-social welfare purpose was not unusual. The "new animal" they were dealing with was the size of the political activity that organizations were getting involved in.

These applications for exemption had come in and EO Technical, trying to assist Cincinnati, asked for one 501(c)(3) case and one 501(c)(4) case to work. [redacted] coordinated the cases with [redacted] because she was the subject matter expert in political activity, not because she was LERNER's technical advisor. Cincinnati had started to develop the cases while waiting for help from Washington. Some of the organizations failed to respond to the development letters, which meant their status became Failure to Establish (FTE). The difference between these cases and groups of cases in the past, was that these cases did not all have similar issues which

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14-cv-1239-FBI-229

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282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 10/23/2013, Page 5 of 17

made it difficult to work them. LERNER asked PAZ and [REDACTED] if they had a guidesheet and they said they had a draft of one, which pleased her. Everything regarding these cases seemed like the regular process cases go through; only these cases just had difficult, non-similar issues. LERNER was aware that these cases were taking a long time, but that was not unusual in the IRS. Unfortunately, lots of cases took too long for various reasons including staffing rules, Counsel involvement, and other factors. LERNER clarified that staff rules were related to grade-level specific work, meaning only certain grade level agents can work certain types of cases.

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FLAX, JOSEPH URBAN, and LERNER went to this meeting with four congressional staff from ISSA's office. LERNER was not sure which committee it was for. URBAN went because he was very familiar with disclosure requirements regarding what could and could not be discussed. IRS Legislative Affairs, which always went to these types of meetings with people on Capitol Hill, sent someone but LERNER did not remember who it was. The meeting with the congressional staff was about complaints from their constituents. Since the staff did not have authority to receive disclosure of 6103 material, LERNER and the IRS did not get into case specifics. Instead they talked about the general process that cases went through. LERNER was aware that these were advocacy cases because of the issues being discussed. During this discussion the congressional staff asked whether the IRS had guidance in the context of 501(c)(4)s. LERNER said the IRS did and the congressional staffers asked if they could get a copy. LERNER said she would have to check if they could do that. LERNER had looked quickly at the guidesheet before the meeting and thought it looked good. The guidesheet needed to be a practical tool, not just restate the revenue rulings and other guidance. It seemed like a reasonable tool to her. LERNER attended many meetings on Capitol Hill and would not describe this meeting as "painful." The staffers were simply expressing concerns. There was a lot of confusion about what 501(c)(4)s could do. Senator CARL LEVIN's office had also inquired about 501(c)(4)s not being able to do political work. LERNER noted that there were more groups than just Tea Party groups on the list of cases that were being inquired about by Capitol Hill.

LERNER and FLAX briefed MILLER about the meeting. LERNER wanted approval to give out the guidesheet. MILLER asked if it had been reviewed by Counsel to which LERNER did not know the answer. LERNER had three action items coming out of the meeting with MILLER. First, she was to find out if the guidance had been approved. Secondly, she was to put together a letter to applicants that were put in the FTE status because they did not answer questions. This was in response to the concern of how long the process was taking and to notify them that the IRS will help work with

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14-cv-1239-FBI-230

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282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 10/23/2013, Page 6 of 17

them. Lastly, she was to stop Cincinnati from issuing any more development letters. In the meeting with the congressional staffers, there was concern that Cincinnati was asking too many questions. LERNER was not sure if this was true or not. LERNER did not recall any specific questions being discussed at that meeting, more that there were just a lot of questions being asked of groups. LERNER stated she probably did not know that there were issues with specific questions until later, when people from the Washington office went out to Cincinnati.

LERNER had PAZ ask Cincinnati to find out if there was a template development letter for all of these cases or were they reviewing each case individually and coming up with questions. The answer LERNER got back was that these letters were individually specific to each case. LERNER would not second guess what revenue agents thought they needed to develop a case. However, what LERNER was finding out and telling MILLER was not meshing with what was in the press. LERNER also assigned PAZ to draft the letter MILLER wanted sent to applicants who were put in the FTE status. LERNER or PAZ asked [redacted] to look at the development questions.

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LERNER understood that a copy of part of the guidesheet was sent to Cincinnati to review in order to get feedback as to whether it was helpful or not. [redacted] said the guidance was not helpful. While the guidance was progressing, it was not finalized so it was never issued to Cincinnati to use.

LERNER talked to JANINE COOK and VICTORIA JUDSON in Counsel's office. It was normal for LERNER to talk to COOK or JUDSON on issues. COOK and JUDSON had Employee Plans backgrounds. She told them about the guidesheet and that she needed it as quickly as possible. [redacted] were assigned to work on it. Counsel was not comfortable with the guidesheet and came back with a revision that was not particularly useful. LERNER met with COOK, PAZ, and the people working on the guidance. LERNER became very "passionate at the meeting." What Counsel gave them was not guidance, but rather a "law review article." Guidesheets were meant to be informal guidance, not formal guidance for precedential value. She pulled in NAN MARKS, Senior Technical Advisor, to help. MARKS used to be in JUDSON's position at Counsel and had been a revenue agent in EO. Counsel tried to meet halfway on the guidance, but Counsel's process was even slower than the determination's process. LERNER stated that Congress asking about the draft guidesheet was not the motivation to get the guidesheet out. It was to be able to make the guidesheet public so it could be shared and used.

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It was not unusual that the guidance had not gone to Counsel earlier. There was a little tension between Counsel and the IRS tax specialists in

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14-cv-1239-FBI-231

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282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 10/23/2013, Page 7 of 17

EO. Since EO had its own tax specialists and provided its own technical assistance internally, it was not unusual for EO to not consult with Counsel. While it took a long time for Counsel to review the guidance, LERNER was not shocked by how long it took. LERNER kept MILLER and FLAX apprised of what was going on.

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There were several things that were swirling around at the end of March 2012. MILLER called in MARKS to take a look at what was going on. There was precedent for using the Senior Technical Advisor to conduct a review of whether the IRS was doing something correctly or not. FLAX called LERNER because she was worried that LERNER would be upset about having someone else come in and review what was going on. LERNER was supportive of MARKS coming in and going to Cincinnati with a team to review what was going on. Since LERNER was the head of the department, she was not supposed to be involved in a review. At some point around this time, [redacted] came back and reported on troubling questions being used in the development letters. [redacted] may have reported this to MARKS.

MARKS and her team traveled to Cincinnati and when they returned held meetings in May 2012 to discuss their findings. MARKS may have had a pre-meeting with MILLER prior to the larger group meeting attended by MARKS, LERNER, MILLER, FLAX, GRANT, and INGRAM. One of the findings was that in January 2012 Cincinnati changed the BOLO list description for political advocacy to more specific names. LERNER found out about this change in April 2012, possibly from PAZ. PAZ then changed the description for advocacy on the BOLO list. FLAX appeared like she knew about Cincinnati changing the criteria on the BOLO, and LERNER felt like she may have told FLAX about it beforehand on a telephone call and that it may have come up again in another meeting. MILLER appeared like he knew about the issue as well, however, LERNER was not sure if she told him. MARKS also discussed how Cincinnati pulled cases based on names and asked lots of questions in the development process including the donor question. It was agreed in the meeting that since they could not get a guidesheet from Counsel, they would send an experienced team from Washington to Cincinnati to walk Cincinnati through these cases to find out why they were working cases the way they were. They did not want to give Cincinnati the impression that they were bad or wrong in what they were doing, rather they just wanted to help them work the cases while allowing Cincinnati to make the decisions.

MILLER was very upset about the person who changed the criteria on the BOLO and a group discussion ensued. Everyone did not agree on what to do about it. Ultimately, MILLER said he would leave the decision of what to do about it up to that person's management. Since LERNER was sidelined at this point, she did not deal with it. It was also agreed at the meeting

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14-cv-1239-FBI-232

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282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 10/23/2013, Page 8 of 17

that this matter rose to the level of something that TIGTA should look at, and therefore, it should be referred to TIGTA. LERNER said she would make the referral since she was the head of EO, but MILLER said the Commissioner's Office would refer it. The decision to involve TIGTA was because of the use of political focus for selection. However, she did not have concerns that it actually happened. Cincinnati was always overwhelmed and the people there were always trying to reduce the workload. This was them trying to move cases.

A team was sent back to Cincinnati to review and work cases with Cincinnati as a group and try to approve as many cases as they could. LERNER had to provide people for the team. She was not kept apprised of what was going on while the team was in Cincinnati. She probably talked to MARKS about staffing for the team, but she was not supposed to be very involved. She was not walled off, rather she was just not told about what the team was going to do. LERNER reviewed scripts of what the revenue agents were to say when they contacted taxpayers.

While people at the IRS were upset about what happened with these cases, they still had to deal with it. LERNER did not feel like she was on the hot seat at that time, but maybe she should have. She did not feel that PAZ had withheld any information, but LERNER was still frustrated by what had happened. LERNER was very upset about Cincinnati changing the BOLO list again. LERNER believed "when a manager tells you something to do, it gets done."

LERNER thought that MARKS' view of the situation was to get Cincinnati back on track and not reprimand them. She thought MILLER's view was to remove the person responsible. LERNER thought both viewpoints were understandable. LERNER did not and still does not know the name of the employee that changed the BOLO list.

The legislative affairs section of the IRS received letters from Congress about the general process around 501(c)(4) organizations. LERNER attended a meeting where there was discussion about sending letters out to Congress about changes the IRS was making in how these applications were being processed. She received a draft of the letter from FLAX. She gave her comments on the letter back to FLAX but did not hear from her again about it. LERNER did not think the letter went far enough in explaining the issue and it did not mention that there could be political motivation. LERNER did not know if the letter went out, but does not think it did. The letter did not mention the Tea Party name. There was no discussion about mentioning the name. LERNER did not have any discussions about names. The Tea Party name did not mean anything to her. There were several names and criteria that were used to select cases.

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282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 10/23/2013, Page 9 of 17

LERNER provided a copy of an e-mail dated June 4, 2012 from FLAX to LERNER that contained a letter to update Congress on changes to the application process and a copy of the e-mail where LERNER made her changes to the letter. With regard to the latter e-mail, LERNER was uncertain as to why the "From:" and "To:" sections of the e-mail both have LERNER's name. The comments on the attached letter were hers. (Copies of both e-mails will be maintained in the 1A section of the case file). At this point, LERNER started reviewing response letters to Congressional inquiries into 501(c)(4) issues. LERNER never sent Congressional response letters she was not comfortable with in the back and forth with Congress. In preparing responses she would not have talked to staff in Cincinnati, but may have talked to [redacted] about a template development letter.

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LERNER did not recall meeting with IRS Commissioner DOUGLAS SHULMAN on this issue. She only met with SHULMAN two or three times ever. She did not know if information about these cases was briefed up to him or what he may have been briefed on if they were. LERNER had a discussion with [redacted] and FLAX about SHULMAN's testimony and the timing of it. She did not recall the context of the discussion because that was not her issue. She did recall that SHULMAN's testimony, that there was no targeting, was accurate. It was accurate because that was not what happened. Targeting was also the issue that TIGTA would look into.

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Around June 2012, the IRS received an opening letter for the audit from TIGTA, which seemed normal. LERNER put PAZ in charge of responding to audit requests as LERNER knew that TIGTA would need a lot of information. Usually the group being audited spoke with TIGTA throughout the entire audit process. As such, the IRS often saw an informal draft of the report before the actual draft report. LERNER had gone through many, many audits before and it was good to go over the pre-draft report in a collegial manner. She found this often eliminated confusion on issues early on.

[redacted] PAZ, and LERNER met with TIGTA about the draft. TIGTA looked at the black and white on issues. While the selection of these groups of cases may have been inappropriate, how the cases were then worked was not inappropriate. TIGTA saw improper selection, and therefore, saw an improper result. LERNER thought the issue TIGTA was looking into was whether there was political bias, not whether there was bad management. If TIGTA wanted to "ding" management then fine, but TIGTA should be clear that there was no bias. Cases were more complex than just whether certain terms were used in the applications. She felt that TIGTA oversimplified their review of the cases.

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LERNER sent an e-mail to [redacted] of TIGTA addressing these concerns. She talked to him on the telephone about her issues.

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282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 10/23/2013, Page 10 of 17

Additionally, EO could not find an e-mail about the BOLO List that TIGTA had requested. LERNER contacted Counsel's office and tried to put them in touch with [REDACTED] because she knew that the disclosure and Freedom of Information Act (FOIA) people within Counsel's office could often locate documents because of the search ability that they used to respond to litigation holds and inquiries. LERNER thought [REDACTED] and someone in Counsel's office talked, but he still could not find the e-mail. LERNER had PAZ ask Cincinnati again to look for the e-mail. When it could not be located, LERNER asked PAZ to find out if there even was an e-mail in the first place. It turned out that there was not an e-mail, but rather it was a training about the BOLO list. LERNER found it troubling that TIGTA was going to refer this particular issue of the missing e-mail for investigation had it not been worked out.

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LERNER also had concerns about terms that TIGTA was using in its report like "political team" and "targeting." TIGTA ultimately took out "political team" but left "targeting" in the report. [REDACTED] asked LERNER if he could e-mail her questions regarding the audit and have her respond in writing by e-mail. This was highly unusual, but LERNER complied and responded to three questions via e-mail. LERNER did not recall if she showed her response to anyone. She did write the response herself.

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When EO received the formal draft of the TIGTA report, it was given to PAZ to write the draft response. [REDACTED] who coordinated the formal responses to TIGTA, gave the report to PAZ, but he did not give her examples to use on how to respond. LERNER did not think PAZ's draft response was what it needed to be. The response should be very formal. LERNER wanted the response to give a larger context of the issue. The response was not a place to argue TIGTA's findings. The response then went to the TEGE Commissioner's office, and then to the IRS Commissioner's office for review. The final response did not have some things that LERNER thought should be in there, like a reference to the Citizens United case.

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FLAX asked LERNER if she was speaking at the Georgetown Conference in April. She told FLAX she was. FLAX told LERNER that MILLER wanted her to speak about the Cincinnati issue. However, because LERNER was the first speaker in the morning, the timing did not work out. The Secretary of the Treasury, JACK LEW, was scheduled to speak on Capitol Hill at the same time in the morning and they did not want him to have to address questions. [REDACTED] was the contact for the conference and LERNER called her and asked about changing her times. [REDACTED] said she would get back to her and then later notified LERNER that she could do the later time. FLAX told LERNER not to worry, that FLAX and MILLER would tell LERNER what to say. LERNER did not know what she was allowed to say. LERNER got something from FLAX that she characterized as a "rambling" document. LERNER was not

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14-cv-1239-FBI-235

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282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 10/23/2013, Page 11 of 17

comfortable with what was in it. She was not sure if she got it from an e-mail or it was handed to her. She did not like the "thrust" of it and did not think it was in line and consistent with what they had been telling Congress. Also, it was not what they had used to respond to the TIGTA report, and therefore, why give a different response. This was before the final response to the TIGTA report was written. LERNER told FLAX that the draft response to the TIGTA report was better than this document. LERNER did not end up saying anything at the Georgetown Conference. FLAX told LERNER not to worry about it, MILLER had a Congressional appearance coming up where he would get a question and could address the issue. LERNER did not think about the timing of the announcement; she was concerned with what was okay to say in light of the fact that the report had not been released yet. MILLER did not end up getting asked the question at his Congressional meeting.

In reference to the TIGTA report, LERNER asked [redacted] to mention in the report that EO referred the whole issue to TIGTA. [redacted] told LERNER that he did not know that it was referred by EO. LERNER contacted FLAX, possibly by e-mail, to ask about this. FLAX said she would look into it. LERNER asked FLAX a couple more times. LERNER then asked MARKS, who said there was a miscommunication and it was not referred to TIGTA by EO for some reason. LERNER does not know the reason.

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LERNER participated in a meeting before the American Bar Association (ABA) meeting where she was given handwritten notes from MILLER (LERNER provided a copy of these notes which will be maintained in the 1A section of the case file). [redacted] FLAX, MILLER, and [redacted] were at this meeting. The notes were not her wording style, so she asked if she could change them. One of the concerns they had was that they did not want to send letters to only "one side of the aisle" in Congress, and by addressing it at the ABA everyone received the information at the same time. LERNER had never been given handwritten notes before and told to use them. This was unusual. LERNER was not involved in any discussions about how to release the information or why they should release it before the report. She knew they were trying to get the word out, and give their side before the release of the report. No one ever explicitly told her the reasons.

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On Wednesday, May 8, 2013, LERNER was involved in a hearing in front of Representative CHARLES BOUSTANY regarding the Colleges and Universities Report. In preparation, she had a meeting where she was briefed by Legislative Affairs on questions that had been received from Congress, one of which was about the two political projects EO was working on. During the hearing, the last question she received was about political stuff, and she thought it was about the political projects. Based on the rules of the hearing she only had half a minute to respond. At this point, she knew she

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14-cv-1239-FBI-236

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282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 10/23/2013, Page 12 of 17

was going to speak at the ABA meeting. FLAX had previously asked her if she was speaking at the ABA meeting. The ABA meeting was set up in a panel format and was very topic specific, unlike the general work plan style of the Georgetown Conference. As such, LERNER needed to have a question asked to set the platform to discuss the TIGTA issue. FLAX acted as a middle man between LERNER and MILLER. FLAX told her that she needed to bring up the issue at the ABA meeting. LERNER knew [redacted] as she was part of LERNER's Advisory Committee which wrote public reports and made recommendations on EO issues. LERNER asked [redacted] if she would be willing to ask a question. [redacted] told LERNER that was fine, but she was not the moderator of LERNER's panel, [redacted] was. So LERNER asked [redacted] if [redacted] could ask a question. LERNER noted that draft guidance on 501(c)(4) organizations had been a topic at the ABA meeting before.

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MILLER and LEW were scheduled to be in hearings on May 8, 2013 as well. LERNER did not recall if they were to be together in one hearing or were in two separate hearings. LERNER understood that [redacted] would give the Congressional staff at that hearing a heads up about what was going to be said at the ABA meeting. After LERNER's hearing, she met with [redacted] who told her that LEW and MILLER's hearing was delayed. [redacted] said she would go later to give the staff a heads up [redacted] never provided the information. LERNER did not find out that it did not happen until after the ABA meeting.

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LERNER's statement at the ABA meeting was basically what MILLER had written. LERNER only made a few changes and she told FLAX what her changes were. One change was the removal of the term "political vendetta." MILLER wanted her to say there was no "political vendetta." LERNER did not understand why she should even bring it up since it was not the case and the term "political vendetta" had not been used anywhere before. (LERNER provided a copy of her notes used at the ABA meeting, which will be maintained in the 1A section of the case file).

IRS Media Relations called two friendly reporters to have them at the ABA meeting. At the ABA meeting, LERNER was involved in two different sessions. LERNER read the statement at her first session. During the break before her second session she met with the two reporters that Media Relations sent over. LERNER assumed there would be press. After the ABA meeting, LERNER received an e-mail from [redacted]. That is when "all hell broke loose." She went to [redacted] office and was told they had 20 reporters that wanted to talk to her on a conference call. That was when LERNER realized [redacted] never told anyone. It was crazy and no one seemed to know what was going on. MILLER was not at the IRS, as [redacted] had some medical issue. What LERNER said was reported differently, something about low-level staff. Cincinnati was upset that she used the term low-level

b6 -3
b7C -3~~UNCLASSIFIED//FOUO~~

14-cv-1239-FBI-237

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282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 10/23/2013, Page 13 of 17

staff not line-level staff. She did not remember saying low-level. LERNER talked to [redacted] in [redacted] office, but the issue they were dealing with was way bigger than what Cincinnati was upset about. LERNER put together an e-mail to go out to Cincinnati employees, but she was not sure if it ever went out. LERNER left the next morning to go on a previously scheduled trip to Canada for a wedding and her wedding anniversary.

b6 -3
b7C -3

LERNER received a letter from Representative ISSA which was passed on to her by [redacted] ISSA was upset about her statement and wanted to know if she was coming to testify. The letter basically told her that they think she lied before Congress and that was a crime. She was very upset. She talked to General Legal Counsel (GLS). She might have talked to [redacted] but she was not sure. She asked about the letter. She was told that if your boss tells you to go, you have to go. GLS also told her if she did go, she did not have to testify. And if she did not testify, there were no repercussions from the IRS.

b6 -3
b7C -3

LERNER talked to PAZ the next day about the people in Cincinnati. She thought she talked to PAZ before she talked to MILLER. When MILLER called her, he told her that the President had asked for his resignation and that he would give it. MILLER told her to get a lawyer and that it was every man for himself. MILLER said he would testify because he wanted to. LERNER told MILLER what GLS had told her. MILLER said he would not tell her to testify. GRANT then called LERNER. He was crying and told her that he had resigned. He then directed her to appear before Congress.

While LERNER was still on vacation, she was supposed to go to her law school and receive an award. She received a call from [redacted] who told her that "they killed Steve on the Hill." She recommended that LERNER not go get the award. LERNER said [redacted] told her this as a friend, not as an IRS employee.

b6 -3
b7C -3

LERNER was shown an e-mail dated February 1, 2011 from her to PAZ mentioning "Tea Party Matter very dangerous." By "dangerous," LERNER meant that this was a very sensitive issue because it could go to court in light of the Citizens United ruling. LERNER had attended an EO conference at New York University (NYU) in 2010 where academics and practitioners came together. At the conference there were papers presented about the effect of Citizens United. While Citizens United was based on election laws, which are different from tax rules, there was discussion about what the Supreme Court might do regarding whether the decision affected EOs. These cases needed to be done correctly, that was why she asked PAZ if Cincinnati should have them. Cincinnati was more of an assembly line approach to cases. PAZ responded that they were handling them like it was a sensitive issue.

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14-cv-1239-FBI-238

~~UNCLASSIFIED//FOUO~~

282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 10/23/2013, Page 14 of 17

SCRs were not a regular part of EO R&A. LERNER did not believe they had SCRs prior to January 2011. LERNER usually received a table listing the reports, but was not sure about whether she saw the underlying reports. In EO Examinations they did not use a table; they used the reports themselves and consequently LERNER saw these reports on a regular basis. LERNER was shown a copy of the April 2010 SCR for [REDACTED] [REDACTED]. She was not sure if she saw this report but did not think she received it.

b3 -1

LERNER was shown an e-mail dated May 24, 2011 between her, [REDACTED] and several others. This e-mail was about another issue that was swirling around at the time. While there was a push for getting cases moving, one of the problems that they found was organizations would say they had no political activity, then on the Form 990 they stated they were politically active. People were asking if the IRS will go after people for lying on either form 1023 or 1024. Referrals were a vehicle to lodge formal complaints against EOs. These complaints went to a panel of career IRS employees to determine if the complaint was really an issue.

b6 -3
b7C -3

Several years ago, the IRS came up with the Political Activities Compliance Initiative (PACI). PACI was a program that arose out of the realization that the IRS cannot select all cases where there were allegations of political activity by an exempt organization, as this will swamp them with work. So the IRS came up with criteria for selection for examination. The IRS tried to use the information from the form 990 to come up with better selection criteria. Either the referral committee received it or a classifier agreed it should be looked at.

LERNER was shown an e-mail dated May 26, 2011 between her, PAZ, and [REDACTED] regarding [REDACTED] LERNER did not remember these e-mails. LERNER did not think [REDACTED] was one of the best people they had and did not think he should be heading up such a sensitive issue. Her views had to do with his performance, not his political views. [REDACTED] had been there a long time but did not have a history of working political activity as far as LERNER knew. She did not think he had the appropriate sensitivity and knowledge to work the cases.

b6 -3
b7C -3

LERNER was shown an e-mail chain dated May 27, 2011 regarding [REDACTED] LERNER remembered that EO Examinations had received referrals on [REDACTED]. The Dual Track project had selected one referral. EO Determinations was working on a denial for exemption. LERNER told NAN DOWNING that opening an exam on [REDACTED] was a waste of time if EO Determinations denied the application. LERNER had discussions with people in Washington who were working with Cincinnati. She might have told FLAX about the proposed

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282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 10/23/2013, Page 15 of 17

denial. There was still a lot of development that was being done as this case was a bucket four case. This case was probably raised to her attention because of Congress asking about it and it was receiving media attention.

[redacted] writes a blog about EOs that most EOs follow. In relation to the [redacted] cases, he had an article about the critique of a case where an organization was approved and it appeared that the IRS had changed its view. The approved case, which was made public, was very similar to some denials, which were redacted and then made public. LERNER went to EO Technical to find out what was going on. She may have talked to [redacted] or someone else. Cincinnati had approved the case mentioned, but did not look closely at the issues. The case appeared like it would favor "one side of the aisle." The IRS had to look at its options. It could either refer the one case to EO Examinations, which would end up revoking the exemption, or send a letter to the taxpayer notifying them that the IRS was looking at the issue and would work with them on it. This would get EO Technical involved to look at the issues. EO Technical eventually pulled the exemption. LERNER was shown five e-mail chains dating July 20, 2011 to July 22, 2011 regarding the [redacted] cases. The IRS put out three redacted denials for [redacted] cases. She noted that [redacted] changed from 501(c)(4) status to 527 status. In the e-mails, LERNER also wanted to know what else may be out there in Cincinnati. LERNER did not think that a grouping was made for the [redacted] cases. She did not know what the [redacted] groups did.

b3 -1
b6 -3
b7C -3

LERNER was shown three e-mail chains dated August 10, 11 and 22, 2011 regarding political activity and 501(c)(4)s. LERNER was making a speech in Nebraska when she got a call from MILLER. He wanted her to be thinking about what the IRS was going to do in the 501(c)(4) area. The IRS had received lots of letters from Congress related to 501(c)(4)s. These inquiries included: what were these organizations doing, why was the IRS not shutting them down, and gift tax issues. This happened after the Citizens United verdict. LERNER got [redacted] on board with obtaining information related to these topics. [redacted] oversaw LERNER's strategic planning process, which covered what EO would be working next year. She had [redacted] figure out what projects they could start to review an organization's activities. She wanted [redacted] to look at the cases involved in political activity, and in particular their 990s and come up with some recommendations. They looked at information they had in-house and tried to come up with plans. LERNER did not remember if the Cincinnati 501(c)(4) issues came up in her discussions with MILLER at this time. She thought maybe they did, but she did not recall.

b6 -3
b7C -3

LERNER was shown a spreadsheet of taxpayer information frequently called the "triage sheet." LERNER had not seen this "triage sheet"

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14-cv-1239-FBI-240

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282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 10/23/2013, Page 16 of 17

before. [redacted] replaced [redacted] to work advocacy cases with [redacted]. [redacted] PAZ thought [redacted] was good which was why she was selected to become an expert in this area.

b6 -3
b7C -3

LERNER was shown an e-mail dated May 12, 2011 between her, MILLER, FLAX, and GRANT. LERNER had no recollection of this e-mail where the Commissioner wanted the name of an EO taxpayer. The IRS Commissioner was permitted to know the name of a taxpayer, however, LERNER noted that it was the career staff's job to keep the Commissioner out of trouble so that he or she did not ask things that were inappropriate. This was not unusual and therefore protected the Commissioner from pressure. The IRS is not political.

LERNER was shown an e-mail dated May 12, 2011 between her and MILLER about donations referred. This e-mail was related to the gift tax issue and global high wealth, which was where the IRS looked into high wealth donors. The IRS was looking at contributions. A revenue agent saw large donations in EO Determinations cases and called the person. The agent did not tell his/her bosses about it. The IRS was then accused of looking at donors of 501(c)(4) organizations.

LERNER was shown an e-mail dated June 16, 2011 between her, [redacted] and [redacted]. This e-mail was about general plans on the projects.

b6 -3
b7C -3

LERNER was shown an e-mail chain dated May 4, 2012 between her and MILLER. A discussion had occurred about moving an individual out of his or her position. MILLER bit her head off about it, and she had voiced her opinions strongly on the matter.

LERNER was shown an e-mail dated May 2, 2012 between her and MILLER. This e-mail was about what LERNER should be doing. LERNER had a conversation with [redacted] and was getting back to MILLER about it. It was a little awkward with MARKS doing things for MILLER in Cincinnati and LERNER being out of the loop on them.

b6 -3
b7C -3

LERNER was shown an e-mail chain dated May 10, 2012 between her and MILLER with subject "C4 issue." She had no recollection of this e-mail.

LERNER recommended PAZ for [redacted] in her personnel evaluation. PAZ was very new, but LERNER thought very highly of her. This issue was the toughest of issues. LERNER thought PAZ handled it well as this was the hardest stuff they have to deal with. 501(c)(4)s were not black and white. The people trying to do the work were doing the best they could. The things done were not done for the wrong reasons or political agenda.

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14-cv-1239-FBI-241

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282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 10/23/2013, Page 17 of 17

Some things they did to try and fix the issue were not the best, while some were good. No one was particularly to blame. Congress made it a big deal.

LERNER had no knowledge of people acting with political or other motivations. She had no knowledge of anyone disregarding the litigation hold. No one tried to influence her statements and she did not have any knowledge of people acting in an obstructive way. LERNER had only spoken to PAZ twice since she was put on administrative leave. PAZ contacted her once about the civil suit defense and once about the status of her personnel action. LERNER only spoke to MARKS twice as well.

The [REDACTED] never came up in LERNER's work at the IRS. To save money at the IRS and not get new signature stamps, they used her signature stamp as EO Director to sign the letter. It should be the head of EO Rulings and Agreements, but since there was only an acting at the time they used LERNER's stamp.

b3 -1

LERNER heard that PAZ sat in on the TIGTA interviews. She was not sure if she knew this at the time it happened. She did not find it unusual or odd. In LERNER's many audits while at the IRS, she was not sure if that happened before, but she would condone that so that they would know what was going on. LERNER remembered PAZ saying that the staff were nervous about the interviews, so it was good that PAZ was there.

LERNER was shown two e-mail chains dated November 4, 2012 and November 8, 2012 between her and the e-mail addresses [REDACTED] and [REDACTED] respectively. These e-mails were from personal friends who sent them to her IRS e-mail account. They should not have sent them. LERNER stated that people at the IRS did not talk about political views. The IRS is not a political organization, they keep that out. LERNER did not discuss her political views at work.

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14-cv-1239-FBI-242



FEDERAL BUREAU OF INVESTIGATION

Date of entry 07/03/2014

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

[redacted] date of birth (DOB) [redacted] Social Security account number [redacted] residential address [redacted] was interviewed at 1400 New York Avenue NW, Washington, DC. [redacted] attorney [redacted] was present for the interview. Also present were Department of Justice (DOJ) attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent [redacted] was shown documents during the interview which will be described below by their respective bates stamp numbers or other identifying information and copies will be placed in the 1A section of the file. After being advised of the identity of the interviewing Agents and the purpose of the interview, [redacted] provided the following information:

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b7C -2,3,4

b6 CRM
b7C

[redacted] earned her Bachelor of Science degree from [redacted] and her law degree from [redacted]. She worked for [redacted] for five years. On [redacted] she joined the Internal Revenue Service (IRS) as a Tax Law Specialist (TLS) in a rulings group. In the summer of 1993 she moved to a projects group. During the reorganization of the IRS the group became a guidance group. She later became a GS-14 TLS. She earned her LLM in Tax at [redacted] in 1995. She has been a [redacted] Senior Technical Advisor to the Director of Exempt Organizations (EO) since 2007 or 2008. LOIS LERNER was the Director at the time and hired her into the position. Nobody reported to [redacted] in her position. [redacted] later joined [redacted] as a second Senior Technical Advisor. Work was divided between them on an as-needed basis.

b6 -2,3
b7C -2,3

b6 -2
b7C -2

As Senior Technical Advisor [redacted] provided technical advice, represented the Director at meetings and on regulations projects, and maintained an expertise in health care and political matters. In early 1992 she was assigned to work on a Continuing Professional Education (CPE) article on election activity. This assignment was the beginning of her involvement in political activity issues. She worked on several CPE articles and regulations projects and consulted with people on their cases. The first article she wrote was a Question and Answer article on

Investigation on 11/04/2013 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615 Date drafted 11/05/2013

by [redacted]

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282B-WF-2896615

Continuation of FD-302 of FD-302 of [REDACTED], On 11/04/2013, Page 2 of 10

b6 -2
b7C -2

sections 501(c) and 527. The article was updated approximately 10 years later.

In 2000 when the rules changed for 527s, she spent most of her time on work related to 527s. In 2004 she started the Political Activity Compliance Initiative (PACI) project which occupied a large portion of her time. She also worked with the Chief Counsel's Office (Counsel) on revenue rulings and announcements and with Counsel and the Treasury Department (Treasury) on Treasury regulations.

[REDACTED] first heard of the Tea Party cases in the spring of 2011 when [REDACTED] requested to talk to her about two Tea Party cases, [REDACTED]. One case was a 501(c)(3) and one was a 501(c)(4). They met in a conference room for approximately one half hour to an hour. [REDACTED] referred to the cases as "Tea Party cases" at the time. The reference did not stand out to her because both cases were affiliated with the Tea Party. They were also working Emerge cases that they called "Emerge." [REDACTED] proposed a favorable determination for one case and an adverse determination for one. They had not addressed the issue of whether the groups were operating for the private benefit of a political party. The IRS previously took the [REDACTED] case to court and lost on procedural grounds, not on the merits. [REDACTED] pointed [REDACTED] and [REDACTED] to the briefs on that case. Political campaign activity and exempt organizations were sensitive issues so [REDACTED] told them to coordinate with Counsel. They agreed with what she said during the meeting. [REDACTED] mentioned more cases in Cincinnati that were affiliated with the Tea Party. They were trying to develop a template similar to what was used in credit counseling. [REDACTED] was concerned because the facts in [REDACTED] were so different.

b3 -1
b6 -2,3
b7C -2,3

She did not recall anything being wrong with their analysis and had no concerns regarding assignment of the cases to [REDACTED]. The meeting was the first time she learned there were other similar cases in Cincinnati. She had no idea what was happening with those cases. There was no discussion of how those cases were being selected. She was not surprised when she heard there was a large volume of cases in Cincinnati. Ever since the new reporting disclosures came out for 527s in 2000, she heard from practitioners that people were going to move more organizations to 501(c)(4)s. Throughout that period there were cases being worked that had political campaign issues. One theory on the increase in cases was that the *Citizens United* case opened up a new stream of money. Another theory was that people took time to start moving things over to 501(c)(4)s.

b6 -3
b7C -3

282B-WF-2896615

Continuation of FD-302 of FD-302 of [REDACTED], On 11/04/2013, Page 4 of 10

b6 -2
b7C -2

In the fall of 2011 [REDACTED] was also working on a triage spreadsheet to help move the cases. [REDACTED] was asked to provide feedback but she was not sure she did. [REDACTED] also worked with [REDACTED] on PACI. She mentored [REDACTED] on political campaign issues. The group of advocacy cases was growing and they were trying to get a handle on it. They wanted [REDACTED] to review [REDACTED] products because of her 20-plus years of experience. [REDACTED] did not recall what the triage sheet said. Nothing stood out, but she did not look at it closely.

b6 -2,3
b7C -2,3

In early 2012 [REDACTED] saw news reports of organizations complaining about receiving huge development letters after not hearing from the IRS for years. LERNER, PAZ, [REDACTED] and [REDACTED] tried to figure out what happened. PAZ contacted Cincinnati. Either PAZ or [REDACTED] told [REDACTED] that they sent [REDACTED] draft guidesheet to Cincinnati for comment to see whether it was useful and some of the agents started using it to draft development letters. LERNER and PAZ took the lead on finding out what happened. [REDACTED] and [REDACTED] went through all of the development letters without the applications to see whether there were troubling questions. [REDACTED] was a TLS in Rulings and Agreements (R&A) in DC. She was assigned to assist [REDACTED] with the project. They identified seven troubling questions. The donor question was close to being the most per se inappropriate question. PAZ and [REDACTED] told her the agent who wrote the donor question said, "Well why wouldn't I ask the question?" Each Exempt Organizations Determinations (EOD) agent tailored questions to the applications, but they each used their own questions. If those seven questions were asked in all cases, it could have given the impression they were trying to base decisions on political ideology.

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b7C -2,3

[REDACTED] wondered why they were asking the donor question. They might have needed to know this information in certain cases where there was a private benefit issue. For example, they previously had a case for the AMERICAN CAMPAIGN ACADEMY, a 501(c)(3) applicant group which was an outgrowth of the Republican Party. A lot of the money received by the group was from the Republican Party. The primary source of income was relevant to private benefit in that case. The court agreed with the IRS, that they were operating for the private benefit of the Republican Party and candidates, and they could not have 501(c)(3) status. [REDACTED] did not know why Cincinnati asked the donor question in all of those cases. [REDACTED] talked with [REDACTED] and PAZ and they wondered what Cincinnati was thinking with the questions. [REDACTED] was told the agents were directed to inform the organizations that information on the donors was not needed and if the organizations had already sent it, the information would be expunged from the file.

b6 -2,3
b7C -2,3

When LERNER found out the guidesheet was used by Cincinnati she wanted

282B-WF-2896615

Continuation of FD-302 of FD-302 of [REDACTED], On 11/04/2013, Page 5 of 10

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b7C -2

to use and release it after review by Counsel. Counsel was not on board with the guidesheet and had changes. There were numerous meetings between IRS and Counsel and they never reached an agreement because Counsel did not want to use anything that went beyond existing guidance. The IRS wanted to make the guidesheet useful with check boxes and Counsel did not want to change the wording. The format of the document was "hideously obnoxious" and it was long and complex. It was not easy to take a huge fact intensive analysis and break it down. [REDACTED] thought creating a useful guidesheet was a doable project.

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b7C -2

The IRS created training for agents using existing documents and guidance. A May 2012 workshop was held in Cincinnati to get advocacy cases moving. [REDACTED] was an instructor and [REDACTED] was the coordinator. [REDACTED] provided training on 501(c) law. The Cincinnati training was not held because there was a concern that people were making decisions based on viewpoint. The concern was that the way people were writing things gave the appearance they were making decisions based on the wrong issues. They were trying to remind Cincinnati that there were facts they needed and facts they did not need. They also reminded Cincinnati that things could be taken out of context. Cincinnati needed to focus on whether the groups were supporting candidates of only one party. They broke into teams to bucket cases. Two people reviewed each case and placed the cases in one of four buckets. [REDACTED] was usually in agreement with her partner when she bucketed cases. [REDACTED] talked with [REDACTED] about how to do the worksheets. There were over 200 cases at that point. Once the cases were bucketed, some people in DC worked with Cincinnati on cases that still needed development. When they sometimes disagreed on which facts applied for cases, they talked through the cases. [REDACTED] had no sense of any political bias in the bucketing process.

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b7C -2,3

[REDACTED] did not recall being in a meeting with STEVE MILLER during this timeframe.

b6 -2
b7C -2

The next time these cases crossed her radar was when she worked on the production for the Congressman Dave Camp request. She received some of the proposed denials to develop some of the questions. She had one case that she sent for approval and one that was taken away from her before she could develop it. In late 2012 or early 2013 she looked at some proposed denials and made comments on them.

In 2012 people asked [REDACTED] about the development letters when she was out speaking. She probably talked to LERNER about it. She did not recall being briefed or handling any talking points about the political advocacy subjects discussed previously. This type of information was not provided to her for her speech at Georgetown. There were Capitol Hill briefings on

b6 -2
b7C -2

282B-WF-2896615

Continuation of FD-302 of FD-302 of [REDACTED] . On 11/04/2013 , Page 6 of 10

b6 -2
b7C -2

these issues. She assisted with the technical accuracy of the responses to Congressional requests, or "Congressionals", from 2012 forward. She briefed Congressional staff at least once on 04/30/2013 in a group meeting with staffers. [REDACTED] was tasked with drafting letters and she maintained briefing books. [REDACTED] was out, so [REDACTED] went to the briefing. [REDACTED] explained the relevant law a few times that day. She took notes by hand and typed them up later. She reviewed a set of typed notes attached to a 05/09/2013 e-mail exchange she had with COOK and verified that those were the notes she took that day. She may have provided the handwritten notes to Counsel. Counsel would have them if she did not destroy them after typing them. The typed notes were not an exact transcription. She just learned that day that she was going to the briefing. She was not asked to take notes, but she was the "low man on the totem pole in the room," so she thought she should take notes. Others took notes too. The meeting was not particularly contentious. The IRS tried to explain how things worked. They were reluctant to provide some things such as the draft guidesheet since it was not finalized. Advocacy cases came up and they explained what was produced in earlier responses. They tried their best to explain the process. She was not aware of any discussions to steer clear of certain topics. She was not part of the planning process for the meeting and did not come in until the last minute. She did not believe anything said in the meeting was inaccurate.

b6 -2,3
b7C -2,3

In December 2012, LERNER and PAZ wanted [REDACTED] to go through the list of organizations that TIGTA believed should have been included in the group of advocacy organizations and the list of groups TIGTA thought should not have been included. [REDACTED] agreed mostly with TIGTA. There were a few cases on which she and [REDACTED] did not agree with TIGTA. For example, the medical marijuana case should have been grouped with medical marijuana cases. There was a longer list of cases in the advocacy bucket that TIGTA did not agree with, but she and [REDACTED] mostly agreed that they should have been on the list. TIGTA looked at a handful of organizations. She met with representatives from TIGTA at the time, but she did not remember their names. [REDACTED] was interviewed by TIGTA for the audit and there was nothing unusual about the interview.

b6 -2, 3
b7C -2,3

[REDACTED] knew the IRS was working on a response to the audit report. She saw a draft of the report and the response, but she was not involved in crafting a response. She believed LERNER and PAZ were responsible for the response. [REDACTED] a Senior Technical Advisor to LERNER since September 2012, was in at least one meeting regarding this issue. When [REDACTED] left the IRS in August 2013, [REDACTED] detailed [REDACTED] to a Senior Technical Advisor position.

b6 -2,3
b7C -2,3

[REDACTED] never read LERNER's comments from the ABA conference. She was

282B-WF-2896615

Continuation of FD-302 of FD-302 of [redacted], On 11/04/2013, Page 7 of 10

b6 -2
b7C -2

busy working on something else that day. She was aware of the fallout. LERNER had been talking with MILLER's office about saying something about these issues. When [redacted] and LERNER prepared for their Georgetown speeches, LERNER mentioned she was talking with MILLER and NIKOLE FLAX about the TIGTA report because they were not happy with it. The Georgetown speeches were a few weeks before the ABA conference. LERNER gave no indication of what she might say. While walking down the hall with [redacted] LERNER mentioned to her that MILLER and FLAX may have LERNER mention something about the TIGTA report at the ABA conference.

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b7C -2,3

[redacted] was outside [redacted] office after LERNER's ABA speech and [redacted] showed her a tweet that an IRS official apologized for targeting Tea Party groups. [redacted] was shocked because that did not comport with the substance of the TIGTA report. [redacted] did not speak with LERNER while LERNER was in Canada.

b6 -2,3
b7C -2,3

[redacted] later worked on the public response to the comments. She was working on an entirely different project at the time, but at some point she started working with people on responses to the Congressionals.

b6 -2
b7C -2

[redacted]

[redacted] talked with [redacted] a TLS who worked the cases, and with people in [redacted] chain of command. Some of the cases received exemptions before they were centralized. One was approved in the screening process after being centralized. They went back to the organizations that received approvals. She sent a list of approved [redacted] organizations to LERNER or PAZ and they revoked the status of the organizations. She probably met with LERNER on it. [redacted] may have worked on the mechanics. The organizations could be revoked without going through IRS Examinations.

b3 -1
b6 -2,3
b7C -2,3

Revocations did not happen often. She was not aware of any other examples. They talked about it in the [redacted] case where the organization received an exemption letter and called her to see whether the IRS changed its position. The group sent her a copy of its application which she shared with [redacted] They did not think it should have been approved. It was approved as part of an inventory reduction program. A number of cases were shipped to DC to be worked there. Someone in DC approved the case without development. The organization was a [redacted]

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b6 -2,3
b7C -2,3

[redacted] was still in the guidance group when the [redacted] case came through. She raised it with the managers. [redacted]

282B-WF-2896615

[Redacted]

Continuation of FD-302 of FD-302 of

, On 11/04/2013, Page 8 of 10

b6 -2
b7C -2

[Redacted]

the manager of Exempt Organizations Technical (EOT), said they could have Cincinnati request technical advice from DC. The case is still pending and has not yet been revoked.

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b7C -3

[Redacted]

One case called either [Redacted] slipped through the cracks after the issue was identified and the cases were centralized. Two more cases were recognized prior to centralization and already had exempt status for several years at that point.

b3 -1

She did not know if she heard the term "BOLO" before 2012. She did not see a Be on the Lookout (BOLO) list until this year when she produced BOLOs for a Congressional inquiry. She saw the proposed language to fix the BOLOs to read "advocacy cases."

[Redacted]

heard about [Redacted] in the press. The IRS received media inquiries about the group in late August or early September 2013. The IRS received referrals on the group and it went through the dual track process. All decisions were made by a team of three career civil service managers. The team determined [Redacted] merited examination.

b3 -1
b6 -2
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[Redacted]

saw the proposed denial for the [Redacted] application. [Redacted] was in a group of proposed denials done just a few months ago. The people who were working on cases, to include KAREN SCHILLER, JANINE COOK and

b3 -1
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[Redacted]

reviewed proposed denials before they went out. [Redacted] wanted to make sure there was support in the letter for the denial and that the letters were crafted so they made sense in redacted form. If an application was ultimately denied, a redacted version would be publicly released.

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[Redacted]

knew from the bucketing process that [Redacted] merited a denial. LERNER talked to NAN DOWNING and said an examination of the group was not necessary because they were planning to deny them. There was a discussion between DOWNING and LERNER about not starting an audit because they thought they were issuing a proposed denial shortly. The proposed denial letter eventually went out. Organizations had 30 days to protest, so their time probably ran out.

The PACI process that began in 2004 was a fast track process for allegations of charities participating in political activity. Charities were absolutely prohibited from participating in political campaign intervention. If they received allegations of improper activity, they contacted the organization. Most complaints were resolved with an advisory to the group. PACI moved from a project to the dual track process. During the first cycle of PACI they had about 100 cases. At the high point they received 500 referrals annually. They were all evaluated for merit.

282B-WF-2896615

Continuation of FD-302 of FD-302 of [REDACTED], On 11/04/2013, Page 9 of 10

b6 -2
b7C -2

There was no viewpoint discrimination against or in favor of groups. She was not aware of any political bias in either way.

She heard the [REDACTED] was approved through the media. She was not involved with it. Some people tried to find out what happened. [REDACTED] may have mentioned it to her.

[REDACTED] noted that [REDACTED] a left-leaning group, was not selected for examination. The write up did not have all of the facts from the application in it. She had to go back to make sure they had everything.

b3 -1
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b7C -2,3

[REDACTED] did not recall being in a meeting with MILLER on advocacy cases. Once he stopped being the Commissioner of Tax Exempt and Government Entities (TEGE) Commissioner and became the Services and Enforcement Commissioner, she saw him occasionally but did not have the same level of meetings with him. She did not regularly meet with him when he was the IRS Commissioner.

She met with LERNER to discuss responses to Congressionals and the dual track process. They may have touched on advocacy cases, but she had no particular memory. A lot of her focus was on the Examinations side then. She saw LERNER most days at the office. She dropped into her office for meetings. She was friendly with LERNER in the office, but they did not socialize. She met with PAZ occasionally, often in the same meetings. She did not socialize with PAZ outside the office.

[REDACTED] was outside of PAZ's door when PAZ received the e-mail about the January 2012 change to the BOLO. PAZ said LERNER was going to go "ballistic." PAZ showed [REDACTED] her e-mail, and the change to the BOLO was even worse than using the Tea Party name. It was pulling things from the applications such as "opposition to government positions." PAZ said "why" and "what were they thinking?" PAZ took the e-mail to show LERNER, who had a tendency to blow up.

b6 -2
b7C -2

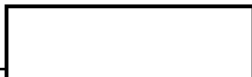
[REDACTED] was introduced to DOUG SHULMAN at least once. She never met with him substantively. She did not recall if she was requested to provide briefing materials for his March 2012 Congressional testimony. She periodically did this for people who testified. She did not know if she prepared anything for MILLER either. She prepared legal points for briefings, but she did not know which briefings they were for. She was not aware of any concerns that anything said to Congress was inaccurate. Sometimes there were questions about numbers, but that was usually because people pulled numbers differently.

She complied with the litigation hold and was not aware of anyone

14-cv-1239-FBI-251

282B-WF-2896615

Continuation of FD-302 of FD-302 of



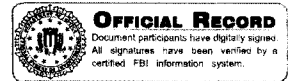
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11/04/2013

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b7C -2

withholding or destroying documents. Nobody attempted to inappropriately influence her in her Congressional testimony or in this interview. She was told by the IRS attorneys to tell the truth. She had no reason to believe anyone in the IRS engaged in discrimination.



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FEDERAL BUREAU OF INVESTIGATION

Date of entry 10/02/2014

On 11/04/2013, [redacted] was interviewed at 1400 New York Avenue NW, Washington, DC. [redacted] attorney [redacted] was present for the interview. [redacted] was interviewed pursuant to a proffer letter. The administrative paragraph in the report of investigation (FD-302) for the 11/04/2013 interview did not indicate [redacted] was interviewed pursuant to a proffer letter. This report of investigation serves to correct that fact.

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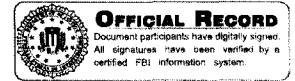
Investigation on 08/28/2014 at Manassas , Virginia, United States (In Person, Other (Supplemental Information))

File # 282B-WF-2896615 Date drafted 08/28/2014

b [redacted]

b6 -1
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FEDERAL BUREAU OF INVESTIGATION

Date of entry 07/02/2014

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

STEVEN T. MILLER, date of birth (DOB) [redacted] Security account number (SSAN) [redacted] residence address [redacted] [redacted] home telephone [redacted] was interviewed at the law offices of Quinn Emanuel LLP, 1299 Pennsylvania Avenue NW, Suite 825, Washington, D.C. 20004, telephone (202) 538-8000. MILLER's attorneys, [redacted] were present during the interview. Also present during the interview were Department of Justice Attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent [redacted]. During the interview, documents were shown to MILLER and hereafter those documents will be referred to by their respective bates numbers or other identifying information and copies will be maintained in the 1A section of the case file. After being advised of the identities of the interviewing Agents and the nature of the interview, MILLER provided the following information:

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b7C -2,3,4

b6 CRM
b7C

MILLER received his undergraduate degree from the University of Maryland. He received his Jurist Doctorate from George Washington University and a Master's in Taxation from Georgetown University. In 1986, MILLER joined the office of the Chief Counsel (Counsel) at the Internal Revenue Service (IRS) in Wheaton, Maryland. MILLER then went and worked at Capitol Hill for two years as part of the Joint Committee on Taxation where he did pension work. In 1993 or 1994 he went back to Counsel's office. In 2000, he joined Tax Exempt and Government Entities (TEGE) with the IRS as the head of Exempt Organizations (EO). In the mid-2000s, he became the head of TEGE. In 2009, he was put in charge of Large and Mid-Size Business and then became the Deputy Commissioner of Services and Enforcement. In 2012, MILLER became the Acting IRS Commissioner while still maintaining his position as Deputy Commissioner.

While MILLER was the head of EO, LOIS LERNER was recruited into Rulings and Agreements (R&A) from the Federal Elections Commission (FEC). [redacted] [redacted] who was the Communications Liaison and was recruited from the FEC, mentioned that LERNER would be a good fit in EO. SARAH HALL INGRAM was in

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b7C -3

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Investigation on 11/08/2013 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615 Date drafted 11/13/2013

b [redacted]

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282B-WF-2896615

Continuation of FD-302 of Interview of Steven Miller, On 11/08/2013, Page 2 of 12

Counsel with MILLER and he worked with her for a while. MILLER brought her over as a deputy when he became the TEGE Commissioner. JOSEPH GRANT was recruited over to the IRS from the Pension Benefit Guarantee Corporation (PBG). MILLER knew GRANT from MILLER's previous dealings with PBG.

Several people reported directly to MILLER in his positions as Commissioner including: [REDACTED]

[REDACTED] who was a Technology Liaison; NIKOLE FLAX; [REDACTED] who left the IRS five years ago to take a job with [REDACTED]

[REDACTED] before she moved to Legislative Affairs; and [REDACTED]. These direct reports were his staff. [REDACTED] and FLAX did most of the work related to TEGE. FLAX was Deputy to the Commissioner of Services and Enforcement and then became MILLER's Chief of Staff when he was Acting IRS Commissioner. FLAX came to the IRS from the Joint Committee on Taxation like MILLER did. FLAX worked for [REDACTED] at the Joint Committee before [REDACTED] moved over to TEGE.

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MILLER first heard of this group of cases in February 2012 when the press and Congressional interest brought it to his attention. He heard about them first from external input, not internally from his people. They were eventually brought up internally, but he is not sure who brought them up, whether it was [REDACTED] of Public Affairs, LERNER, FLAX or DOUGLAS SHULMAN. He called EO, specifically LERNER and JOSEPH GRANT. FLAX would have been involved and HOLLY PAZ may have been there as well. MILLER saw the detail in the letters that were in the press regarding requests for information about donors and websites. About 20-30 cases had received letters, but he heard there were other cases out there. MILLER asked EO why they were asking these questions. It seemed like EO did not know what was going on. It seemed like EO was stuck, and MILLER wanted follow up. He was told that they had centralized cases, and that there were Tea Party cases, but there were other cases as well. Some of this was told to him by FLAX and LERNER. He asked if the group of cases held was a diverse group, and was told by LERNER that they were more than just Tea Party cases. Reports at that point had been that they were only Tea Party groups. Again, it seemed to him like the cases were stuck. He asked how old they were, but it seemed no one could tell him. At the same time period this was brought to his attention, it was also tax filing season so he was very busy dealing with those issues. MILLER personally worked on correction letters to send to these groups. He reworked the letters, putting his own handwritten notes on the drafts. These letters gave more time, only asked for a sample of website information, and explained the IRS would not use the donor information.

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It still seemed unclear to MILLER exactly what the status of these cases was, so he met with his staff to discuss them in March 2012. [REDACTED]

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14-cv-1239-FBI-255

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282B-WF-2896615

Continuation of FD-302 of Interview of Steven Miller, On 11/08/2013, Page 3 of 12

[REDACTED] FLAX, probably [REDACTED] and MILLER met to figure out how to find out more about these cases. With JOSEPH GRANT's concurrence, they picked people outside of EO to go to Cincinnati to figure out what was going on. MILLER asked NAN MARKS, Senior Technical Advisor to JOSEPH GRANT, who used to be in Counsel to go. JOE URBAN, counsel to JOSEPH GRANT, was also asked to go. Others, including PAZ, may have participated. URBAN was a good fit to go and it is possible he was MILLER's idea. The lack of certainty as to what was going on and the donor issue in the press were the reasons MILLER followed up. MILLER wanted this team of people from outside of EO to be independent and he wanted them to look at this issue. MARKS heading up the team was a perfect fit and gave the appearance of independence. MARKS did not embrace the job, but she did it.

b6 -3
b7C -3

MARKS' group went to Cincinnati to look at the cases and interview people. MARKS returned and reported her findings the first week in May 2012. MILLER's notes from this meeting were from May 3, 2012. They had a long meeting. MARKS reported that the cases were stuck, there had been bad coordination, and Cincinnati was not getting guidance from EO Technical. MILLER was told about the BOLO list and heard it was fixed. Cases were in need of full development. He was told that what had happened was not politically motivated, but occurred due to a need to be efficient.

MILLER met with MARKS, URBAN and PAZ on the telephone. FLAX, LERNER and [REDACTED] as well as others were probably there. MILLER was told that there were a couple hundred pending cases for 501(c)(3) and 501(c)(4) status. MARKS went through a timeline similar to the one in the TIGTA audit report but in less detail. She talked about the BOLO and the timeline of the BOLO. Half of the pending cases came in after the BOLO was changed. LERNER had become aware of the BOLO in the summer of 2011 and she had it changed. At some point, the BOLO was changed back. MILLER did not know about the BOLO precisely, but he knew the screening process for cases and knew about the use of the Office of Foreign Assets Control (OFAC) list. MILLER was not happy about the cases sitting, not moving, and not being worked. He heard that the vast majority of the cases needed development anyway. The group of cases was predominantly conservative, but not solely conservative. MILLER did not recall having a reaction about the fact that LERNER had not briefed up the BOLO earlier. LERNER had fixed the issue, and then it got changed again.

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b7C -3

MILLER was familiar with the development letters and they discussed them in this meeting. MILLER knew about the guidesheet ahead of the meeting. He also knew that EO coordinated with Counsel. He asked that [REDACTED] be removed as coordinator of the cases as it was clear it was not working. MILLER asked that the person who changed the BOLO be counseled. MILLER thought that was [REDACTED] but later found out it was

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282B-WF-2896615

Continuation of FD-302 of Interview of Steven Miller, On 11/08/2013, Page 4 of 12

not him. MILLER also found out later that the counseling was not done the way he wanted it to be done. Looking at this batch of cases, including the BOLO, the principal problem was that the cases were not moving. MILLER knew TIGTA was looking at the BOLO and he knew that the BOLO had been fixed. The action items he came up with during the meeting included the following: he wanted the two disciplinary issues handled, he wanted MARKS to come up with a plan to move the cases forward, and he asked PAZ to review the BOLO procedures.

LERNER told MILLER that TIGTA was opening the audit some time before the May briefing. MILLER knew that TIGTA was in Cincinnati and he knew that in mid-May TIGTA was aware of the BOLO. On May 30, 2012, MILLER met with TIGTA and talked about TIGTA finishing in the summer. of TIGTA was there. It was MILLER's understanding that Representative DARRELL ISSA asked TIGTA to look at the development of these cases, not the BOLO. This was brought up in a meeting MILLER had with the Inspector General (IG) of TIGTA. MILLER would have asked the Integrity part of TIGTA, not Audit, to look at the issue because MILLER's concern was whether there was bias in processing the cases. TIGTA made the decision to do an audit. MARKS and URBAN came back from Cincinnati and said that what happened was due to a poor attempt to be efficient, not political bias. It was never a question of whether these cases needed full development. They did because they were involved in political activity. These cases should be centralized, but how they were centralized via the BOLO and the poor treatment they received once they were centralized were the issues. MILLER reiterated he was never concerned about finding political bias because he knew the people in the IRS and how the IRS operated.

b6 -3
b7C -3

MILLER is not sure if it was his idea to "triage" the cases, but he was all for the bucketing of cases and moving them as quickly as possible. It was not unusual for him to get into the details on something like this, but he listened to MARKS' ideas on how to handle the cases and he liked her ideas. There were other instances where his office had been involved with a specific group of cases in the past.

MILLER was briefed in a series of meetings over the next month where he was given updates on where the cases were and the number of cases bucketed. This continued into the summer. At first they were bi-weekly meetings, and once he was confident the cases were moving along he would then only get periodic updates as he did his own Congressional briefings.

In April 2013 the draft report from TIGTA came to him and it was critical of the IRS. Aside from it being critical of the IRS, MILLER just did not think it was a good report. TIGTA gets a period of time to respond to the draft before it comes to MILLER's office. Every audit report goes

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14-cv-1239-FBI-257

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282B-WF-2896615

Continuation of FD-302 of Interview of Steven Miller, On 11/08/2013, Page 5 of 12

to the Deputy Commissioner, so MILLER saw it. If a report was negative, then it may be brought to the level of the IRS Commissioner. MILLER reviewed the report to make sure the IRS response was the best possible one it could be. MILLER's reaction was that it was not a good report, but it was not an explosive report either. That was a mistake on his part. MILLER had a hand in drafting the response to the report, but he did not hold meetings about the draft response. GRANT had the final signoff since he was the one who signed the actual response.

Three other TIGTA reports were coming out at about the same time as this one. One was on executive travel and another one was on a conference. MILLER felt that the 2010 conference report seemed worse than the cases report. All of the reports were scheduled to come out in late May 2013 and all were bad for the IRS. The concept of everything coming out at once was worse than getting them out individually over a period of time. MILLER wanted to break up the release of the various reports. MILLER stated it seemed like an apology and an explanation was in order for the group of cases. MILLER talked to his staff, the Department of Treasury, and LERNER, and came up with a plan. What happened with these cases looked bad and they needed to apologize. He brought up the reports and the idea of apologizing to [REDACTED] who was the Chief of Staff to the Secretary of the Treasury. Nobody objected to his idea. MILLER did not know if BILL WILKINS knew or not.

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b7C -3

MILLER stated that obviously the apology did not work and was not a good idea. He had talked about a couple of ways to get the information out before it finally went out. LERNER was speaking at the Georgetown Conference, but Public Affairs from the IRS and Treasury did not think that was a good place. MILLER did not know why. They talked about discussing it at a Congressional hearing if it came up. The IRS attempted to get the staff for the House Ways and Means Committee and the Senate Finance Committee briefed. [REDACTED] was asked to get a meeting and talk with Congressional staffs. She felt that they should tell the people on Capitol Hill in addition to making the announcement at the ABA meeting. The timing did not work out and they did not plan far enough ahead of time so it did not happen, which was not good. [REDACTED] who was a member of the Federal Advisory Committee, was not involved in the execution of the apology but knew the general idea. Many of LERNER's comments during the ABA meeting were from MILLER even though it was a collaboration. MILLER listened in on the question and answer call that LERNER did with the press that Friday. It was not good. LERNER got more and more tired on the phone and it got worse. MILLER was surprised by the questions asked as they were more "toxic" than he thought they would be. He was also surprised by the strength of Congress' reaction to the news. MILLER was gone the following weekend with his mother on vacation.

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282B-WF-2896615

Continuation of FD-302 of Interview of Steven Miller, On 11/08/2013, Page 6 of 12

When he returned, MILLER met with Senator MAX BAUCUS to discuss the issue. When he was leaving BAUCUS' office people asked MILLER if he had been asked to resign. Senator ORRIN HATCH declined to meet with MILLER when asked by the IRS if he wanted a meeting. Early the next week MILLER received a call from Treasury Secretary JACK LEW who said what had happened was not good and they would see how this thing played. On Tuesday night, MILLER got a call from [REDACTED] who told him that this issue was too hot and MILLER may have to resign. MILLER was unsure, if asked to resign, if he could retire, as he was four months short of being eligible. MILLER was told that under civil service, if he was asked to resign, he could retire. The heat he was receiving was so much that he could not remain on the job. He felt it was unfair, but he understood it. He would have been a horrible distraction if he had stayed, much like LERNER became as her situation eventually dragged out. MILLER never received a call from the President, rather [REDACTED] asked for his resignation in a letter. MILLER reiterated that he does not think there was bias and he stands by that belief.

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b7C -3

The weekend before MILLER's and SHULMAN's joint testimony in May 2013, SHULMAN called MILLER and asked him when he (SHULMAN) first knew about the BOLO. MILLER told SHULMAN he did not remember. SHULMAN expressed frustration about the cases taking so long.

In February or March 2012, MILLER talked to SHULMAN about the development letters. SHULMAN seemed concerned and he understood the donor letter issues. MILLER does not remember telling SHULMAN or his Chief of Staff, JONATHAN DAVIS, about MARKS' report in May 2012, but he was sure he did. MILLER had a good rapport with SHULMAN and the Commissioner's office. SHULMAN was more about hearing what was going on. MILLER did not remember him giving advice back. MILLER was sure he would have walked SHULMAN through what they were doing on the cases, but he does not remember the specific conversation. SHULMAN concurred with how they were handling it. They usually tried to keep individual cases away from political appointees in the IRS.

MILLER is familiar with SHULMAN's "no targeting" testimony from March 23, 2012, although he did not attend it and is not sure if he ever read it. MILLER did not remember talking to SHULMAN about SHULMAN's testimony afterward. SHULMAN knew what MILLER knew at that time. They did not have a conversation about whether there was targeting or not. There may have been discussion about the cases at that time. He does not remember what the discussion was about, but he gave SHULMAN the number of cases in the group. MILLER does not remember telling SHULMAN about sending MARKS out to

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14-cv-1239-FBI-259

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282B-WF-2896615

Continuation of FD-302 of Interview of Steven Miller, On 11/08/2013, Page 7 of 12

Cincinnati. MILLER did not know about the BOLO when SHULMAN testified. When MILLER first heard about the BOLO, he also heard about how the cases were centralized.

When SHULMAN prepared for a hearing, he created a "cheatsheet" which is a placemat that political appointees take to hearings with information on it that helps them with their testimony. SHULMAN handwrote his "cheatsheet" while former Commissioner MARK EVERSON typed his up. SHULMAN had his Chief of Staff, along with Legislative Affairs, collect the information he needed. SHULMAN used only a handful of people to brief him. He then walked through the information himself to help clarify his understanding. SHULMAN had a briefing book that covered a much broader amount of information than just 501(c)(4)s, but MILLER is not sure who went through the book with SHULMAN. SHULMAN held smaller meetings where he would be briefed on many different issues.

MILLER collected data in order to help himself learn information before he would testify. He requested lots of documents and created binders of what he thought the issues were. He then limited all of that information down to one binder that he took home and reviewed. [REDACTED] FLAX [REDACTED] helped him with this process. MILLER was shown a copy of documents from his briefing book for a Ways & Means Oversight Hearing on July 25, 2012. The handwriting in the binder is not MILLER's, but rather most likely FLAX's. MILLER did not remember having discussions about the BOLO even though it is listed in the briefing book. MILLER did not remember having conversations about SHULMAN's testimony, however, he did recall [REDACTED] sending him something about remembering what SHULMAN said. MILLER did not have conversations about whether to bring up or not bring up SHULMAN's testimony. The focus was on the development letters and issues. He did not remember any conversations about expanding or clarifying SHULMAN's testimony during the hearing. MILLER did not know if SHULMAN knew about the team going out to Cincinnati before SHULMAN testified in March 2012, since both happened around the same time.

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MILLER was shown a copy of an e-mail chain dated April 12, 2012 in which LERNER discusses her willingness to address this issue at the Georgetown Conference. MILLER did not think it was a good idea for LERNER to talk about it because Tea Party groups would be out at the conference and the IRS was still developing letters to send out to the groups.

MILLER was shown a copy of an email sent to him from LERNER dated May 2, 2012 regarding roles and responsibilities related to the "c4 matters." MILLER does not recall specific concerns LERNER had. He was not sure if she was briefed at that point so her concern was she wanted to know who was doing what.

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282B-WF-2896615

Continuation of FD-302 of Interview of Steven Miller, On 11/08/2013, Page 8 of 12

MILLER was shown a copy of an e-mail chain dated May 2, 2012 between FLAX and MILLER about whether LERNER should call in for MARKS' debrief. MILLER recalls that they were trying to schedule the meeting and LERNER was out of the office. MILLER thought it was important to be independent in this review of what was going on with these cases. He felt his office was too high up to do it, as this would give a political look to the people in Cincinnati. That is why he had the review worked out of GRANT's office. This was not a lack of trust in LERNER, but rather a show of trust in MARKS and URBAN. Again, MILLER felt MARKS' involvement gave the perception of independence and although MILLER thought PAZ's involvement was fine, as he thought highly of her, it was not his suggestion that she be a part of the team. It was not unusual for a group of staff to look at an internal issue. The IRS had used similar reviews for the Innocent Spouse issue and the Individual Taxpayer Identification Number (ITIN) regarding Social Security and non-citizens.

MILLER never thought Cincinnati would politically target groups. He also thought about how "crappy [the] development letters were," which made him wonder what was in the advocacy pool. By "crappy," he is specifically referring to questions like the ones where they asked for all the pages of a website and the donor questions. While the Internal Revenue Manual (IRM) required that applicants respond within 21 days to the letters, these cases had sat for a while, so giving them the same deadline made it seem like the IRS did not know what it was doing.

MILLER did not remember a pre-briefing with anyone when he was briefed by the team that went to Cincinnati, but there could have been one. He remembered a larger group discussion on May 3, 2012 where he learned everything for the first time. He did not lose his cool or yell in the meeting, but he was unhappy. He was surprised by the BOLO, but he had guessed the cases were in limbo.

MILLER was shown an e-mail chain dated May 10, 2012 between him and LERNER entitled "c4 issue." He pushed hard to get the cases moving in a meeting. After the meeting, FLAX and LERNER brought up his tenor during the meeting. They thought his tenor was to get the cases out and who cares about the process to do that. Therefore at the next meeting he re-emphasized that he did not want to go against the normal process for working cases, he just wanted them moving. They also thought he was hard on the case coordinator and the person responsible for the BOLO changes. He did not recall having a hard conversation with LERNER about her knowing about the BOLO in July 2011 and not briefing him.

MILLER was shown an e-mail chain dated July 23, 2012 entitled "Bloomberg Business Week: "IRS says it will Examine Rules for Non-Profit

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14-cv-1239-FBI-261

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282B-WF-2896615

Continuation of FD-302 of Interview of Steven Miller, On 11/08/2013, Page 9 of 12

Activity." Previously, PAZ had talked about a question she received on a project about 501(c)(4)s. The media reported that the IRS was going to look at [REDACTED] which was not what she said. It took a while to unwind the confusion around the situation. MILLER was preparing for the House Oversight Hearing and he wanted it go smoothly so he told everyone to stay out of the press. This e-mail forwards a press article about a letter from the IRS that went out right before the hearing, which is not what he wanted.

b3 -1

MILLER is not sure when he first heard of [REDACTED] but it came up in Congressional inquiries a lot. He knew they had an application pending. He asked if they were part of the advocacy cases and was told they were. MILLER heard that EO Determinations was looking at a likely denial for the group. He said to make sure and check that it was right with Counsel.

b3 -1

When SHULMAN left after his term as Commissioner expired, he had an exit interview with MILLER. MILLER asked SHULMAN what he should do with the gift tax and C4 issues. SHULMAN said they should audit groups on both sides of the political spectrum like [REDACTED]. MILLER did not do this, and the Deputy's Office would never determine who to audit. They would let the process do its normal work. MILLER is not sure whether SHULMAN was serious or not.

b3 -1

MILLER was shown a series of e-mails and documents dated from August 2011 to November 2011 regarding topics like "EOs with political activity," "Dual Track Approach" and "IRS Approach to Campaign Intervention by EOs" among others (documents will be identified as Docs 3 in 1A section of the case file). MILLER stated the events around these documents related to the examination side of the house and came out of EVERSON's Political Activity Compliance Initiative (PACI) Project. LERNER felt they should be more intelligent about how they go about their process. SHULMAN thought this was a fine approach on how to work the issue as he recognized it was an important issue. This effort was mostly focused on 501(c)(3)s and was a different context even though it had to do with political activity. It was not the same as the 501(c)(4) issue. MILLER guessed that LERNER could have told him at anytime during this period about the Tea Party cases but he is not surprised it did not come up.

MILLER has no reason to believe that GRANT knew anything about the Tea Party issue ahead of the big meeting they had in 2012. GRANT came from an Employee Plans (EP) background, and he had no acting deputy to assist him in his position of TEGE Commissioner. GRANT left LERNER alone in EO. MILLER is not sure which meetings GRANT attended related to the Tea Party issue in 2012. MILLER asked INGRAM to come back for these meetings in 2012

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14-cv-1239-FBI-262

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282B-WF-2896615

Continuation of FD-302 of Interview of Steven Miller, On 11/08/2013, Page 10 of 12

because he wanted the best minds to help figure out what to do with the Tea Party cases. INGRAM would never discuss the issue outside of the IRS. MILLER is not aware of any meetings at the White House or with anyone in the White House on this issue.

MILLER had few contacts with the Treasury Department prior to being Acting Commissioner. He called over to Treasury when PAZ had her whole question blow up in the press. As Acting Commissioner, he talked to [REDACTED] once he had been briefed by IG RUSSELL GEORGE on three of the TIGTA reports. He met with [REDACTED] (MILLER could not remember the last name) for about an hour, but mostly spent the time focused on the executive travel report, not the report on the Tea Party cases or the report on the 2010 Anaheim Conference. Again, MILLER was most concerned about the conference report because of the General Services Administration (GSA) conference being in the news. MILLER had briefed [REDACTED] before on the 501(c)(4) gift tax issue before, and had briefed [REDACTED] on a different issue in January 2013.

b6 -3
b7C -3

MILLER was shown a copy of handwritten notes entitled "Discussion of Application C4 issue." MILLER identified that these were his notes that he gave to LERNER. He prepared them with the help from others. He used these notes when he walked [REDACTED] through what they wanted to do in relation to the apology. Since Treasury never got back to MILLER, he took that as acquiescence to do the apology. [REDACTED] did not object to the idea when MILLER talked to him.

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MILLER was shown an e-mail chain dated April 18, 2013 where MILLER tells FLAX that LERNER can apologize for under-managing. This was a joke, but it was how MILLER felt about what LERNER did during the timeframe of these cases. He felt the issue was with how the cases were managed, not how they were worked. There seemed to be a chasm between EO Technical and Cincinnati on these cases and LERNER should have been more involved and known what was going on.

He had a discussion with [REDACTED] about taking LERNER off of the retention bonuses. MILLER talked with GRANT about how unhappy MILLER was with how the Tea Party cases were handled and that was part of GRANT's evaluation. MILLER would have liked to have seen more engagement in order to help people move the cases forward. PAZ was in and out on [REDACTED] [REDACTED] and she was new, but this was probably her issue too, along with LERNER. PAZ was very good technically and had good management instincts, but she clearly should have had more controls in place. MILLER feels bad about what happened to her. [REDACTED] had less responsibility in the matter because EO Technical did not work for her. She and her people were stuck in a hard place. Centralizing the inventory was okay, but the

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282B-WF-2896615

Continuation of FD-302 of Interview of Steven Miller, On 11/08/2013, Page 11 of 12

training and guidance they needed was not there and that responsibility was above [REDACTED] MILLER had never heard anything about [REDACTED] being political. MILLER knew the culture of Cincinnati, that it is a conservative place, as discussed in a Joint Committee on Taxation review in 2000 where the Committee interviewed people in Determinations and Examinations. MILLER knew GRANT was a democratic staffer, but he also knew GRANT was careful about his politics.

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MILLER was shown an e-mail dated May 11, 2013 between FLAX and him regarding speaking to MARKS to confirm when MILLER knew about the BOLO. This was right after everything "hit the fan" and he wanted to confirm his recollection of when he knew about the BOLO. MILLER last spoke to MARKS when she left a message after her retirement asking him if it was okay to talk. MILLER said it was probably not a good time. MARKS is a close, personal friend that he saw socially. The last time MILLER spoke to LERNER was when he called her while she was still in Canada after everything happened. MILLER did not socialize with LERNER, but they were good friends. MILLER was on his way home after resigning when FLAX called and asked if she should resign. He told her to get a lawyer and that it was not a good time to talk.

In order to review documents to help with his recollection, he had [REDACTED] review documents to make sure there was no 6103 material included. Then he took copies of the documents to review. The IRS kept the originals and a copy of what he took. He gave a copy of the materials (e-mails, notes, his calendar) to his attorneys. MILLER received the litigation hold from [REDACTED] MILLER did not destroy anything and has no knowledge of anyone else not observing the litigation hold. No one has tried to influence his testimony and he has no knowledge of any obstructive conduct by anyone.

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MILLER reiterated that his understanding of the composition of the group of cases was that they were not all Tea Party or conservative. LERNER told him the group of cases covered the whole political spectrum in February 2012. He had another conversation with LERNER and PAZ where they told him that the 20 to 30 cases they had were not all Tea Party cases. Then when MARKS went to Cincinnati in May 2012 she told him they were not all Tea Party cases and they were not all conservative groups. His understanding was that Cincinnati saw cases with indicia of political activity and needed help. Many of the cases were Tea Party cases. MILLER did not know exactly what cases were in the group. He did not see a list of the cases until 2013, but he did not need to see them. As more information came out like the testimony of screeners and [REDACTED] it went against his understanding of what happened.

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282B-WF-2896615

Continuation of FD-302 of Interview of Steven Miller, On 11/08/2013, Page 12 of 12

MILLER did not recall seeing Sensitive Case Reports (SCRs) on these cases. SCRs might have been sent to [REDACTED] then they would have selected what he saw. MILLER did not remember seeing anything about these cases before 2012. URBAN sent him an e-mail with a SCR so that MILLER could see when he had in fact received it, but MILLER did not remember it. He looked at the SCRs related to the Tea Party cases before a hearing in May 2013 and felt they would have been no help as they did not have many specifics, they did not mention the BOLO, and only a handful of cases were listed.

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MILLER was shown an e-mail dated May 12, 2011 entitled "C4 issue" regarding the Commissioner wanting to know a name of a taxpayer. MILLER did not remember what this e-mail was about.

MILLER did not remember the EMERGE cases other than those cases were about private benefit, not political activity. MILLER had not heard of the

b3 -1

[REDACTED]

The term "rogue," when describing employees from Cincinnati, came from Public Affairs. They put the term "rogue" in his statement. He should not have allowed them to put it in his statement and he should not have said it.

MILLER relied on TIGTA to do the fact finding regarding these cases. Other than the one fact finding trip that MARKS did, MILLER did not do any fact finding, and he should have. That was under-management on his part.

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MILLER read in an interview somewhere that someone sat in on the TIGTA audit interviews. He thought it was [REDACTED]

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FEDERAL BUREAU OF INVESTIGATION

Date of entry 07/02/2014

FEDERAL TAXPAYER INFORMATION

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NIKOLE FLAX, date of birth [redacted] Social Security Account number [redacted] home address [redacted] telephone [redacted] was interviewed at 1400 New York Avenue, 12th Floor, Washington, DC, [redacted] FLAX's attorneys [redacted] were present for the interview. Also present were Department of Justice (DOJ) attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent [redacted] FLAX was shown several documents during the interview. Copies of those documents are included in the 1A section of the file and are referenced below by their bates stamp number or other identifying information. After being advised of the identities of the interviewing Agents and the purpose of the interview, FLAX provided the following information:

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FLAX is a Certified Public Accountant and an attorney. She went to law school in Dallas and worked for a law firm there. She moved to Washington, D.C.(DC) in 2000. She earned her LLM in tax at Georgetown. She then worked for eight years for the Joint Committee on Taxation, a non-partisan group which works with the House and Senate. She worked mainly on employee benefits and health care issues while she was there. In September 2008 she went to the IRS as a Tax Law Specialist (TLS). FLAX worked for [redacted] a former colleague at the Joint Committee on Taxation. [redacted] was the Senior Technical Advisor to the Tax Exempt & Government Entities (TE/GE) Division Commissioner STEVE MILLER. In May 2009 - November 2009, MILLER was the Division Commissioner for the IRS's Large and Mid-Size Business (LMSB) division. In late 2009, MILLER became Deputy Commissioner and [redacted] moved over with MILLER. FLAX followed in April 2010 and served as Acting Senior Technical Advisor. In September 2012 she worked with [redacted] SHULMAN, MILLER, and JONATHAN DAVIS and moved into the position that had been [redacted] From April 2010 through September 2012 FLAX did almost everything MILLER did. She was a liaison between MILLER and anyone who worked for him. He was in meetings all day, so people would go through her to get information to him. Nobody reported to her. In November 2012 she became Chief of Staff. She left that position on 06/03/2013. When she

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Investigation on 11/12/2013 at DC, Washington, United States (In Person)

File # 282B-WF-2896615

Date drafted 11/12/2013

by [redacted]

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282B-WF-2896615

Continuation of FD-302 of FD-302 of Interview of Nikole Flax, On 11/12/2013, Page 2 of 12

was Chief of Staff, the Executive Staff and the Deputy Chief of Staff reported to her. [redacted] served as her Deputy Chief of Staff most of the time, but [redacted] also served in the position.

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In February 2012, she started hearing concerns about the questionnaires received by the Tea Party groups. A letter from Congressman DARRELL ISSA included a lot of questions from his constituents. FLAX attended a meeting with Exempt Organizations (EO) to receive a briefing on the concerns. The House Oversight Committee requested the IRS to come discuss the questionnaires. The normal practice is to have a call with appropriate IRS parties prior to a meeting with Congress, but she cannot recall whether the call occurred in this instance or not. LOIS LERNER and someone from her staff, along with [redacted] from Legislative Affairs, and FLAX met with House Oversight staff members. FLAX does not recall the staff meeting being contentious. Several people were there. A staff member named first name unknown (FNU) [redacted] (phonetic) was there. Republican staff members were there, but she is not sure whether bipartisan staff members were present. Legislative Affairs would have tracked this information.

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Congress was initially confused about what had occurred because EO had the practice of sending questions to taxpayers as part of the examinations process. In this instance, questionnaires were sent by EO Determinations (EOD) as development letters. LERNER told the staff members about a guidesheet they were using or working on. They told Congress they would check on the guidesheet and get back to them on whether they would provide it to Congress or not. The Congressional staff believed a standard questionnaire was going out to everyone, but LERNER told them the questions were different. LERNER said there was a guidesheet to help folks figure out what questions they would need to ask.

FLAX asked LERNER about the guidesheet after the meeting and asked her to see it. It came to light after the meeting that the guidesheet was not finalized. There was a lot of back and forth where she was asking LERNER for information on the guidesheet, applications, the 21-day response time and other questions from the meeting.

In this timeframe there were a few issues to resolve. One was the belief that a standard questionnaire was going out and it contained the donor question. EO said there was not a standard questionnaire. Another issue was that cases sat for around one and one-half years, but when the applicants heard from the IRS they were only given 21 days to respond. All of these topics were probably raised in the staff meeting.

When FLAX asked why the donor question would be appropriate, she was told there could be a private benefit issue. NAN MARKS said that folks thought the donor question was appropriate because the groups might be

14-cv-1239-FBI-267

282B-WF-2896615

Continuation of FD-302 of FD-302 of Interview of Nikole Flax, On 11/12/2013, Page 3 of 12

running money from their 527 organizations through their 501(c)(4) organizations. The IRS' lawyers determined there was authority for the IRS to ask the donor question. FLAX, LERNER, and MILLER decided it was better to ask the donor question only when they really needed the information for the request and maybe not in the initial letter.

LERNER e-mailed with the lawyers in Chief Counsel (Counsel) about the guidesheet. Counsel had issues with it and they went back and forth. FLAX was not involved in the meetings on the guidesheet. LERNER would normally e-mail lawyer JANINE COOK, and lawyer [REDACTED] would e-mail back.

LERNER would forward FLAX the e-mail to show she was pressing Counsel.

COOK e-mailed her to let her know they gave EO their final version of the guidesheet. FLAX's role was to fulfill a direction from MILLER to come up with something Counsel agreed to and EO found helpful. She had no substantive input. EO said Counsel's version was not helpful. FLAX emailed the guidesheet to [REDACTED] in IRS for her review.

[REDACTED] was working on the Affordable Care Act (ACA) at the time, but she had previously worked these issues. She provided pages of suggested changes and comments. FLAX gave up at that time.

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MILLER's reaction to the Capitol Hill discussion about the letters and the guidesheet was that they had to figure out what was going on. The issue received attention in February and March. EO went back to all of the applicants who had received development letters and gave them more time.

MILLER was involved and modified the letters. Applicants were told that if they were asked too much by the IRS, they could work with the IRS to resolve the matter.

The IRS was taking care of the most immediate issues. The big issue was that cases were sitting for up to two years and they had to address it.

In the weeks following the Capitol Hill meeting, LERNER provided FLAX with a history of when the cases came in. Approximately 160 full development letters had gone out. It was clear by this time that the guidesheet was "not going to save the day." MILLER asked MARKS to go out to Cincinnati to do a review with an independent view, because the guidesheet was not going to work for all of the cases. MILLER felt strongly that the cases needed to be moved as quickly as possible. At that time, they knew the advocacy cases had been centralized. FLAX did not think to ask what was in the centralized group.

MARKS was the Senior Technical Advisor to JOSEPH GRANT. LERNER was in charge of EO, but MARKS was sent to Cincinnati because there was a realization that a problem needed to be fixed. There was a significant inventory and overly broad development letters contained donor name questions. There needed to be a new approach to move these cases. The

282B-WF-2896615

Continuation of FD-302 of FD-302 of Interview of Nikole Flax, On 11/12/2013, Page 4 of 12

approach they had been using was not working. MILLER trusted MARKS and he wanted her to provide a different view. LERNER's approach was to be defensive of her program. LERNER thought what her folks were doing to move the cases was appropriate. MILLER wanted to press to see whether the standard response was good enough or whether they should look for another way to do it. FLAX and LERNER argued back and forth about various issues.

FLAX reviewed two e-mails she sent to MILLER on 05/02/2012. In the emails, she was asking whether LERNER should be included in the meeting where MARKS was going to debrief MILLER about the Cincinnati trip on the following day. MILLER said if LERNER asks they could include her, but if not they should not worry about it. LERNER was a strong personality. If she was not in the room, MARKS could get out the message. PAZ may have been in the room and she worked for LERNER. MARKS is a slow talker and talks in detail. If they are both together, LERNER cannot help herself not to "butt in every two minutes." It may have been easier for MARKS to present her briefing without LERNER. LERNER was not defensive to the point of denying errors. She was fine with giving them more time. At the time, LERNER acknowledged her people screwed up and they needed to own it.

On 05/03/2012, MARKS returned from Cincinnati and briefed them. In addition to FLAX, the attendees of the briefing were MILLER, MARKS, JOE URBAN, and maybe others. In her meeting notes, FLAX wrote down inventory numbers. When previously pressing EO to see whether the development letters were the same, they got an idea of the number of cases. They thought these cases were a subset of a bigger group that was stalled.

Going into the meeting, they knew advocacy cases were being centralized. Cases other than Tea Party cases were being centralized. It was not until this meeting that they thought there were more right leaning groups in the centralized group. They had received complaints from Congress about the groups being targeted by development letters and about the way the full development cases were being treated. They had discussions in the IRS about the process for the cases. The advocacy cases were not limited to one group.

At the 05/03/2012 meeting, MARKS briefed that the case was a 2010 case and that a test case approach was being used to develop two cases. MARKS said initially there were 18 cases with Tea Party b3 -1 in the name and people in Cincinnati were working to centralize the cases.

Cincinnati implemented a "Be on the Lookout" (BOLO) list where they included Tea Party, Acorn, and Occupy. MARKS also said LERNER was briefed in June 2011. MARKS said the BOLO changed when LERNER found out about the specific name "Tea Party" being used on the BOLO. After LERNER was briefed in June 2011, they decided to go with the guidesheet approach. In November 2011 a guidesheet was distributed out to people.

282B-WF-2896615

Continuation of FD-302 of FD-302 of Interview of Nikole Flax, On 11/12/2013, Page 5 of 12

At the 05/03/2012 meeting, they discussed other things that had occurred in Cincinnati including who had the idea to put Tea Party in the BOLO, that someone came up with template questions and shared them with his manager, and that the template questions were shared as something that they could use if they wanted to. The BOLO was thought to be a bad idea and EO should discuss it with their folks. They also talked about development letters as there was still agitation regarding the letters. MARKS looked at half of the letters, approximately 80, from each of the different individuals in Cincinnati to get a cross section. MARKS believed there were more letters for conservative groups.

It was clear that MILLER wanted EO to tell Cincinnati that the way this was handled was not right. MILLER wanted EO to take action for the BOLO and the questions and to counsel the folks who were responsible. At the meeting, [REDACTED] was associated with the BOLO. They were told she got moved from the project. The questions were associated with [REDACTED]

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MARKS stated that in January 2012, the BOLO changed back to a policy description which was different than what LERNER had told them to do the prior summer. At the meeting they discussed a new approach for people to change the BOLOs. This meeting was the first time FLAX had heard of the BOLO. She spelled it wrong in her meeting notes. At the time, the BOLO seemed like an issue, but it was not super significant yet. One to two years earlier, they had a lot of negative stories in the press about the Emerge organizations which were not centralized by the IRS and received inconsistent decisions. It did not seem inappropriate to centralize cases by the name at this point. FLAX did not appreciate the significance at the time.

MARKS said TIGTA was involved and that she provided them with all of the information she received. FLAX recalled MILLER's biggest reaction was that they needed to come up with an approach to quickly move cases. There were weekly meetings to report to him about the approvals that needed to go out each week. Her action items were to get updates from HOLLY PAZ on the number of approvals.

Approximately one week after the meeting, MARKS laid out the action plan to bucket cases. Some of the cases would be approved quickly. EO began implementing the plan. FLAX received weekly approval numbers.

Requests for information from Congress, referred to as "Congressionals," were coming in. Congressman Camp's request came in from the Ways and Means Committee. FLAX passed updates along to MILLER.

The Congressionals were all about how the full development cases were being treated. Congress asked whether it was appropriate to ask all of those questions and whether certain questions should have been asked.

14-cv-1239-FBI-270

282B-WF-2896615

Continuation of FD-302 of FD-302 of Interview of Nikole Flax, On 11/12/2013, Page 6 of 12

Congress was not asking how the cases got into the bucket. Responses to the Congressionals became more expansive. For example, in June 2012 they discussed the new approach for cases. They tried to be clear in the responses that they had answered everything asked by Congress. The way cases got into the group seemed like a different subject.

There was a meeting at the end of May 2012 with RUSSELL GEORGE from TIGTA. In addition to herself, she believes the meeting was attended by SHULMAN, DAVIS, [REDACTED] MILLER, [REDACTED]. That is the standard audience. Approximately six representatives from TIGTA were there. The purpose of the meeting was to update many topics. GEORGE said Oversight asked them to look at targeting of the Tea Party, he had seen indications that the words "Tea Party" had been used, and the investigation would be wrapped up in the summer. [REDACTED] from TIGTA was not there. The meeting would have included GEORGE's deputies, and [REDACTED] as head of Investigations. TIGTA asked for all of the Congressionals and she was involved in gathering them. In the summer of 2012 she routed all of her e-mails to TIGTA.

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FLAX reviewed two 06/04/2012 e-mails between herself and LERNER regarding a 05/31/2012 update letter. At this point, they had more information and were discussing a new approach. They had made progress in the cases. Some version of this letter went out to 60 House members. The last three paragraphs of the 4:45 p.m. e-mail are LERNER's suggested revisions which said they should be more specific. The Congressionals to date said that Cincinnati was provided tools and they consulted with EO Technical (EOT). Once MILLER was briefed, it was decided EO should go to Cincinnati for three weeks to train. LERNER wondered if they should be more specific about what had been done and include this type of information. FLAX does not remember any discussion of whether "BOLO stuff" should be put in here or not. The letter was more about how they were working the cases. She and LERNER had an exchange about needing to capture the new stuff, but did not think the issues above were responsive. They knew Oversight told TIGTA to look at this situation so she thought Oversight may know everything TIGTA knew. They had given TIGTA all of the Congressionals and all e-mails.

In June 2012 a formal letter about the audit was sent to FLAX with comments from TIGTA liaison [REDACTED] that it seemed more biased than normal. In the fall, LERNER e-mailed her that TIGTA was looking at the Examinations side questionnaire project, but the questionnaire project was not ready yet. In the fall, TIGTA said the audit was going to be expanded to look at Examinations too. When TIGTA was wrapping up and EO had concerns about their approach, LERNER forwarded her e-mails to FLAX as an FYI.

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282B-WF-2896615

Continuation of FD-302 of FD-302 of Interview of Nikole Flax, On 11/12/2013, Page 7 of 12

TIGTA issued a final draft to the IRS in mid-April. TIGTA gave them a two week response time. Their response was submitted to TIGTA on April 30. The response time is usually a month, but the timeline was shorter in this instance because TIGTA was briefing House Oversight staff. [redacted] told this to [redacted] and the e-mail was forwarded to FLAX. There were also a number of ugly TIGTA reports that were going to come out at the same time. For example, reports were coming out on conferences, executive travel and procurement.

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After seeing the final draft of the TIGTA audit, they thought there may be value in getting the facts out to the practitioner community who understood the law before the audit was released to the political and media communities. There was some discussion of LERNER raising the issue at the Georgetown conference in late April. They decided against it because MILLER thought he would receive a question on the issue at a hearing that week. He was not asked the question at the hearing. They thought they should get the information out there before the story took on a life of its own. Information on some issues that came out publicly was not accurate.

She believed there was some value to getting out the accurate version earlier. FLAX asked LERNER if she was participating in the ABA conference (ABA) and she said yes. FLAX discussed the possibility of LERNER raising the TIGTA audit issue at ABA with Legislative Affairs and media people at the IRS. At that time, she was told the Oversight Committee was being briefed the first week of May and it could not be changed. FLAX does not know whether they were briefed. [redacted] in Legislative Affairs was in contact with Capitol Hill. At the time, she thought the conference issue was the biggest issue. They had a bunch of issues that Capitol Hill was "on them" for.

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LERNER spoke at ABA and her statement was a much bigger deal than anticipated. [redacted] was given a question to ask LERNER at ABA so LERNER could provide her statement in response. They did not think this was unusual. FLAX does not know [redacted] but [redacted] knew LERNER from professional relationships. MILLER was not in the office that day, FLAX was going camping, and LERNER was leaving the country on vacation that afternoon. The press people put together a call with what seemed like 100 people beeping in on the line. Their preparation involved a high level discussion with a lot of people in the room. The media questions were mainly about who knew what when and they were not prepared for that.

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Nobody thought that would be the focus.

Regarding LERNER making the statement, LERNER thought she had nothing to apologize for. Her view was that it was not an apology. LERNER's views were mostly expressed in "rant" e-mails she sent to FLAX to pass to MILLER.

14-cv-1239-FBI-272

282B-WF-2896615

Continuation of FD-302 of FD-302 of Interview of Nikole Flax, On 11/12/2013, Page 8 of 12

FLAX went camping late Friday. She went into the office that weekend on Sunday, Mother's Day, and worked on answering questions. They got ready to brief Capitol Hill. She and MARKS had 10 Capitol Hill meetings on Monday and Tuesday. They were not successful in getting out their message.

On Tuesday night they stayed until 3:00 am to put together Frequently Asked Questions (FAQs) on the website to show that not just Tea Party organizations, but organizations with all different views, were impacted.

On Wednesday, the President asked MILLER to resign.

They had to pin down dates. For example, when DOUG SHULMAN testified, did he know about "targeting." They had a discussion of whether he had been briefed on MARKS' findings when he testified in April. They were working out the timeframe.

FLAX was normally involved in prepping SHULMAN in some regard. She does not recall in particular whether she prepped him for the 03/27/2012 hearing, but she probably would have. She is sure she talked to him in this timeframe about the issue with the letters and the donor names and what they were doing with Capitol Hill. They talked after LERNER's ABA speech and she told him it had blown up. SHULMAN said something like "Lois did it again," and FLAX said it was not LERNER. SHULMAN called her on Saturday to ask when he was told, and when he knew. She knew it was sometime after she and MILLER learned on 05/03/2012 about the BOLO and the way cases were selected for centralization. It was clear that he knew before the meeting with RUSSELL GEORGE from TIGTA at the end of the month.

By the end of May, SHULMAN knew the cases were centralized and how they were centralized, and that there were overly burdensome requests, and that the donor question was used.

She recalls having a conversation with SHULMAN explaining the process and clarifying the confusion. She is not sure whether this conversation was for the hearing or not. She does not know whether she saw his testimony. She probably would have read his comment about "no targeting" in the press. FLAX does not think there was targeting and still thinks that after learning about the BOLO. SHULMAN's comments were not inaccurate. There was no discussion later about making changes or updates to his testimony.

On the Sunday after LERNER's speech, SHULMAN asked FLAX if he could come to the IRS office to look at the TIGTA report because parts of it were being leaked to the press. She told him she did not think she could show him the actual report, but she provided him with some details. On Monday he asked for his Congressionals that he signed. She sent him a public link and referred him to counsel. She later saw SHULMAN at a retirement party for and he said something about MILLER getting "screwed."

b6 -3
b7C -3

282B-WF-2896615

Continuation of FD-302 of FD-302 of Interview of Nikole Flax, On 11/12/2013, Page 9 of 12

For later Appropriations and Ways and Means hearings, SHULMAN said there were no changes to the process. [REDACTED] asked whether centralization was a change, but FLAX did not think it was because they had previously centralized cases, for example in the credit counseling area.

b6 -3
b7C -3

The May 2013 audit report contained generally what FLAX expected TIGTA to address. When she first reviewed it she was not surprised. In May 2012 GEORGE told them the House requested them to look at IRS targeting. She had seen an earlier version of the draft report with all of TIGTA's comments built in. The most surprising thing in the final TIGTA report was the 90 cases TIGTA thought should not have been centralized. She and the IRS disagreed with that.

She and LERNER had different opinions on the audit report. LERNER did not view it as something she needed to apologize for. LERNER's view was that there may have been a mistake, but it was not that big a deal or out of the ordinary. MILLER's view was that unless there was a strong disagreement with TIGTA and a willingness to publicly duke it out, they should apologize. There was back and forth when she and MILLER made edits and LERNER thought they were too strong on the apology part. They ended up with a mutually acceptable version.

The Congressionals did not raise the issue of targeting. They were just asking why they were sending Tea Party groups overly burdensome questionnaires. There was an assumption in the press that the IRS was going out and seeking organizations and giving them a lot of work. She explained to SHULMAN that the organizations came in voluntarily. They had comfort early on that the donor question was not being sent to just Tea Party organizations. The donor question was asked of 29 applicants. Of that number, 15 of the applicants did not have "Tea Party", "9/12", etc. in their names. This donor issue was not the focus of her discussions with SHULMAN.

FLAX asked MARKS why LERNER did not elevate this issue earlier. MARKS did not know, but believed maybe LERNER thought she took care of it. Once they started getting Congressionals on the Tea Party, the question was asked why LERNER did not think to elevate the matter at that time. LERNER did not work for her, so it was not her place to ask why she did not elevate the matter. She does not know whether LERNER's bosses asked her why she did not elevate the issue. FLAX expressed frustration to MILLER when he was asked to resign.

FLAX reviewed a document titled "Ways & Means Oversight Hearing Tax Exempt Organizations," dated 07/11/2012 (IRS11.7.2013-000010 - IRS11.7.2013-000018). This is from a hearing binder EO put together for MILLER. The outline in the document is the way MILLER likes to brief

14-cv-1239-FBI-274

282B-WF-2896615

Continuation of FD-302 of FD-302 of Interview of Nikole Flax, On 11/12/2013, Page 10 of 12b6 -3
b7C -3

everything that could possibly come up in the EO world. Questions 32-37 have notations "Nikole to handle" written by [REDACTED] who was someone new in MILLER's office. MILLER was trying to get [REDACTED] to handle hearing preparation, but she needed help on some things.

There was never a thought of needing to change what SHULMAN said. This 07/11/2012 hearing was an opportunity to say the cases were starting to move and cases without legal issues would go out quickly. Centralization and the BOLO were different issues to her. They did not discuss these issues in this context. Even now, they do not know whether approximately 70 cases with Tea Party in their names were selected because of their names or because they did it the right way.

ACORN and Occupy were included on the BOLO to channel them into the advocacy group. PAZ circulated the right BOLO language to use going forward and said this would include ACORN and Occupy on the list. When FLAX wrote BOLO in her meeting notes she wrote things like "Tea Party, ACORN, Occupy" but she did not know how they were really different.

FLAX never participated in TIGTA interviews. She heard PAZ had because Oversight made a big deal about it.

FLAX identified a handwritten document titled "Discussion of Application C4 Issue" as MILLER's notes from April 2013. MILLER drafted this document after he received the final TIGTA draft. He put the document together for the hearings. She looked at the notes and gave LERNER a copy when they thought she was going to speak at Georgetown.

FLAX reviewed an e-mail MILLER sent her on 04/18/2013 regarding LERNER in which he wrote, "She can apologize for undermanaging." She agrees that LERNER undermanaged. MILLER's view was that they had to get cases moving. She does not know what he was going to do on the LERNER issue. MILLER and LERNER worked together for many years and were close. He may have dealt with LERNER without FLAX's involvement. She believes LERNER undermanaged because cases should not sit for two years without a system where a red flag goes up when cases sit for so long. Also, LERNER should have raised the issue earlier.

FLAX likes LERNER a lot. She would call LERNER and say, "I know you are going to scream about this. Call me back and we can discuss later." The biggest priority was getting cases moving. At meetings, LERNER had a hard time keeping her mouth shut. She cannot believe LERNER "took the 5th" because "she loves to talk."

FLAX asked whether having just one executive over EO was enough. Many high profile activities and approximately one-third of IRS Congressionals

14-cv-1239-FBI-275

282B-WF-2896615

Continuation of FD-302 of FD-302 of Interview of Nikole Flax, On 11/12/2013, Page 11 of 12

relate to EO issues.

In an e-mail FLAX sent to MILLER on 05/11/2013, she was just trying to figure out the timeframe of when the meeting was with MARKS. She said MARKS was so wonderful because she was totally responsive. MARKS worked all weekend to pull stuff together. They thought that when everyone had the facts, they would understand there was no targeting. The 05/12/2013 e-mail from MARKS to FLAX with the subject line "Re: Confirmation" reflects them scrambling to collect information.

An e-mail chain on Wednesday 05/15/2013 from PAZ to FLAX and [redacted] was sent when LERNER was out of the country. Starting on the previous Sunday, PAZ and MARKS were the top people trying to get information from EO. FLAX would go back to them to confirm the facts. PAZ was doing everything she could to clean up the mess. PAZ asked a question about why Cincinnati was being disciplined when they did not give them better guidance. PAZ stood up for people. Up until the end she did everything she could. PAZ had been on [redacted] and walked into this mess. She was a brand new executive with a huge problem.

b6 -3
b7C -3

FLAX has not spoken to PAZ since May. Her discussions with PAZ were more transactional. PAZ was out on [redacted] twice. [redacted] was acting for her once. FLAX has not interacted with [redacted] on this issue.

b6 -3
b7C -3

[redacted]
[redacted] She saw MILLER in September when a mutual friend was sworn in as a judge. They went to happy hour later with a group, but they did not discuss this issue. When she and MILLER were together at work after this issue arose, they had someone else in the room. MILLER sent FLAX a card when her relative died and they have had a handful of similar contacts. They have had no discussions of these issues.

Sensitive Case Reports (SCRs) are done within divisions. Divisions send SCRs up to the Deputy Commissioner's office for issues which involve famous people and receive media attention. She received some SCRs, and then [redacted] took over and received them. FLAX does not recall seeing SCRs in this timeframe, but she has seen them later through Congress. She pulled them six months ago when the SCR topic came up through Congress. Upon reviewing an e-mail she received on 08/05/2010 and an attached SCR for [redacted]

b3 -1
b6 -3
b7C -3

[redacted] nothing stood out to her. There were no flags when she received the SCRs in May. It was right for them to flag these. It does not say they were picked because of their names. When she received SCRs, she would brief them up to MILLER if they were worth mentioning. The only SCR she recalls briefing to MILLER involved one particular person who was a Governor or something. Every SCR is high profile. She would not elevate

282B-WF-2896615

Continuation of FD-302 of FD-302 of Interview of Nikole Flax, On 11/12/2013, Page 12 of 12

any of these to the Commissioner's office. She does not recall ever raising anything to the Commissioner as a policy. She does not know whether MILLER would elevate an SCR if he received one.

[REDACTED] is in this mix. There were two organizations EO was close to saying "no" to and they were one of them. Her office said they should make sure Counsel was involved. At one point PAZ talked publicly about general EO stuff and it was incorrectly reported that she was talking about [REDACTED] FLAX was not involved in any conversations about the merits of the applications.

b3 -1

FLAX heard about the [REDACTED] when questions were raised about it in the May 2013 timeframe. MARKS told her she saw something about the foundation and they made a referral to TIGTA. FLAX had no further involvement.

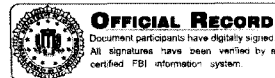
b3 -1

FLAX generally has a little notebook to write lists. For meetings, she may use a legal pad and put notes into files. She left a whole box of 501(c)(4) information at the IRS when she changed jobs. Her notes should be there in one of the general 501(c)(4) files. When the litigation hold was issued, she went through the 501(c)(4) box. She has one big file on the TIGTA report. She told Counsel where the box was located in the office space of the Deputy Chief of Staff. She provided them the TIGTA file. The IRS made copies and put the documents back in the box. The IRS lawyers called her a few weeks ago and said they found the box of 501(c)(4) stuff. They were going to have someone look at it. They copied her laptop at home and her desktop. She did not cull out any particular documents or emails. She maintained copies of her notes.

She has no evidence of anyone not complying with the litigation hold. Nobody inappropriately tried to influence her interview or her Congressional testimony. She was not aware of any obstructive conduct. She has never witnessed or had reason to believe viewpoint discrimination was involved in any of the actions regarding these applicants. In May 2012 when the process came to light, nobody ever thought there were any decisions based on political motivation. The incoming inventory was lopsided because of the groups who applied.

FLAX shared a draft of the TIGTA report with the Deputy Chief of Staff at Treasury. Chief of Staff [REDACTED] and GEORGE had a conversation and GEORGE said it was okay to provide a copy. Counsel's office told her to send GEORGE an e-mail that she was going to send a copy to Treasury unless he objected. He did not object and she sent the report in April. A meeting was held with Treasury and media staff.

b6 -3
b7C -3



FEDERAL BUREAU OF INVESTIGATION

Date of entry 06/13/2013

[redacted] Internal Revenue Service (IRS) Senior Technical Advisor to the Director of Exempt Organizations (EO), born [redacted] social security account number [redacted] telephone number [redacted] [redacted] residing at [redacted] was interviewed in the offices of the Treasury Inspector General for Tax Administration (TIGTA), located at 1401 H Street NW, Washington, D.C. 20005, on May 29, 2013, at approximately 3:00 P.M. EST. [redacted] was accompanied and represented by her attorney [redacted] Washington, D.C. 20005, telephone number [redacted]

b6 -2,3,4
b7C -2,3,4

Those present for the interview were FBI Special Agent (SA) [redacted] [redacted] TIGTA Special Agent [redacted] and Assistant United States Attorney (AUSA) [redacted]

b6 -1,4
b7C -1,4

b6 per CRM
b7C

After being advised of the identities of the interviewing Agents and AUSA, SA [redacted] provided [redacted] and her attorney with TIGTA Form OI 8115, Attorney Representation Agreement, for review. [redacted] and her attorney signed and dated the form, as witnessed by Special Agents [redacted] and [redacted]

b6 -1,2,4
b7C -1,2,4

SA [redacted] then read aloud TIGTA Form OI 5320, Non-Custodial Advisement of Rights, and provided the form to [redacted] for review. At approximately 3:05 P.M., [redacted] signed and dated the form, as witnessed by Special Agents [redacted] and [redacted] AUSA [redacted] reiterated to [redacted] that the interview was voluntary and she could stop the interview or leave at any time [redacted] acknowledged that she understood. The original Attorney Representation Agreement and Non-Custodial Advisement of Rights will be maintained in a 1A envelope and made part of the FBI case file.

b6 per CRM
b7C

[redacted] then voluntarily provided the following information:

[redacted] started working for the IRS in January of 2011 as a Senior Technical Advisor to the Director of EO. She reported to LOIS LERNER. As Senior Technical Advisor [redacted] manages cases being worked with possible adverse determinations. [redacted] advised that the EO Director has three Senior Technical Advisor positions, none of which are in a direct management line. [redacted] was tasked by LERNER to work on three things: the college and

b6 -2
b7C -2

Investigation on 05/29/2013 at Washington, District Of Columbia, United States (In Person)

File # 282-WF-0-TAINT

Date drafted 06/04/2013

by [redacted]

b6 -1
b7C -1

282-WF-0-TAINT

b6 -2
b7C -2

Continuation of FD-302 of Interview of [REDACTED], On 05/29/2013, Page 2 of 3

universities project; the strategic planning process and working group; and automatic revocations, whereby organizations automatically lose their exempt status. [REDACTED] has never had a supervisory role or managed any employees.

b6 -2
b7C -2

Regarding her interview by TIGTA auditors concerning the Tax-Exempt Applications audit, [REDACTED] stated that she did not have any objections to the interview, and did not have any concerns about the questions being asked. [REDACTED] stated she voluntarily participated in the interview. In addition to the auditors, HOLLY PAZ, the Director of Rulings and Agreements, was present during [REDACTED] interview.

b6 -2
b7C -2

[REDACTED] does not believe she discussed her interview with anyone.

Other than her own interview, [REDACTED] only other interaction with the auditors was when she sat in on the their interview of [REDACTED] which she did by telephone. [REDACTED] advised that PAZ sat in on almost all of the auditor interviews, but could not sit in on [REDACTED] interview due to personal reasons related to her children. Therefore, [REDACTED] called into [REDACTED] interview, and with the exception of introducing herself, did not speak. [REDACTED] took notes on her computer, which she then gave to PAZ and no one else. [REDACTED] commented that she still has the [REDACTED] notes on her computer, which are about one and one-half pages. [REDACTED] interview with the auditors took place in Cincinnati, but [REDACTED] is not sure how the interview was set up. [REDACTED] believes [REDACTED] voluntarily participated in his interview [REDACTED] had no conversations with [REDACTED] before or after his interview, and has never met [REDACTED] in person.

b6 -2,3
b7C -2,3

[REDACTED] had no role in setting up the auditor interviews. At no time did [REDACTED] have any subordinates.

[REDACTED] has no specific memory of discussing the auditor interviews with anyone. If she did, it would have been in passing and nothing substantive, such as the time of an interview.

b6 -2,3
b7C -2,3

[REDACTED] has no memory of the auditors telling her about the content of any other IRS employee's interview.

Other than [REDACTED] did not learn of any other employee's statement to the auditors.

[REDACTED] has read a draft version of the auditor's report and a draft timeline from the report, but did not see any other related internal documents. [REDACTED] has watched some of the testimony on the hill, to include that of STEVE MILLER and the Inspector General, and LOIS LERNER. [REDACTED] has been following the related media reports.

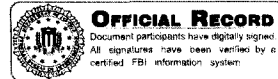
b6 -2
b7C -2

282-WF-0-TAINT

Continuation of FD-302 of Interview of [REDACTED], On 05/29/2013, Page 3 of 3

At the conclusion of the interview, SA [REDACTED] provided [REDACTED] and her attorney with signed copies of the Attorney Representation Agreement and Non-Custodial Advisement of Rights.

b6 -1,2
b7C -1,2



FEDERAL BUREAU OF INVESTIGATION

Date of entry 06/13/2013

[redacted] aka [redacted] Internal Revenue Service (IRS) Tax Law Specialist, born [redacted] social security account number [redacted] home telephone number [redacted] residing at [redacted] [redacted] was interviewed in the offices of the Treasury Inspector General for Tax Administration (TIGTA), located at 1401 H Street NW, Washington, D.C. 20005, on May 30, 2013, at approximately 10:00 A.M. E.ST. b6 -2 b7C -2 b6 -1,4 b7C -1,4

Those present for the interview were FBI Special Agent (SA) [redacted] [redacted] TIGTA Special Agent [redacted] and Assistant United States Attorney (AUSA) [redacted] b6 per CRM b7C

After being advised of the identities of the interviewing Agents and AUSA, SA [redacted] provided [redacted] with IRS Form 8111, Employee Notification Regarding Union Representation, for review. [redacted] commented that he called the union, but never got a reply. [redacted] stated the he still wanted to go forward with the interview without a union representative. [redacted] then signed and dated the form. b6 -1,2 b7C -1,2 b6 -1,2,4 b7C -1,2,4

SA [redacted] then read aloud TIGTA Form OI 5320, Non-Custodial Advisement of Rights, and provided the form to [redacted] for review. At approximately 10:10 A.M., [redacted] signed and dated the form, as witnessed by Special Agents [redacted] and [redacted]. AUSA [redacted] reiterated to [redacted] that the interview was voluntary and he could stop the interview or leave at any time. [redacted] acknowledged that he understood. The original Employee Notification Regarding Union Representation and Non-Custodial Advisement of Rights will be maintained in a 1A envelope and made part of the FBI case file. b6 CRM b7C b6 -2 b7C -2

[redacted] then voluntarily provided the following information:

[redacted] has worked for the IRS for last [redacted] with the exception of two years where he served in the U.S. Army after being draft for the Vietnam War. He is retiring on [redacted] and plans to split his time between his residence in Greenbelt, MD and Austin, TX. [redacted] mentioned that his girlfriend, [redacted] resides in Austin, TX at [redacted] b6 -2,3 b7C -2,3

[redacted] is currently a Tax Law Specialist in the Exempt Organizations (EO)

Investigation on 05/30/2013 at Washington, District Of Columbia, United States (In Person)

File # 282-WF-0-TAINT Date drafted 06/03/2013

by [redacted] b6 -1 b7C -1

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282-WF-0-TAINT

Continuation of FD-302 of Interview of [REDACTED], On 05/30/2013, Page 2 of 3

b6 -2
b7C -2

Technical Unit, and unlike most of his colleagues, he is not lawyer. [REDACTED] works cases that are assigned to him, typically that come in from Cincinnati. He is an expert in 501(c)(3) and 501(c)(4) organizations and sends out information letters to organizations to determine if they are exempt under 501(c)(3) and 501(c)(4). [REDACTED] reports to EO Technical Manager [REDACTED] and has done so for the last four to five years. [REDACTED] does not supervise anyone, and has had the same job since 2010.

b6 -2,3
b7C -2,3

Regarding his interview by TIGTA auditors concerning the Tax-Exempt Applications audit, [REDACTED] stated that his interview took place at the IRS's 999 North Capital Street location. He believes [REDACTED] may have told him about the interview. [REDACTED] did not have any objections to participating in the interview, and did not have any concerns about answering the auditor's questions. He was a little nervous, but had nothing to hide. [REDACTED] believed the interview was voluntary, but added that [REDACTED] asked [REDACTED] to do it. Other than the auditors, the only other person present during [REDACTED] interview was HOLLY PAZ. PAZ did not say anything during the interview, and left just before the end of the interview.

b6 -2,3
b7C -2,3

Other than his interview, [REDACTED] had no other contact with the auditors.

b6 -2
b7C -2

[REDACTED] had no role in setting up the auditor interviews, nor did he sit in on any of the other IRS employee interviews. [REDACTED] and several of the other employees were aware that TIGTA was there, but they were not sure who was being interviewed.

b6 -2
b7C -2

The auditors never told [REDACTED] about the content of any other IRS employee's interview.

After his interview, [REDACTED] may have talked to other employees about it, but it would have been very general in nature, nothing specific. The employees would likely have been people in his unit, and no one in particular. [REDACTED] commented that he talks to everyone in the office and everyone knows him.

b6 -2
b7C -2

[REDACTED] never learned what other employees told the auditors in their respective interviews.

[REDACTED] has read the publically available auditor's report, but never saw a draft report or any other internal document related to the audit. [REDACTED] has seen media clips of some testimony on the hill from the highlights on the news, to include clips of LOIS LERNER pleading the 5th, STEVE MILLER, DOUG SHULMAN and the Inspector General. [REDACTED] has been following the related media reports.

b6 -2
b7C -2

At the conclusion of the interview, SA [REDACTED] provided [REDACTED] with

b6 -1,2
b7C -1,2

282-WF-0-TAINT

Continuation of FD-302 of Interview of , On 05/30/2013, Page 3 of 3

signed copies of the Employee Notification Regarding Union Representation and Non-Custodial Advisement of Rights.



FEDERAL BUREAU OF INVESTIGATION

Date of entry 06/13/2013

HOLLY PAZ, Internal Revenue Service (IRS) Director of Exempt Organizations (EO) Rulings & Agreements, born [redacted] home telephone number (301) [redacted], residing at [redacted] was interviewed in the offices of the Treasury Inspector General for Tax Administration (TIGTA), located at 1401 H Street NW, Washington, D.C. 20005, on May 30, 2013, at approximately 2:30 P.M. EST. PAZ was accompanied and represented by her attorney, [redacted] LOCKE LORD LLP, 701 8th Street NW, Suite 700, Washington, D.C. 20001, telephone number [redacted] and his intern [redacted]

b6 -2,3,4
b7C -2,3,4

b6 -1,4
b7C -1,4

Those present for the interview were FBI Special Agent (SA) [redacted] TIGTA Special Agent [redacted] and Assistant United States Attorney (AUSA) [redacted]

b6 per CRM
b7C

After being advised of the identities of the interviewing Agents and AUSA, SA [redacted] provided PAZ and her attorney with TIGTA Form OI 8115, Attorney Representation Agreement, for review. PAZ and her attorney signed and dated the form, as witnessed by Special Agents [redacted] and [redacted]

b6 -1,4
b7C -1,4

SA [redacted] then read aloud TIGTA Form OI 5320, Non-Custodial Advisement of Rights, and provided the form to PAZ for review. At approximately 2:34 P.M., PAZ signed and dated the form, as witnessed by Special Agents [redacted] AUSA [redacted] reiterated to PAZ that the interview voluntary and she could stop the interview or leave at any time. PAZ acknowledged that she understood. The original Attorney Representation Agreement and Non-Custodial Advisement of Rights will be maintained in a 1A envelope and made part of the FBI case file.

b6 -1,4
b7C -1,4

b6 per CRM
b7C

PAZ then voluntarily provided the following information:

Concerning PAZ's employment history, PAZ provided Agents with a document titled "Timeline of Employment at the IRS." Attached to this document were two other documents - one titled "Organizational Information" and one titled "Exempt Organizations Determinations". All three documents will be maintained in a 1A envelope and made part of the FBI case file.

As Director of EO Rulings & Agreements, PAZ oversees four senior

Investigation on 05/30/2013 at Washington, District Of Columbia, United States (In Person)

File # 282-WF-0-TAINT Date drafted 06/03/2013

by [redacted]

b6 -1
b7C -1

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282-WF-0-TAINT

Continuation of FD-302 of Interview of Holly Paz, On 05/30/2013, Page 2 of 4

managers in EO:

1. [REDACTED] Senior Manager, EO Determinations, whose unit processes applications for exemption;
2. [REDACTED] Senior Manager, EO Technical, whose unit handles complex applications and Private Letter Ruling requests;
3. [REDACTED] Senior Manager, EO Guidance, whose unit develops guidance for Treasury and the web site; and
4. [REDACTED] Senior Manager, Determinations Quality Assurance, whose unit reviews the quality of work of the Determinations Unit.

b6 -3
b7C -3

PAZ reported to EO Director LOIS LERNER, and now reports to Acting EO Director [REDACTED]. Until recently, PAZ has always reported to LERNER. All four of PAZ's senior managers have been the same, to include [REDACTED] who was acting manager before he was made permanent manager.

b6 -3
b7C -3

PAZ has always worked in D.C. for the IRS. Her current office is located at 999 North Capital Street, Washington, D.C.

PAZ's interaction with the auditors can be categorized into four groups: her own interview, employee interviews that she scheduled, employee interviews that she sat in on, and discussions regarding the audit report.

Regarding her interview by TIGTA auditors concerning the Tax-Exempt Applications audit, PAZ stated that she did not have any objections to the interview, and did not have any concerns about the questions being asked. PAZ stated she voluntarily participated in the interview. Other than the auditors, no one else was present during her interview.

Regarding her scheduling of employee interviews for the auditors, PAZ stated that she was TIGTA's point of contact (POC) for this audit and interacted with them via telephone, e-mail, and in-person to schedule interviews. During this process, PAZ did not have any objections or concern, and conducted her work voluntarily. TIGTA Auditor [REDACTED] contacted PAZ in July of 2012 with a list of employee names or job positions for those individuals that the auditors were interested in interviewing. In those instances where a job position was listed, and not an employee's name, PAZ reached out to the appropriate parties to get the actual name of the employee that held that specific position and provided those names to the auditors. PAZ then coordinated the interviews of employees in both D.C. and Cincinnati by emailing dates of availability back-and-forth with auditors. Once the dates were agreed upon, PAZ scheduled the times of the interviews and provided them to the auditors. PAZ also found conference rooms in D.C. and Cincinnati for the interviews to take place. PAZ scheduled about twenty employees to be interviewed by the auditors, including her. In general, PAZ contacted the employees for

b6 -4
b7C -4

282-WF-0-TAINT

Continuation of FD-302 of Interview of Holly Paz, On 05/30/2013, Page 3 of 4

their respective interviews by emailing their senior manager or intermediate manager. On some occasions, PAZ directly contacted the employees. Specifically, for interviews in D.C., PAZ may have talked to those employees directly or went through a manager, although PAZ cannot recall whom. For interviews in Cincinnati, particularly for those in the Determinations Unit, PAZ went through [REDACTED] or whoever was acting for [REDACTED] in Cincinnati while she was on leave. In scheduling the interviews by email, PAZ recalled stating in the emails to employees that TIGTA was doing an audit concerning the handling of 501(c)(3) and 501(c)(4) applications, and wanted to interview them regarding the same. PAZ does not recall saying anything further in the emails. PAZ did not receive any feedback or questions from employees during the interview scheduling process. These interviews were set up two to three weeks in advance. PAZ is not aware of any employee who consulted an attorney or union representative during the scheduling of these interviews. PAZ is not aware of any employee who objected to scheduling their interview; all employees participated. No employee declined to be interviewed. PAZ is not aware of any employee who had concerns about scheduling their interview. PAZ never told any employee that they had to participate in an interview. PAZ did not discuss consequences with any employee if they declined to be interviewed.

b6 -2,3
b7C -2,3

Regarding the employee interviews that PAZ sat in on, PAZ stated that LERNER asked TIGTA if PAZ could be present for the interviews so that she could later respond to the audit report. TIGTA agreed and allowed PAZ to be present during the interviews, during which PAZ took notes, but did not speak. PAZ sat in on the majority of the interviews in D.C. and Cincinnati, about eighteen. PAZ maybe missed two interviews due to scheduling conflicts - the interview of [REDACTED] in D.C. and the interview of [REDACTED] in Cincinnati. PAZ stated that no one replaced her for the interview of [REDACTED] but [REDACTED] replaced her via telephone for the interview of [REDACTED]. The auditors began each interview by providing the employee with an explanation of the audit. The auditors did not tell any employee that they had to participate in the interview, or discuss consequences if the employee did not talk to them. At the end of each interview, PAZ had to leave so the employee was alone with the auditors. PAZ never found out what any employee told auditors after she left. PAZ does not recall the auditors telling any employee about statements made by another employee in their interview. During the interviews, no employee objected to the interview or expressed concern about the questions being asked. No employee asked for an attorney or union representative. No employee refused to answer any questions. No employee asked to stop the interview.

b6 -2,3
b7C -2,3

PAZ took handwritten notes during the employee interviews, which she still has. PAZ never prepared a formal report based on her notes. PAZ did discuss her notes with LERNER while they were reviewing the facts in the

282-WF-0-TAINT

Continuation of FD-302 of Interview of Holly Paz, On 05/30/2013, Page 4 of 4

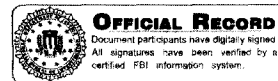
draft audit report, and specifically, looking for inaccuracies in the report. NAN MARKS was also involved in these discussions. Other than with LERNER and MARKS, PAZ did not share the results of the employee interviews with anyone.

Regarding her interactions with the auditors regarding the audit report, PAZ had multiple discussions with them prior to the issuance of the formal report, to include the Opening Conference, then the "walk through" in Cincinnati. During these interactions, PAZ stated that she did not have any objections or concerns, and that all contacts she had with the auditors were voluntary.

PAZ has read the publically available auditor's report, as well as drafts of the report, but did not see any other related internal documents. PAZ has watched pieces of testimony on the hill, to include the first hearing with STEVE MILLER and RUSSELL GEORGE, last Wednesday's testimony by DOUG SHULMAN, and recent testimony by GEORGE and someone from main Treasury. PAZ has been following the related media reports.

At the conclusion of the interview, SA provided PAZ and her attorney with signed copies of the Attorney Representation Agreement and Non-Custodial Advisement of Rights.

b6 -1
b7C -1



FEDERAL BUREAU OF INVESTIGATION

Date of entry 06/13/2013

[redacted] Internal Revenue Service (IRS) Supervisory Tax Law Specialist and Manager in Exempt Organizations (EO) Technical, born [redacted] social security account number [redacted] home telephone [redacted] number [redacted] residing at [redacted] was interviewed in the offices of Treasury Inspector General for Tax Administration (TIGTA), located at 1401 H Street NW, Washington, D.C. 20005, on May 30, 2013, at approximately 4:30 P.M. E.ST. [redacted] was accompanied and represented by his attorney, [redacted] Washington, D.C. 20036.

b6 -2,3,4
b7C -2,3,4

Those present for the interview were FBI Special Agent (SA) [redacted] TIGTA Special Agent [redacted] and Assistant United States Attorney (AUSA) [redacted]

b6 -1,4
b7C -1,4
b6 CRM
b7C

After being advised of the identities of the interviewing Agents and AUSA, SA [redacted] provided [redacted] and his attorney with TIGTA Form OI 8115, Attorney Representation Agreement, for review. [redacted] and his attorney signed and dated the form, as witnessed by Special Agents [redacted]

b6 -1,2,4
b7C -1,2,4

SA [redacted] then read aloud TIGTA Form OI 5320, Non-Custodial Advice of Rights, and provided the form to [redacted] for review. At approximately 4:35 P.M., [redacted] signed and dated the form, as witnessed by Special Agents [redacted] and [redacted] AUSA [redacted] reiterated to [redacted] that interview was voluntary and he could stop the interview or leave at any time. [redacted] acknowledged that he understood. The original Attorney Representation Agreement and Non-Custodial Advisement of Rights will be maintained in a 1A envelope and made part of the FBI case file.

b6 -1,2,4
b7C -1,2,4
b6 per CRM
b7C
b6 -2
b7C -2

[redacted] then voluntarily provided the following information:

[redacted] has had two careers with the IRS - [redacted] through [redacted] and [redacted] to present. He is currently a Supervisory Tax Law Specialist and front line manager in EO Technical. Eight employees report to [redacted] as follows: [redacted]

b6 -2,3
b7C -2,3

Investigation on 05/30/2013 at Washington, District Of Columbia, United States (In Person)

File # 282-WF-0-TAINT

Date drafted 06/03/2013

by [redacted]

b6 -1
b7C -1

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282-WF-0-TAINT

Continuation of FD-302 of Interview of [REDACTED], On 05/30/2013, Page 2 of 3

b6 -2,3
b7C -2,3

[REDACTED] EO Technical deals with applications for tax exemption and issues Private Letter Rulings. [REDACTED] has been a supervisor since June of 2008. His office is located in Washington, D.C. [REDACTED] reports to EO Technical Manager [REDACTED] who has been in this role a couple years.

Regarding his interview by TIGTA auditors concerning the Tax-Exempt Applications audit, [REDACTED] stated that his interview took place in a conference room of the IRS's 990 North Capital Street location in D.C. [REDACTED] did not have any objections to the interview, and did not have any concerns about the questions being asked. [REDACTED] stated that the interview was absolutely voluntary. Other than the auditors, the only other person present during [REDACTED] interview was HOLLY PAZ. She was present the entire time. [REDACTED] recalled PAZ telling him that the auditors "were here today and may or may not want to see you." PAZ then came by and told [REDACTED] that the auditors wanted to speak with him. PAZ did not say that [REDACTED] had to talk to them, but [REDACTED] commented, "she's my boss." This interview was the only interaction that [REDACTED] had with the auditors, other than providing a Significant Case Report to the auditors, as requested.

b6 -2
b7C -2

[REDACTED] does not recall having any role in setting up employee interviews with the auditors, nor did he sit in on any of the other employee interviews.

b6 -2
b7C -2

[REDACTED] knows [REDACTED] was interviewed by auditors, but not sure who set it up. [REDACTED] does not recall having conversations with [REDACTED] about scheduling his interview with auditors, or that [REDACTED] had to participate in an interview with auditors.

b6 -2,3
b7C -2,3

[REDACTED] did tell others about a question the auditors asked [REDACTED] during his interview, which was "what did they call advocacy cases before", to which [REDACTED] responded, "Tea Party cases." [REDACTED] believes he mentioned this to [REDACTED] and maybe some others, but no one in particular stands out. [REDACTED] also told [REDACTED] about the Tea Party question that auditors asked him [REDACTED]. Other than [REDACTED] [REDACTED] does not remember having discussions with any other employee about their interview with auditors.

b6 -2,3
b7C -2,3

[REDACTED] does not recall the auditors telling him about the content of any other IRS employee's interview.

b6 -2
b7C -2

[REDACTED] has read the publically available auditor's report, but did not see any drafts of the report or any other related internal documents.

282-WF-0-TAINT

Continuation of FD-302 of Interview of [REDACTED], On 05/30/2013, Page 3 of 3

b6 -2
b7C -2

He watched a little of the testimony on the hill, specifically about ten to fifteen minutes of testimony by STEVE MILLER and DOUG SHULMAN. He has also followed some of the media reporting, including the newspapers.

At the conclusion of the interview, SA [REDACTED] provided [REDACTED] and his attorney with signed copies of the Attorney Representation Agreement and Non-Custodial Advisement of Rights.

b6 -1,2
b7C -1,2



FEDERAL BUREAU OF INVESTIGATION

Date of entry 06/14/2013

[redacted] Internal Revenue Service (IRS) Manager of the [redacted] Unit, born [redacted] social security account number [redacted] work telephone number [redacted] cellular telephone number [redacted] residing at [redacted] [redacted] was interviewed in the offices of the Treasury Inspector General for Tax Administration (TIGTA), located at 1401 H Street NW, Washington, D.C. 20005, on May 31, 2013, at approximately 10:00 A.M. EST.

b6 -2
b7C -2

b6 -1,4
b7C -1,4

Those present for the interview were FBI Special Agent [redacted] [redacted] TIGTA Special Agent [redacted] and Assistant United States Attorney (AUSA) [redacted]

b6 CRM
b7C

After being advised of the identities of the interviewing Agents and AUSA, SA [redacted] read aloud TIGTA Form OI 5320, Non-Custodial Advisement of Rights, and provided the form to [redacted] for review. At approximately 10:01 A.M., [redacted] signed and dated the form, as witnessed by Special Agents [redacted] and [redacted] AUSA [redacted] reiterated to [redacted] that the interview was voluntary and he could stop the interview or leave at any time. [redacted] acknowledged that he understood. The original Non-Custodial Advisement of Rights will be maintained in a 1A envelope and made part of the FBI case file.

b6 -1,2,4
b7C -1,2,4

b6 per CRM
b7C

[redacted] then voluntarily provided the following information:

b6 -2
b7C -2

[redacted] has been the Manager of [redacted] since 2007 or 2008, and acting Manager before that. [redacted] explained that EO Guidance develops revenue rulings, notices, and announcements to the public, and reviews IRS publications to make sure they are correct. [redacted] reports to the Director of Rulings and Agreements, HOLLY PAZ. Prior to 2010, ROB CHOI was the Director of Rulings and Agreements. PAZ worked for [redacted] at some point as a manager. [redacted] currently has two managers that report to him - EO Guidance Group I Manager [redacted] and EO Guidance Group II Manager [redacted] [redacted] stated that his Group Managers have changed since 2010. These Group Managers have approximately six people who report to each of them.

b6 -2,3
b7C -2,3

[redacted] was appointed Acting Director of Rulings and Agreements from

b6 -2
b7C -2

Investigation on 05/31/2013 at Washington, District Of Columbia, United States (In Person)

File # 282-WF-0-TAINT Date drafted 06/06/2013

by [redacted]

b6 -1
b7C -1

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282-WF-0-TAINT

Continuation of FD-302 of Interview of [REDACTED], On 05/31/2013, Page 2 of 2

b6 -2
b7C -2

[REDACTED] October of 2011 through January or February of 2012. During that time, [REDACTED] (sp) assumed [REDACTED] role as Manager of EO Guidance.

b6 -2
b7C -2

Regarding his interview by TIGTA auditors concerning the Tax-Exempt Applications audit, [REDACTED] stated that his interview took place at the IRS's 999 North Capital Street location in D.C. [REDACTED] did not have any objections to the interview, and did not have any concerns about the questions being asked. [REDACTED] stated that he participated in the interview voluntarily. [REDACTED] does not remember anyone else being present in his interview, other than the auditors. This interview was the only interaction that [REDACTED] had with the auditors, other than forwarding an email to them, as they requested.

[REDACTED] had no role in setting up employee interviews with the auditors, nor did he sit in on any of the employee interviews. At that time, [REDACTED] two Group Managers were [REDACTED] and an Acting Group I Manager, who could have been [REDACTED]

b6 -2,3
b7C -2,3

Either PAZ or the front office would have set up [REDACTED] interview with the auditors, and it could have been a calendar invite, but he does not remember the details.

[REDACTED] does not know if any other EO Guidance people were interviewed by the auditors. [REDACTED] did not discuss any employee's pending interview with the auditors.

b6 -2
b7C -2

[REDACTED] does not recall the auditors telling him about the content of any other IRS employee's interview.

[REDACTED] did not learn about what other employees told the auditors.

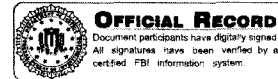
b6 -2
b7C -2

[REDACTED] does not think he told any other employees about his interview with auditors, but may have emailed "donor development letters" to PAZ that the auditors requested from him during his interview.

[REDACTED] has read the publically available auditor's report and was forwarded a draft copy of the report with responses to the auditors. He did not see any other related internal documents. He watched small pieces of the testimony on the hill, namely STEVE MILLER's testimony.

At the conclusion of the interview, SA [REDACTED] provided [REDACTED] with a signed copy of the Non-Custodial Advisement of Rights.

b6 -1,2
b7C -1,2



FEDERAL BUREAU OF INVESTIGATION

Date of entry 06/14/2013

On Friday, May 31, 2012, at approximately 8:00 A.M., Agents attempted to interview NANCY MARKS, aka NAN MARKS, in the offices of the Treasury Inspector General for Tax Administration (TIGTA), located at 1401 H Street NW, Washington, D.C. 20005. MARKS was accompanied and represented by her attorneys, [redacted]

b6 -3
b7C -3

Those present for the interview were FBI Special Agent (SA) [redacted] [redacted] TIGTA Special Agent [redacted] and Assistant United States Attorney (AUSA) [redacted]

b6 -1,4
b7C -1,4
b6 CRM
b7C

After being advised of the identities of the interviewing Agents and AUSA, SA [redacted] provided MARKS and her attorney with TIGTA Form OI 8115, Attorney Representation Agreement, for review. MARKS and her attorney signed and dated the form, as witnessed by Special Agents [redacted] and [redacted]

b6 -2,3
b7C -2,3

SA [redacted] then read aloud TIGTA Form OI 5320, Non-Custodial Advise-ment of Rights, and provided the form to [redacted] for review. While signing the form, MARKS commented that the IRS required her to participate in the interview.

b6 -1,2
b7C -1,2

When MARKS was asked to explain this comment, MARKS revealed that she called IRS General Counsel to verify that she would not violate §6103 during her upcoming interview with the FBI and TIGTA. She explained that her concern was caused by the FBI's presence in the meeting and the possible disclosure of §6103 tax information. IRS Senior Lead Counsel, attorney [redacted] telephone number [redacted] advised her that she was required to participate in the interview by the FBI and TIGTA, and would be sanctioned if she did not. MARKS believes she had this conversation with [redacted] on Wednesday, May 29, 2013.

b6 -2,3
b7C -2,3

b6 -2,4
b7C -2,4

Following this disclosure by MARKS, AUSA [redacted] discontinued the interview.

b6 per CRM
b7C

Investigation on 05/31/2013 at Washington, District Of Columbia, United States (In Person)

File # 282-WF-0-TAINT

Date drafted 06/06/2013

by [redacted]

b6 -1
b7C -1



FEDERAL BUREAU OF INVESTIGATION

Date of entry 06/14/2013

LOIS G. LERNER, Internal Revenue Service (IRS) Director of Exempt Organizations (EO), born [redacted] social security account number [redacted] home telephone number [redacted] residing at [redacted] was interviewed in the offices of the Treasury Inspector General for Tax Administration (TIGTA), located at 1401 H Street NW, Washington, D.C. 20005, on June 5, 2013, at approximately 4:00 P.M. EST. LERNER was accompanied and represented by her attorneys, [redacted] from ZUCKERMAN SPAEDER LLP, 1800 M Street NW, Suite 1000, Washington, D.C. 20036, telephone number [redacted]

b6 -2,3,4
b7C -2,3,4

b6 -1,4
b7C -1,4

Those present for the interview were FBI Special Agent (SA) [redacted] TIGTA Special Agent [redacted] and Assistant United States Attorney (AUSA) [redacted]

b6 per CRM
b7C

After being advised of the identities of the interviewing Agents and AUSA, SA [redacted] provided LERNER and her attorneys with TIGTA Form OI 8115, Attorney Representation Agreement, for review. LERNER and her attorneys signed and dated the form, as witnessed by Special Agents [redacted] and [redacted]

b6 -1,4
b7C -1,4

SA [redacted] then read aloud TIGTA Form OI 5320, Non-Custodial Advisement of Rights, and provided the form to LERNER for review. At approximately 4:10 P.M., LERNER signed and dated the form, as witnessed by Special Agents [redacted] AUSA [redacted] reiterated to LERNER that the interview was voluntary and she could stop the interview or leave at any time. LERNER acknowledged that she understood. The original Attorney Representation Agreement and Non-Custodial Advisement of Rights will be maintained in a 1A envelope and made part of the FBI case file.

b6 per CRM
b7C

LERNER then voluntarily provided the following information:

LERNER started with the IRS in 2001 as the Director of Rulings and Agreements. In 2006, she was promoted to the Director of EO, and has remained in this position until just recently, when she was placed on leave. As Director of EO, LERNER oversaw the great majority of the

Investigation on 06/05/2013 at Washington, District Of Columbia, United States (In Person)

File # 282-WF-0-TAINT Date drafted 06/10/2013

by [redacted]

b6 -1
b7C -1

282-WF-0-TAINT

Continuation of FD-302 of Interview of Lois Lerner, On 06/05/2013, Page 2 of 5

Tax-Exempt Organization work, which encompassed three functions: audit and examinations; customer education; and rulings and agreements. The following individuals reported directly to LERNER:

- HOLLY PAZ, Director of Rulings and Agreements
- NANETTE DOWNING, Director of Exams
- MELANIE PARTNE, Director of Customer Education
- [REDACTED] Senior Technical Advisor
- [REDACTED] Senior Technical Advisor
- [REDACTED] Senior Technical Advisor
- [REDACTED] Administrative and Budgeting
- [REDACTED] Project Manager

b6 -3
b7C -3

LERNER also had an executive assistant.

LERNER reported directly to the Deputy Commissioner of Tax-Exempt Government Entities (TEGE), who in turn reported to the Commissioner of TEGE. [REDACTED] was the Acting Deputy Commissioner and JOSEPH GRANT was the Acting Commissioner. Both [REDACTED] and GRANT have been in their respective positions since at least 2010. Prior to GRANT, the Commissioner was SARAH HULL INGRAM, who left the position to assist with the Affordable Care Act.

b6 -3
b7C -3

Concerning the Rulings and Agreements function, ROB CHOI was the Director until LERNER recommended him for the position of Director of Employee Plans. When CHOI left, HOLLY PAZ became Acting Director. When Paz went out on [REDACTED] was Acting Director. PAZ then came back as Acting Director, and was later made the permanent Director of Rulings and Agreements. LERNER could not recall the timeline of these events.

b6 -3
b7C -3

Concerning the Tax-Exempt Applications audit, LERNER has no memory of being formally interviewed by the auditors, and no memory of refusing to be interviewed by auditors.

LERNER's EO programs have been audited by TIGTA more than ten times since she has been Director of EO. At one point, LERNER recalled having four audits running at the same time. Prior to LERNER being put on leave, she recalled only one audit taking place after the Tax-Exempt Applications audit. This audit was on-going when she left.

LERNER stated that, in general, the audits all worked the same way. LERNER summarized that there would be an Opening Letter from TIGTA, then a meeting between TIGTA and the Director of the function being audited,

282-WF-0-TAINT

Continuation of FD-302 of Interview of Lois Lerner, On 06/05/2013, Page 3 of 5

followed by the audit, the draft audit report, and the final audit report.

[REDACTED] was the point person for TIGTA audits. For each audit, LERNER was asked to assign a point person from her program.

b6 -3
b7C -3

For the Tax-Exempt Applications audit, LERNER remembers discussing the first draft of the audit report, which was an informal back-and-forth with the auditors. They had another discussion after the final audit report. This was the usual process. LERNER recalled a couple of conversations about specific disagreements concerning the treatment of certain applications, namely those that should not have been in further development. These conversations included two auditors - one was [REDACTED] [REDACTED] and other was guy whose name LERNER could not recall.

LERNER also had meetings with [REDACTED] as well as his boss, because LERNER did not feel that the auditors understood the issue. LERNER commented that nothing is concrete or black and white with 501(c)4 applications.

b6 -3
b7C -3

LERNER had one more meeting with [REDACTED] boss about verbiage in the audit report that she thought was inflammatory. LERNER does not recall being asked to put her concerns in writing, but she wrote it up anyway.

b6 -3
b7C -3

LERNER was then asked if she had any concerns or objections talking to the auditors specifically related to the Tax-Exempt Applications audit. In addition, she was asked if the interview was voluntary. LERNER stated that it was regular business and part of her job to meet with the auditors. She had no concerns because she did not think that she had anything to say that would get her into trouble. The interview was voluntary in the context that it was her job. She could not say to the auditors that she did not want to talk as she could have been disciplined. She re-iterated that it was part of her job. LERNER did find it odd and unusual that the auditors asked for her responses to some questions in writing. Some of the questions were unusual.

At approximately 4:37 P.M., LERNER stated that she was uncomfortable with this line of questioning, and therefore, requested that she speak to her attorneys in private. Agents and AUSA [REDACTED] stopped the interview, [REDACTED] left the conference room. At approximately 4:39 P.M., [REDACTED] asked the Agents and AUSA [REDACTED] to return the conference room and continue the interview of LERNER, which they did.

b6 per CRM3,4
b7C b7C -3,4

LERNER was again asked if she had any concerns or objections talking to the auditors specifically related to the Tax-Exempt Applications audit, and if the interview was voluntary. LERNER stated that she had no objection to meeting with the auditors, and no concerns. The interview was voluntary and no one told LERNER that she would lose her job if she did not participate

282-WF-0-TAINT

Continuation of FD-302 of Interview of Lois Lerner, On 06/05/2013, Page 4 of 5

in the interview. LERNER confirmed that these statements applied to all her contacts with the auditors concerning the Tax-Exempt Applications audit.

LERNER had no role in setting up the employee interviews, including any subordinates. LERNER does not know if any of her direct reports or their subordinates were interviewed by the auditors.

LERNER did not sit in on any employee interviews with auditors.

LERNER was asked about her knowledge of what employees told the auditors. LERNER stated that she does not recall having a discussion with any employee regarding their interview with auditors, but it could have happened and it would not have been unusual.

LERNER recently heard from a member of Congress that managers were sitting in on employee interviews with auditors; however, LERNER does not remember anyone, including managers, sitting in on any employee interviews with the auditors.

At approximately 4:47 P.M., LERNER stated that she again needed to speak to her attorneys in private. Agents and AUSA [REDACTED] stopped the interview. LERNER and her attorneys then left the conference room. At approximately 4:48 P.M., LERNER and her attorneys returned to the conference room and the interview continued.

b6 per CRM
b7C

LERNER recalled a meeting in Deputy Commissioner STEVE MILLER's office where MILLER mentioned someone who needed to be moved from their position in Cincinnati. MILLER thought it was serious because it was possibly a "person who changed the list." LERNER could not recall if this meaning happened before the TIGTA audit. LERNER could not recall the name of the person to be moved, but believes it was a staff employee in Cincinnati, which she referred to as a "first line employee." LERNER thought the matter was referred to TIGTA. LERNER explained that she sent a team to Cincinnati to look at 501(c)4 cases. This team, which was led by NAN MARKS, included HOLLY PAZ, [REDACTED] LERNER believes the team was in Cincinnati for four weeks looking at cases and asking questions. LERNER learned that the team sat down with revenue agents in a group and worked through case files, putting each case into one of four brackets. LERNER commented that Washington was not supposed to be telling Cincinnati how to work cases. At the conclusion of the team's work, they had a meeting, but no formal report was written. LERNER does not know if the person in Cincinnati that MILLER referred to was ever moved.

b6 -3
b7C -3

LERNER commented that there is a joke in the IRS that STEVE MILLER has always been the Director of EO.

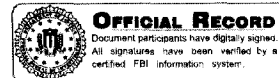
282-WF-0-TAINT

Continuation of FD-302 of Interview of Lois Lerner, On 06/05/2013, Page 5 of 5

LERNER has read the audit report, to include various drafts, but has not read any other related internal documents. LERNER has not watched any of the testimony on Capitol Hill. She has not followed the related media reports.

At the conclusion of the interview, SA provided LERNER and her attorneys with signed copies of the Attorney Representation Agreement and Non-Custodial Advisement of Rights.

b6 -1
b7C -1



FEDERAL BUREAU OF INVESTIGATION

Date of entry 06/14/2013

NANCY JEAN MARKS, Internal Revenue Service (IRS) Senior Technical Advisor to the Commissioner of Tax Exempt and Government Entities (TEGE), born [redacted] social security account number [redacted] cellular telephone number [redacted] residing at [redacted] [redacted] was interviewed in the offices of the Treasury Inspector General for Tax Administration (TIGTA), located at 1401 H Street NW, Washington, D.C. 20005, on June 10, 2013, at approximately 9:30 A.M. EST. MARKS was accompanied and represented by her attorneys, [redacted] and [redacted]

b6 -2,3
b7C -2,3

Those present for the interview were FBI Special Agent (SA) [redacted] [redacted] TIGTA Special Agent [redacted] and Assistant United States Attorney (AUSA) [redacted]

b6 -1,4
b7C -1,4
b6 per CRM
b7C

After being advised of the identities of the interviewing Agents and AUSA, SA [redacted] provided MARKS and her attorneys with TIGTA Form OI 8115, Attorney Representation Agreement, for review. MARKS and her attorneys signed and dated the form, as witnessed by Special Agents [redacted]

b6 -1,4
b7C -1,4

SA [redacted] then read aloud TIGTA Form OI 5320, Non-Custodial Advisement of Rights, and provided the form to MARKS for review. At approximately 9:50 A.M., MARKS signed and dated the form, as witnessed by Special Agents [redacted] and [redacted] AUSA [redacted] reiterated to MARKS that the interview was voluntary and she could stop the interview or leave at any time. MARKS acknowledged that she understood. The original Attorney Representation Agreement and Non-Custodial Advisement of Rights will be maintained in a 1A envelope and made part of the FBI case file.

b6 -1,4
b7C -1,4
b6 per CRM
b7C

MARKS then voluntarily provided the following information:

b6 -3
b7C -3

MARKS started working for the IRS in June of 1973. MARKS currently holds the position of Senior Technical Advisor to the Commissioner of TEGE, and had held this position since June of 2011. MARKS currently reports to [redacted] Acting Commissioner of TEGE. Prior to [redacted] was Acting Commissioner JOSEPH GRANT, who left the position on June 3, 2013. Prior to GRANT was Commissioner SARAH HALL INGRAM, who was detailed out to

Investigation on 06/10/2013 at Washington, District Of Columbia, United States (In Person)

File # 282-WF-0-TAINT

Date drafted 06/11/2013

by [redacted]

b6 -1
b7C -1

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282-WF-0-TAINT

Continuation of FD-302 of Second Interview of Nancy Marks, On 06/10/2013, Page 2 of 4

work on the Affordable Care Act. MARKS advised that [REDACTED] reports to Acting Deputy Commissioner [REDACTED]

Prior to being Senior Technical Advisor, MARKS was the TEGE Division Counsel in the IRS Office of Chief Counsel. Exempt organizations were one of the areas of her jurisdiction. MARKS mentioned that starting in the Spring of 2011, advocacy cases were being forwarded to Division Counsel for review.

In her current role as Senior Technical Advisor to the Commissioner of TEGE, MARKS does not have anyone who reports to her.

Regarding her interview by TIGTA auditors concerning the Tax-Exempt Applications audit, MARKS stated that the interview took place in late July of 2012 on the fifth floor of the IRS's 999 North Capitol Street location in D.C. MARKS did not have any objections to the interview, and did not have any concerns about the questions being asked. MARKS stated that her participation in the interview was absolutely voluntarily. The only other person present during MARKS's interview, other than the auditors, was HOLLY PAZ, who took notes. MARKS could not recall if PAZ was present for the entire interview.

During her interview, MARKS was not told about the content of any other IRS employee's interview.

MARKS's interview with the auditors was her only direct contact with them. She had indirect contact with the auditors through [REDACTED]

b6 -3
b7C -3

MARKS had no role in setting up the auditor interviews. At no time did MARKS have any subordinates. PAZ organized all the interview slots.

MARKS did not sit in on any employee interviews with the auditors.

MARKS did not have any discussion with any employee prior to their interview with auditors.

No employee told MARKS the content of their interview with the auditors.

MARKS did not tell anyone about the content of her interview with the auditors.

b6 -3
b7C -3

MARKS knew the following people were being interviewed by the auditors: PAZ, [REDACTED]

MARKS has read the audit report, including a couple drafts. MARKS has watched some of the testimony on Capitol Hill, to include testimony by

282-WF-0-TAINT

Continuation of FD-302 of Second Interview of Nancy Marks, On 06/10/2013, Page 3 of 4b6 -3
b7C -3

STEVE MILLER, DOUG SHULMAN, DANNY WERFEL, and RUSSELL GEORGE. MARKS did not watch the testimony of LOIS LERNER, but she heard about it. MARKS has been following some of the related media reports, and has read the transcript from the testimony of [REDACTED] transcript mentioned [REDACTED]

MARKS then explained the review, or "look into", that she led in Cincinnati prior to the TIGTA audit. MARKS was tasked by STEVE MILLER, then Deputy Commissioner of Services and Enforcement, on March 23, 2012 to find out what was going on in Cincinnati as he was expecting to testify at a hearing on 501(c)4 organizations. During that same week in March, LANDMARK LEGAL SERVICES requested a TIGTA audit. MARKS explained that MILLER wanted her to take a fresh look at the situation and come back with recommendations. MILLER chose MARKS because she was outside the process.

MARKS's team consisted of [REDACTED] JOE URBAN, [REDACTED] and HOLLY PAZ. Initially, the team tried to do the review from Washington, D.C. via document reviews and the "TEDS" computer system. MARKS also interviewed [REDACTED] who happened to be in D.C. at the time. [REDACTED] walked MARKS through everything happening in Cincinnati. However, due to limitations with "TEDS", MARKS decided that the team needed to go to Cincinnati. They went the week of April 23, 2012. Not everyone on the team was there at the same time, but all members were back by the weekend, except for PAZ who stayed a second week to continue work on the review. MARKS re-iterated that they were there conducting a review, not an audit or investigation.

b6 -3
b7C -3

[REDACTED] facilitated the interviews of employees in Cincinnati. MARKS told [REDACTED] that she (MARKS) wanted to interview anyone related to advocacy cases, which MARKS later found to be employees in the screening group, limited development group, full development group, and the quality review staff [REDACTED] attempted to get everyone together for one interview, but MARKS ended up interviewing two separate groups on the same morning. In addition to MARKS, present from her team for both interviews were PAZ,

b6 -3
b7C -3

[REDACTED] The first group interview, which lasted between one to two hours, consisted of [REDACTED]

[REDACTED] The second group interview, which was shorter in duration than the first, consisted of [REDACTED]

[REDACTED] The interviews took place in a conference room obtained by [REDACTED] MARKS did not tell [REDACTED] or any other Cincinnati employee that the interviews were mandatory. They had no discussions regarding the consequences of not participating in the interviews or participating even if it resulted in self-incrimination. MARKS did not hear that any employee had concerns, was reluctant, or wanted

282-WF-0-TAINT

Continuation of FD-302 of Second Interview of Nancy Marks, On 06/10/2013, Page 4 of 4

a union representative or attorney present. If so, MARKS would have just left them out of the interview. MARKS advised that she talked to [redacted] a few more times as a follow-up to their previous conversation.

b6 -3
b7C -3

When MARKS and her team returned to D.C., they talked to [redacted] and [redacted] in person. MARKS could not recall if [redacted] were interviewed separately or together. Again, neither [redacted] nor [redacted] was told that they had to participate. They had no discussions regarding the consequences of not participating in the interviews or participating even if it resulted in self-incrimination.

MARKS does not recall any other interviews related to her Cincinnati review, other than the two group interviews, interviews of [redacted] and interviews of [redacted]. MARKS stated she might have talked to others to follow-up on pieces, to include [redacted].

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b7C -3

MARKS took a few notes during the interviews, and so did PAZ and [redacted]. MARKS also took handwritten notes while reviewing case files.

MARKS briefed JOSEPH GRANT and STEVE MILLER related to her findings on April 26, 2012 and May 3, 2012, respectively. These briefings were done verbally, without a formal presentation, and no written product was produced or given. MARKS stated that a formal presentation was not given because the problems were clear, there was no time due to the need for a quick turnaround, and she had laid out the fixes.

As a result of the findings, MILLER ordered [redacted] to be moved off the project and [redacted] to be counseled for use of inappropriate criteria, specifically using Tea Party. MARKS believes that [redacted] was taken off the project, but does not know if [redacted] was individually counseled. MARKS thought that [redacted] later counseled all Cincinnati managers.

b6 -3
b7C -3

On May 14 and 15, 2012, MARKS was back in Cincinnati to implement the fixes.

At the conclusion of the interview, SA [redacted] provided MARKS and her attorneys with signed copies of the Attorney Representation Agreement and Non-Custodial Advisement of Rights.

b6 -1
b7C -1



FEDERAL BUREAU OF INVESTIGATION

Date of entry 03/10/2014

FEDERAL TAXPAYER INFORMATION

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b6 per CRM
b7C

[redacted] female, date of birth (DOB) [redacted] social security account number (SSAN) [redacted] address [redacted]

[redacted] was interviewed via telephone conference. [redacted] attorney, [redacted] of Graves Garrett LLC, located at 1100 Main Street, Suite 2700, Kansas City, Missouri 64105, was present for the interview via telephone conference. Also present during the interview, via telephone conference, were U.S. Department of Justice Attorneys [redacted]

[redacted] and [redacted] and Treasury Inspector General for Tax Administrator (TIGTA) Special Agent (SA) [redacted] After being advised of the identity of the interviewing Agents and the nature of the interview, [redacted] provided the following information:

b6 -2,3,4
b7C -2,3,4

[redacted] retired in [redacted] Prior to retiring, [redacted] and [redacted]

[redacted] became involved in the Tea Party in 2009 after attending a tax day rally on April 15, 2009 in [redacted] She and her husband, [redacted] started the [redacted] They referred to themselves as [redacted] "coordinators." Initially, the organization had 27 members. [redacted] and [redacted] her husband hosted organization meetings in their living room. The organization focused on educating its members on various issues and understanding the Constitution. The organization brought in speakers to attend meetings and teach about the Constitution.

b3 -1
b6 -2,3
b7C -2,3

Later, the organization changed its name to [redacted] The organization was still active and had approximately 5,000 members. The organization had a board of directors. Board members shared the workload and responsibilities of the organization.

b3 -1

[redacted] was a small business owner. On the advice of his accountant, [redacted] filed for tax-exempt status. The organization had to incorporate first. [redacted] submitted [redacted] application for tax-exempt status once the organization had articles of incorporation. [redacted] applied for

b3 -1
b6 -2, 3
b7C -2, 3

Investigation on 01/30/2014 at Washington, District Of Columbia, United States (Phone)

File # 282B-WF-2896615

Date drafted 02/05/2014

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 01/30/2014, Page 2 of 4

b6 -3
b7C -3

tax-exempt status under Section 501(c)(4) of the Internal Revenue Code (Code) because the organization did not want to disclose its donors' names.

[REDACTED] completed the application on behalf of [REDACTED] and submitted it to the Internal Revenue Service (IRS) in March 2010. In May 2010, [REDACTED] received a letter from the IRS, signed by [REDACTED] asking for more information. This was the first time the IRS requested information from [REDACTED]. At the time, [REDACTED] did not think anything of the request because her accountant advised her that requests for more information were often made in connection with setting up a non-profit. In response to this request for information, [REDACTED] sent the IRS two to three inches of material about [REDACTED]. [REDACTED] sent this information sometime in the summer of 2010.

b3 -1
b6 -2, 3
b7C -2,3

[REDACTED] never heard back from the IRS. She tried to contact the IRS, but was unable to get a "human" to answer her calls. She called five to six times, but never left a message. She called the [REDACTED] phone number provided in the May 2010 letter she received from [REDACTED] with no success. Her accountant, [REDACTED] also called and left a message, but no one returned his telephone call. In addition, [REDACTED] sent several letters to the IRS.

b6 -2,3
b7C -2,3

[REDACTED] did not hear from the IRS until she received a letter from [REDACTED] in January 2012. By this time, [REDACTED] was "irritated with the IRS" because she had not heard anything for such a long time and then when she did, the IRS asked for "97 bits of information" and gave her three weeks to provide the requested information. She "realized that the reason the IRS asked for all of this information in such a short period of time was because they wanted [her] to give up." She then became "mad" and "gave the IRS everything." It took [REDACTED] approximately one week to prepare the materials requested by the IRS and it cost her approximately \$200 to mail the materials to the IRS. [REDACTED] sent the material to the IRS by February 13, 2012.

b6 -2,3
b7C -2,3

[REDACTED] made calls to the [REDACTED] telephone number provided in [REDACTED] January 2012 letter, but [REDACTED] did not hear anything back from the IRS. Having not heard anything from the IRS by the summer of 2012, [REDACTED] contacted her congressman, [REDACTED] "made a speech" to JOHN BOEHNER and wrote a letter to Congress.

b6 -2,3
b7C -2,3

[REDACTED] then received a telephone call from a woman at the IRS, advising her that [REDACTED] was being approved for tax-exempt status. During this telephone call, the woman said: "You sure sent a lot of material and I had to read it all." [REDACTED] responded: "I hope you read

b3 -1
b6 -2
b7C -2

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 01/30/2014, Page 3 of 4

b6 -2
b7C -2

the Constitution." Approximately three weeks after [REDACTED] went to her congressman, [REDACTED] received a letter from the IRS, signed by HOLLY PAZ, stating that the organization was approved for tax-exempt status.

b6 -2
b7C -2

[REDACTED] did not believe that [REDACTED] was harassed by the IRS in light of filing for tax-exempt status. However, as a result of her filing the application for [REDACTED] for tax-exempt status, she believed that she and her husband were attacked personally. Specifically, [REDACTED] said that she and her husband have "had issues" with the IRS and the [REDACTED]. For example, [REDACTED] said that her husband's business was audited for tax years 2001, 2002, and 2003. As a result of the audit, an adjustment was made. Her husband failed to notify the [REDACTED] of the adjustment. The IRS had one year to notify the [REDACTED] of the adjustment, but waited until November 2011 to notify the [REDACTED] then advised the [REDACTED] that they owed the state more money. [REDACTED] again contacted her congressman, [REDACTED] put her and her husband in contact with someone at the IRS. [REDACTED] husband settled the adjustment issue with the IRS and paid the adjustment. However, the IRS said that he never paid and put a lien on the [REDACTED] personal and business accounts.

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] believed that a second example involved the timing of her and her husband's payment of their personal income taxes. Despite her belief that she and her husband paid their personal income taxes for last year on time, the IRS said that they paid late and assessed them late fees in the amount of \$7,000. [REDACTED] found this "harassment" to be "odd." [REDACTED] felt that she had no opportunity to show the IRS the receipt proving that they paid their taxes on time. [REDACTED] never contacted the taxpayer advocate with regard to this issue.

b6 -2,3
b7C -2,3

In addition, [REDACTED] said that she received a "handful" of death threats. The threats were made on the [REDACTED] telephone number, which [REDACTED] at some point changed to her cell phone number. The threats were made after [REDACTED] appeared publicly at various press conferences and rallies. [REDACTED] did not remember exactly what was said, but remembered that the threats said something along the lines of: "If you think you can get away with this, think again;" and "You are going to be dead." [REDACTED] believed "this is tyranny." [REDACTED] brought the threats to the attention of the [REDACTED] Sheriff's Office, who went to her house twice with regard to the issue. As a result of the threats, [REDACTED] applied for and obtained a concealed weapons permit.

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] knew that [REDACTED] was permitted to function as a 501(c)(4) organization as long as she filed an application for such

b3 -1
b6 -2,3
b7C -2,3

282B-WF-2896615

[Redacted]

b6 -2
b7C -2

Continuation of FD-302 of Interview of _____, On 01/30/2014, Page 4 of 4

status with the IRS. [Redacted] filed Form 990s with the IRS during the time period its application for tax-exempt status was pending. [Redacted] understood that without tax-exempt status, the organization was required to pay tax on its income. The organization did not want to pay income tax.

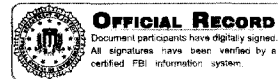
b3 -1
b6 -2
b7C -2

Recently, the [Redacted] sent [Redacted] a notice, stating that the organization owed [Redacted] \$1,900 for the two years the organization was incorporated and failed to pay taxes. [Redacted] said that the organization was required to pay the tax, plus penalty, to [Redacted] because the organization had yet to receive a letter from the IRS granting it tax-exempt status.

b3 -1
b6 -2
b7C -2

[Redacted] also felt that she was being "watched" by the IRS. In this regard, she was advised by [Redacted] a member of a Tea Party in Southern California, that the IRS asked him if his organization was affiliated with [Redacted]

b3 -1
b6 -2,3
b7C -2,3



FEDERAL BUREAU OF INVESTIGATION

Date of entry 03/05/2014

[redacted] male, date of birth (DOB) [redacted] social security
 account number (SSAN) [redacted] office address [redacted]
 [redacted] office telephone number [redacted] extension [redacted]
 [redacted] was interviewed via telephone conference. [redacted] attorney, [redacted]
 [redacted] of Graves Garrett LLC, located at 1100 Main Street, Suite 2700,
 Kansas City, Missouri 64105, was present for the interview via telephone
 conference. Also present during the interview, via telephone conference,
 were U.S. Department of Justice Attorney [redacted] and Treasury
 Inspector General for Tax Administrator (TIGTA) Special Agent (SA) [redacted]

b6 -2,3,4
b7C -2,3,4

b6 per CRM
b7C

[redacted] After being advised of the identity of the interviewing Agents and the nature of the interview, [redacted] provided the following information:

[redacted] was a political consultant. He owned an [redacted]
 [redacted] firm. His clients included political clients, as well as
 non-political clients such as trade associations. [redacted] was from
 [redacted] Growing up, [redacted] attended [redacted] He
 attended [redacted] for his undergraduate degree. He earned a
 Juris Doctor (JD) from [redacted] in 1985. [redacted] took
 the Ohio bar exam, but never practiced law.

b6 -2
b7C -2

[redacted] became involved with [redacted] because
 of his former client, [redacted]
 [redacted] [redacted] joined the organization as the executive director
 sometime in 2012, "long after" the organization applied for tax-exempt
 status with the Internal Revenue Service (IRS). [redacted] took over for the
 first executive director, [redacted] after he resigned.

b3 -1
b6 -2,3
b7C -2,3

[redacted] worked for [redacted] on a volunteer
 basis. He was not paid, however, he did receive compensation when he
 rented space in his office to the organization for its national
 conference. [redacted] did not work full-time for the organization. He
 described his relationship with the organization as a "light consulting
 relationship." He considered himself an "administrator of a
 lightly-organized, lightly-scheduled group." [redacted]
 [redacted] sought to pursue social welfare in Ohio and the United States by
 showing the merit of and advocating for principles of religious freedom and
 its impact of representative government. [redacted] described the organization

b3 -1
b6 -2,3
b7C -2,3

Investigation on 01/31/2014 at Washington, District Of Columbia, United States (Phone)

File # 282B-WF-2896615

Date drafted 02/05/2014

b

b6 -1
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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 01/31/2014, Page 2 of 3

b6 -2
b7C -2

as a "modest" sized group of several hundred members with a "low-visibility" board, with the exception of [REDACTED] described the organization's membership as having "casual interest and support." [REDACTED] never held any public events, media tours, or public debates.

b3 -1
b6 -2,3
b7C -2,3

Based on a review of the organization's files, [REDACTED] said that the organization incorporated as a non-profit on March 22, 2010. [REDACTED] said that the files showed that the organization filed for tax-exempt status in March 2011. The first correspondence from the IRS was dated February 14, 2012, and signed by [REDACTED]. [REDACTED] first learned that [REDACTED] applied for tax-exempt status in 2012 when his predecessor [REDACTED] handed over the organization's files. [REDACTED] told [REDACTED] that the organization's application had been pending for "some time." [REDACTED] said "normally these sorts of applications took a couple of months."

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] said that [REDACTED] notes in the file showed that on February 28, 2012, [REDACTED] called the IRS to request an extension to provide the information requested in [REDACTED] letter. The notes showed that the extension was granted. [REDACTED] called the IRS and left a message with [REDACTED] on June 4, 2012, and June 12, 2012, requesting another extension. At some point, [REDACTED] returned [REDACTED] call and granted the requested extension.

b6 -2,3
b7C -2,3

[REDACTED] then received two letters from [REDACTED]. The first was dated June 19, 2012, and the second was dated June 28, 2012. Both letters requested more information to complete the review of the organization's application for tax-exempt status. [REDACTED] called [REDACTED] on July 10, 2012, and left a message confirming the extension that was granted by [REDACTED]. At some point, [REDACTED] returned [REDACTED] telephone call and granted the organization an extension to provide the additional requested information. Initially, [REDACTED] granted the organization an extension until July 10, 2012, but [REDACTED] extended the extension until July 24, 2012.

b6 -2,3
b7C -2,3

When [REDACTED] spoke to [REDACTED] felt "grateful" that he "acknowledged" the 14-day extension, but was "frustrated" that the case was being handled by a new specialist. [REDACTED] did not detect any anger from [REDACTED] when they spoke on the phone and described [REDACTED] as a "bureaucrat doing his job." Thereafter, [REDACTED] corresponded with counsel with regard to how to respond to the IRS' request for additional information, but did not correspond or otherwise discuss the requests with the IRS. [REDACTED] responded to [REDACTED] June 2012 letters requesting more information, not [REDACTED] February 2012 letter, on July 24, 2012.

b6 -2,3
b7C -2,3

Initially during the interview [REDACTED] believed [REDACTED] application for tax-exempt status had not been

b3 -1
b6 -2,3
b7C -2,3

282B-WF-2896615

Continuation of FD-302 of Interview of [redacted], On 01/31/2014, Page 3 of 3 **b6 -2**
b7C -2

determined.

[redacted] only other interaction with the IRS was that he received a letter from the IRS with regard to the sale of his home. The IRS questioned the taxable income on the sale. [redacted] accountant resolved this issue with the IRS.

b3 -1
b6 -2,3
b7C -2,3

[redacted] was unaware of anyone else affiliated with [redacted] [redacted] who had contact with the IRS with regard to the organization's application for tax-exempt status.

[redacted] explained that with tax-exempt status, it was easier to raise money. Without tax-exempt status, it was difficult for the organization to raise money, which resulted in the organization having less money to execute its mission. If the organization was unable to pay for communications and postage, it cannot communicate effectively. In addition, [redacted] said that without tax-exempt status, it was more difficult to recruit and engage volunteers.

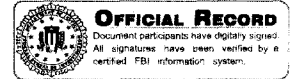
b6 -2
b7C -2

[redacted] was waiting for tax-exempt status to "ramp up" its activities. [redacted] said that even if the IRS granted the organization tax-exempt status in September 2012, it "would have made it difficult at that point to participate in the election in November 2012."

b3 -1
b6 -2
b7C -2

During the course of the interview, [redacted] reviewed his files and found a letter from HOLLY PAZ dated September 17, 2012, approving [redacted] tax-exempt status.

b3 -1
b6 -2
b7C -2



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FEDERAL BUREAU OF INVESTIGATION

Date of entry 10/10/2014

FEDERAL TAXPAYER INFORMATION

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b6 per CRM
b7C

[redacted] date of birth (DOB) [redacted] social security account number (SSAN) [redacted] business address [redacted] office telephone number [redacted]

[redacted] was interviewed at her place of business. [redacted] one of [redacted] partners at [redacted] was present at the b6 -2,3,4 interview. Also present during the interview were U.S. Department of b7C -2,3,4 Justice Attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent (SA) [redacted] [redacted] After being advised of the identities of the interviewing Agents and the nature of the interview, [redacted] provided the following information:

[redacted] was from [redacted] Throughout her career, she practiced law, b6 -2 politics, and public policy. [redacted] started her career in the b7C -2 legislature and then practiced law. She ran a non-profit in Washington, D.C. for several years and later formed a small law firm in Washington, D.C. with another lawyer. Her practice focused on campaign finance and election law. Her law firm folded into [redacted] in 2011. [redacted] worked mostly with Internal Revenue Code (IRC) Sections 527 and 501(c)(3), (4), and (6). She represented approximately 80 tax-exempt organizations throughout her legal career. Tax-exempt organizations hired her because the organizations' issues or projects involved public policy. [redacted] spoke, on occasion, to various Tea Party groups upon request.

[redacted] believed that this investigation was about abuse of power b6 -2 within government and people in government violating others' civil rights b7C -2 and perhaps engaging in criminal misconduct. [redacted] expected the approval process for tax exemption under IRC Section 501(c)(4) to be approximately three to four weeks and a couple of months for organizations

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Investigation on 02/28/2014 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615 Date drafted 03/10/2014

by [redacted]

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b7C -1

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 02/28/2014, Page 2 of 13

b6 -2
b7C -2

applying under IRC Section 501(c)(3). Because contributions made to 501(c)(4) organizations were not deductible to donors, the application process for 501(c)(4) organizations should take less time. The process was understandably longer for organizations applying under IRC Section 501(c)(3) because donations are exempt from tax, and therefore, there was a lot more charitable giving that deprives the government of revenue.

If the IRS did not make a determination of tax-exempt status under IRC Section 501(c)(3) after a certain number of days, the IRC provided that an organization may go to court and request a determination. Most of [REDACTED] clients did not seek relief from the court because either the application process did not take that long or the organization applied for tax exemption under IRC Section 501(c)(4) and relief was not available to 501(c)(4) organizations.

b6 -2
b7C -2

[REDACTED] described the Form 1024 Application for Recognition of Exemption under IRC Section 501(a) and Instructions for Form 1024 as the "rule of law." In the past, when [REDACTED] clients applied for tax-exempt status under IRC Section 501(c)(4) and received questions from the IRS, the questions typically related to information within the four corners of the application. With regard to the Tea Party cases, the IRS went way outside the "rule of law."

b6 -2
b7C -2

The IRS informed [REDACTED] that it was asking more questions to streamline the application process and deal with the uptick in the number of political advocacy applications applying for exemption under IRC Section 501(c)(4). [REDACTED] did not believe that the uptick in the number of IRC Section 501(c)(4) applications had anything to do with the *Citizens United* decision. Instead, she believed that there were more IRC Section 501(c)(4) applications because of the number of groups that sprang up after the passage of the stimulus package in February 2009. There were more groups because more people were worried about the deficit, spending, and Obamacare.

b6 -2
b7C -2

[REDACTED] was not a fan of KARL ROVE, and said that if she was his lawyer she would not have allowed his group to do what it has done.

b6 -2
b7C -2

[REDACTED] felt that political advocacy groups were being punished because of the animosity against ROVE.

Applying for tax-exempt status under IRC Section 501(c)(4) was voluntary. However, DOUGLAS SHULMAN testified that once an organization applied for tax exemption under IRC Section 501(c)(4), the IRS can ask the organization anything. Prior to 2009, [REDACTED] never had a client that

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b7C -2~~UNCLASSIFIED//FOUO~~

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 02/28/2014, Page 3 of 13

b6 -2
b7C -2

received a development letter from the IRS. The only letters her organizations received were follow up letters that asked questions related solely to statements the organizations made in the Form 1024 application.

[REDACTED] described the questions asked by the IRS in the development letters as "onerous" and "impertinent" to the determination and outside the "rule of law," as defined by the Form 1024 application and related instructions. The IRS got completely away from the process and began to think up more things to ask. The only questions that were appropriate to ask were those questions that were derived from the Form 1024 application and instructions. That was, questions with regard to the statements asserted by the organization on the Form 1024 application. [REDACTED] had no problem with the IRS asking questions about information provided by the organization in the Form 1024 application.

b6 -2
b7C -2

Someone changed the process. [REDACTED] did not know who changed the process, but felt that if the IRS was going to change the application process, then the IRS should have published the new process. According to [REDACTED], the IRS did not believe that it was subject to the Administrative Procedure Act (APA). In changing the process, the IRS' objective was to harass the organizations. [REDACTED] belief was based on the questions asked by the IRS that were outside of the parameters of the Form 1024 application and that the development letters were only sent to specific groups. In addition, she felt that Democratic Senators began to beat up on the IRS to do something in response to the *Citizens United* opinion.

b6 -2
b7C -2

The IRS also asked questions about information that had "no business being public." In this regard, once an organization was approved for tax-exempt status, the application was made public. This meant that the answers provided by an organization to the IRS' development letters would also be made public. The IRS agents [REDACTED] spoke to did not realize that the information they were requesting in the development letters was going to be made public as part of the organization's application.

b6 -2
b7C -2

[REDACTED] believed that it was inappropriate at the determination stage for the IRS to ask questions about the amount of political activity in which an organization engaged. Instead, if a 501(c)(4) organization engaged primarily in political activity, then the IRS could handle the issue on the examination side by requiring the organization to pay taxes on the political expenditures and file certain forms.

b6 -2
b7C -2

[REDACTED] became involved with [REDACTED] through a connection with another client. [REDACTED] formed sometime around summer 2009, but did not become active until November or December of 2009. The organization was very worried about Obamacare. [REDACTED]

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282B-WF-2896615

b6 -2
b7C -2

Continuation of FD-302 of Interview of [redacted], On 02/28/2014, Page 4 of 13

[redacted] applied for tax-exempt status in October 2009. Shortly thereafter, the organization received a letter from the IRS acknowledging its receipt of the group's application. The organization did not hear from the IRS again until June 2010, when it received a letter from [redacted]. Between October 2009 and June 2010, neither [redacted] nor anyone else from [redacted] contacted the IRS. At that time, she did not worry so much about the delay because [redacted] applied for tax-exempt status under IRC Section 501(c)(4) and was permitted to carry out its activities while its application was pending. In addition, it was not until [redacted] letter that [redacted] even had the name of an IRS representative to contact. Once [redacted] received [redacted] June 2010 letter, she began communicating with him about [redacted] application.

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b6 -2,3
b7C -2,3

[redacted] knew something was wrong when she received [redacted] June 2010 letter because the letter came from someone in Washington, D.C., as opposed to someone in Cincinnati, Ohio. At that time, however, she did not pay attention to this detail. She also thought that the timing of the letter was odd, as were the questions. Specifically, she thought it was the strangest thing for the IRS to request a copy of all of the advertisements that the organization ran about Obamacare. This was when [redacted] began to realize that there was something more here. She did not know why she had this sense, but she did know that [redacted] was active against Obamacare.

b3 -1
b6 -2
b7C -3

During a telephone call with [redacted] asked what was taking so long. [redacted] explained that [redacted] was a 501(c)(4) organization and that people think something is wrong with the organization's advocacy. He also said that he kept having to tell "them" that the organization was applying under IRC Section 501(c)(4) and not IRC Section 501(c)(3), and as such the organization was permitted to engage in its activities.

b3 -1
b6 -2, 3
b7C -2, 3

On another call with [redacted] he advised [redacted] that he was leaving the IRS and that she should keep reminding "these people" that the organization was a 501(c)(4) organization. [redacted] also told her that he had to keep reminding "them" that a 501(c)(4) organization can spend all of their money on lobbying. [redacted] interpreted [redacted] advice to mean that he was wishing her good luck in the application process and that he understood that the organization could engage in its activities, but that others at the IRS did not.

b6 -2,3
b7C -2,3

[redacted] described [redacted] as a "good guy" and felt as if he was trying to be helpful. [redacted] had two to four telephone calls with [redacted] about [redacted] application. [redacted] did not provide [redacted]

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 02/28/2014, Page 5 of 13

b6 -2,3
b7C -2,3

with the name of a new contact at IRS who was handling the organization's application. At one point, [REDACTED] called the number [REDACTED] had initially provided, entered the organization's Employer Identification Number (EIN), and made her way to [REDACTED]

[REDACTED] did not consider not responding to the June 2010 letter from [REDACTED] to [REDACTED]. However, when [REDACTED] received a second letter from the IRS asking more questions, [REDACTED] suggested to the organization that it not respond. [REDACTED] was afraid of the IRS and felt that if it did not respond then the IRS would audit the members or their businesses. The organization also would not let [REDACTED] file a Freedom of Information Act (FOIA) request related to its application for tax-exempt status for the same reasons. [REDACTED] responded to the second development letter, except it did not provide the requested donor information.

b3 -1
b6 -2
b7C -2

[REDACTED] had several telephone calls with [REDACTED] with regard to the status of the organization's application. [REDACTED] described the telephone calls as "meaningless." In June 2011, [REDACTED] wrote a letter to the IRS wherein she mentioned her concerns that the delay in the organization's application was because the group was against Obamacare. Within 24 hours of her letter, three IRS employees called her.

b6 -2,3
b7C -2,3

[REDACTED] concerns were based on a "sixth sense." They were also based on a telephone call she received from [REDACTED] before the February 2011 Conservative Political Action Conference (CPAC) and a meeting she had with [REDACTED] at the 2011 CPAC. [REDACTED] called [REDACTED] to ask her to meet with [REDACTED] so she could show [REDACTED] what her organization was doing. [REDACTED] contacted [REDACTED] primarily because of [REDACTED] work with election integrity. At CPAC, [REDACTED] met with [REDACTED] and [REDACTED] showed [REDACTED] the Google map overlay it created to illustrate the number of voters registered to vacant lots. At this meeting, [REDACTED] also discussed the organization generally, as well as [REDACTED] other organization, [REDACTED]. During the course of this meeting, [REDACTED] told [REDACTED] that [REDACTED] and [REDACTED] applied for tax-exempt status under IRC Sections 501(c)(3) and (c)(4), respectively. As of February 2011, neither of the organizations had heard anything from the IRS. [REDACTED] also mentioned that she spoke to Texas State Senator JOHN CORNYN, who sent a letter to Taxpayer Advocate Service asking about [REDACTED]'s application for tax-exempt status. [REDACTED] to send her a copy of the organization's application materials and that she would keep an eye on it.

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b7C -2,3

[REDACTED] attended a monthly meeting with other attorneys who practiced

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282B-WF-2896615

Continuation of FD-302 of Interview of [redacted], On 02/28/2014, Page 6 of 13

b6 -2
b7C -2

in the same area of law. These attorneys represented liberal and Republican groups. After her meeting with [redacted] and [redacted] [redacted] started asking some of the lawyers who attended these meetings about their experience with the time frame for the approval process and whether their clients had problems getting approved for tax-exempt status. Some of the attorneys responded that the process was taking longer and that they were told the reason was that the IRS tax-exempt group was swamped after it revoked 501(c)(3) status for 1,000 organizations. [redacted] did not buy that answer. One attorney [redacted] recalled speaking to was [redacted]

b6 -2,3
b7C -2,3

[redacted] and two of her supervisors, [redacted] and [redacted] called [redacted] after receiving her June 2011 letter. [redacted] was on the call, but did not do any of the talking. [redacted] described the supervisors as being "very nice" and "not intimidating," but they "appeared nervous." At no time did anyone on the call apologize to [redacted] for the delay or explain why there was a hold up in the process. They told [redacted] that they called her to reassure her that they were working on the application. They never gave [redacted] an indication as to how long the process would take or what they were doing with the application. They never discussed specifics, such as political activity, or anything else they were looking at or were concerned about with regard to [redacted] application.

b6 -2,3
b7C -2,3

[redacted] called [redacted] approximately once a month to ask about the status of [redacted] application. The next time the IRS initiated contact with [redacted] was in February 2012. In the interim, [redacted] had a conversation with [redacted] sometime in September or October of 2011. During this discussion, [redacted] advised [redacted] that [redacted] received a letter from the IRS with a list of follow-up questions. [redacted] described the questions as "standard." [redacted] said that the organization had no other communication from the IRS with regard to its application. [redacted] told [redacted] to send her the files for [redacted] and [redacted] because [redacted] wanted to supplement [redacted] application with legal authority explaining why the group fit within the parameters of IRC Section 501(c)(3).

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b6 -2,3
b7C -2,3

[redacted] then called [redacted] in October 2011 to advise him that she was representing [redacted] and [redacted] and was supplementing [redacted] application. [redacted] told [redacted] that there were people in Washington, D.C. who have to review things and that he would send whatever materials she sent him to Washington, D.C. [redacted] shared no

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282B-WF-2896615

Continuation of FD-302 of Interview of [redacted], On 02/28/2014, Page 7 of 13

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b6 -2,3
b7C -2,3

further details with [redacted]. From this conversation, [redacted] inferred only that Washington, D.C. had [redacted]'s application, and not necessarily any other applications.

In November 2011, [redacted] sent materials supplementing [redacted] application to [redacted] to forward to whoever in Washington, D.C. was handling the organization's application. Just before Christmas in December 2011, [redacted] called [redacted] to discuss the status of [redacted] application. [redacted] described [redacted] as "exasperated" and "curt." She did not believe that this was directed at her personally, just in general. She took his tone to be saying, "Why are you calling me? I sent your stuff to Washington. I can't do anything for you. My hands are tied. I'm waiting on them."

b3 -1
b6 -2,3
b7C -2,3

[redacted] represented four clients who received development letters in February 2012. [redacted]

[redacted] The only difference in the letters the organizations received was that the letter to [redacted] came from an IRS office in California. After reading the development letters, [redacted] realized that she had not seen anything like this. The letters were not tailored to a particular group. After [redacted] organizations received the development letters, she organized a conference call among various conservative, Republican, Tea Party, and Libertarian-type groups. [redacted] participated on this call and determined that hundreds of organizations received similar development letters from the IRS. [redacted] was not aware of any progressive or liberal groups that received development letters from the IRS. [redacted] redacted the development letters and showed them to the attorneys who attended her monthly meetings. None of the attorneys had clients that received a similar development letter.

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b6 -2,3
b7C -2,3

[redacted] had several conversations with [redacted] about the development letter sent to [redacted]. She asked [redacted] what the letter was because she thought it was "ridiculous." [redacted] said it was clear to her that the IRS was just making questions up. On April 27, 2012, [redacted] received separate voice messages from [redacted] regarding the IRS' request that [redacted] provide the IRS with donor information. On this same date, [redacted] received a faxed letter from [redacted] addressing the donor information question. [redacted] responded to the IRS' February 2012 request for additional information, except she did not provide the donor information per the voice messages and facsimile she received from the IRS. [redacted] felt that the organization had to respond to the IRS' requests for additional information because of

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 02/28/2014, Page 8 of 13 b6 -2,3
b7C -2,3

the language in the letter, stating that if the organization did not respond then the IRS would assume that the organization did not want to go forward with its application for tax-exempt status.

Eventually it came to the point where it would take [REDACTED] a long period of time to return [REDACTED] telephone calls. Sometime in Fall 2012, in response to one of her calls to [REDACTED] received a telephone call from [REDACTED] stating that the [REDACTED] application was reassigned to someone "with more expertise in your type of organizations" to "expedite" the application process. [REDACTED] clarified that "your type of organizations" meant 501(c)(4) organizations and advised [REDACTED] that the application was reassigned to [REDACTED] [REDACTED] took issue with the word "expedite" because of the delay that had already transpired with the organization's application. b3 -1
b6 -2,3
b7C -2,3

[REDACTED] had discussions with [REDACTED] about the status of the organization's application, but nothing substantive. For the most part, they were only returning [REDACTED] calls. In fact, the only contact [REDACTED] had with the IRS between Fall 2012 and June 2013, when the organization was approved, was when [REDACTED] called the IRS to request an update on the status of the application. b6 -2,3
b7C -2,3

During this same time period, [REDACTED] received two letters from the IRS' Ogden, Utah office requesting it to confirm the organization's tax-exempt status. [REDACTED] spoke to a representative who worked in the Ogden office who told her that the letter was a "mistake." The second letter was with regard to a self-audit. In that regard, the letter requested the organization to answer certain questions. If the organization declined to do so, then the IRS would audit the organization. b3 -1
b6 -2
b7C -2

[REDACTED] and [REDACTED] received another round of development letters in October 2012, just before the 2012 election. [REDACTED] described the letters as "more of the same." To her, it was clear that the IRS was doing everything it could to "slow-play" and get the groups to give up and withdraw their applications for tax-exempt status. For example, the letters asked [REDACTED] for every speaking engagement and tweet and to print every page from the organization's website. Around this same time, [REDACTED] called [REDACTED] to say that she was taking over the applications for [REDACTED]. She made no mention that the applications were being reviewed by Washington, D.C. b3 -1
b6 -2,3
b7C -2,3

[REDACTED] knew of LOIS LERNER because of LERNER's history with [REDACTED] [REDACTED] said that people on "her side of the aisle" felt that LERNER had it out for the organization and Republicans in general. [REDACTED] did not attend the May 2013 American Bar Association (ABA) meeting. [REDACTED] was not a member of the ABA because she believed it was b3 -1
b6 -2,3
b7C -2,3

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282B-WF-2896615

Continuation of FD-302 of Interview of [redacted], On 02/28/2014, Page 9 of 13

a liberal organization. After the ABA meeting, [redacted] received emails from lawyers in her monthly meeting group who attended the ABA meeting and told her what LERNER said about the Tea Party organizations applying for tax-exempt status. [redacted] was livid when she read LERNER's statement, claiming that the issue stemmed from rogue employees in Cincinnati.

b6 -2
b7C -2

[redacted] wrote LERNER a letter in response to her statement because [redacted] knew that it was not Cincinnati, but Washington, D.C. that was handling the applications. [redacted] received a response to her letter a few months later, but the response did not address the substance of her letter to LERNER.

Days after the ABA meeting, a lobbyist friend of [redacted] called and invited [redacted] to meet with her, a Senate staffer, and her friend, who worked in the Commissioner's office in 2012. This individual told [redacted] that "SHULMAN was a dandy" and no help, and that MILLER did all the work. This individual was praising MILLER for his work. She also told [redacted] that SHULMAN and MILLER knew what was going on in 2012. [redacted] took this to mean that SHULMAN and MILLER lied to Congress when they testified that they did not know what was going on at the time with regard to the Tea Party applications. This individual told [redacted] that she was still in contact with the people in the Commissioner's office and that they were shocked at the reaction to LERNER's statement at the ABA meeting. "They" did not think that anyone would pick up on the issue, which is why they released the information on a Friday.

b6 -2,3
b7C -2,3

[redacted] called [redacted] after LERNER's statements at the ABA meeting to ask about the status of [redacted] application. [redacted] called [redacted] back. [redacted] was very apologetic with regard to what the organization had been put through.

b3 -1
b6 -2, 3
b7C -2, 3

In the summer of 2013, the IRS offered several organizations the option to Fast Track the application process. [redacted] would have given the Fast Track process consideration except that it required that the organization attest, under penalty of perjury, that no more than 40% of its expenditures, including volunteer activities, were political in nature.

b3 -1
b6 -2
b7C -2

[redacted] did not know what that meant or how to value the amount. [redacted] thought it was too risky for her clients to agree to participate in Fast Track because she could not advise her clients as to what they would be affirming. IRS agents called to see if [redacted] would accept Fast Track. The organization did not respond. Afterwards, the organization received another development letter.

[redacted] described several ramifications for 501(c)(4) organizations if the organization failed to apply for or was denied tax-exempt status by the IRS. For example, if an organization wanted to raise money, many states

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282B-WF-2896615

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Continuation of FD-302 of Interview of [redacted], On 02/28/2014, Page 10 of 13

required the organization to register with the state as a charitable organization. The registration process required a copy of the letter from the IRS approving the organization's tax-exempt status. [redacted] waited four years until it was approved by the IRS for tax-exempt status. The delay caused the organization to become dormant, almost shuttered. The delay also made it hard for the organization to sign up for things because the group became risk adverse. In addition, [redacted] was requested by the state to confirm its tax-exempt status since it intended to raise money. Since the organization had not yet been approved, it provided a copy of the Form 1024 application to the state. This gesture appeared to appease the state's request for proof of tax-exempt status at the time.

b3 -1

Without a letter from the IRS approving tax-exempt status, organizations were also unable to obtain a non-profit mailing permit. In addition, without an approval letter, GUIDESTAR did not list the organization on its website. GUIDESTAR published lists of 501(c)(3) and 501(c)(4) organizations and the organizations' Form 990s and articles of incorporations. GUIDESTAR was like a better business bureau of organizations. [redacted] had clients whose donors refused to donate to the organization unless the organization was listed on GUIDESTAR. Sometimes controllers of donors used GUIDESTAR to view the organization's articles of incorporation and treated an organization's listing on GUIDESTAR as evidence that the organization was legitimate. [redacted] which applied for (c)(3) status, lost a grant from the [redacted] because it had not yet been approved for tax-exempt status by the IRS. The organization lost out on other donations as well for the same reason. As a result, [redacted] put in her own money to keep the organization going.

b3 -1
b6 -2,3
b7C -2,3

[redacted] alleged that someone in the federal government unleashed the federal agencies on [redacted] her family, and her businesses. [redacted] believed that it came from someone out of the voting section of the Civil Rights Unit (CRU) at the DOJ because of [redacted] involvement with voting issues. [redacted] also based her belief on her understanding that [redacted] Chief Minority Counsel, Committee on Oversight & Government Reform (Committee), went back and forth between the Committee and the IRS, and that [redacted] on behalf of [redacted] received letters from Representative ELIJAH CUMMINGS alleging voter suppression and discrimination in voting.

b6 -2,3
b7C -2,3

[redacted] told [redacted] that the NEW BLACK PANTHERS were after her, stalked her, followed her, and had threatened her in the past. [redacted] did not file any complaints with the police or FBI. [redacted] would not advise [redacted] to file a complaint with the voting section of the CRU because [redacted] was white.

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282B-WF-2896615

Continuation of FD-302 of Interview of [redacted], On 02/28/2014, Page 11 of 13 b6 -2,3
b7C -2,3

[redacted] her family, and her businesses have been visited or audited by Occupational Safety and Health Administration (OSHA), Bureau of Alcohol Tobacco, and Firearms (ATF), IRS, and FBI's domestic terrorism unit. [redacted] mentioned that an individual from OSHA told [redacted] that she did not know why OSHA was at her business. [redacted] put together two large three-ring binders outlining what has happened to her and her family. [redacted] gave the binders to the Capitol Hill staff.

b3 -1
b6 -3
b7C -3

The IRS audited [redacted] and her business. [redacted] and [redacted] were not audited by the IRS. [redacted] said that was what they were waiting for next.

While its application was pending, [redacted] kept going, moving forward. [redacted] wanted to ask members to join the organization's board but felt that she could not ask anyone to do so until the organization received tax-exempt status because she did not want to put the members in that situation when the group had a "big brouhaha" with the IRS. As a result, [redacted] could not focus her efforts on [redacted]

b3 -1
b6 -3
b7C -3

[redacted] represented more clients who applied for tax-exempt status with the IRS during the relevant time period, but forgot about their pending applications until the TIGTA report was published. One client, [redacted] called her after the TIGTA report was published and advised her that the organization had not yet received tax-exempt status. Another client, [redacted] did not hear anything from the IRS until May 2013. [redacted] never got off the ground because the group applied for tax-exempt status under IRC Section 501(c)(3) and was unable to raise money. [redacted] application was approved sometime in the summer of 2013. However, in Fall 2013, the organization received a letter stating that its 501(c)(3) status was revoked for failure to do something. [redacted] a CPA in Cincinnati, Ohio, handled the issue on behalf of the organization. The IRS said that the revocation was a "mistake" and the IRS sent the organization a letter stating the same.

b3 -1
b6 -2,3
b7C -2,3

[redacted] began working with [redacted] sometime in May 2013 after TIGTA issued its report. [redacted] worked with [redacted] to send out emails to other Tea Party groups asking for annual budget information. Most groups responded that their annual budget was less than \$1,000. [redacted] said that these groups were afraid of the IRS and what the IRS would do to the groups. Many groups did not open up a bank account because the organization did not want to fill out a Form SS-4 to obtain an Employer Identification Number (EIN). Groups were scared that the

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282B-WF-2896615

Continuation of FD-302 of Interview of [redacted], On 02/28/2014, Page 12 of 13 **b6 -2,3**
b7C -2,3

activities they engaged in or were engaging in were improper. These groups called [redacted] "brave" for her work. [redacted] considered herself a "badass," but did not consider herself "brave."

[redacted] alleged that the IRS used donor information from either the Schedule B of the Form 990 and/or campaign finance reports, both showed the names of contributors to the organization, to target donors for audits.

[redacted] described this as the "biggest scandal." [redacted] added that if the IRS reviewed an organization's Form 990 in determining the organization's tax-exempt status, then that would also have been outside the Form 1024 application process because Form 990s were reported to a separate group within the IRS.

[redacted] alleged that the IRS illegally released tax information regarding [redacted] and released the Schedule B to the Form 990 for the following organizations: [redacted] **b3 -1**
b6 -2,3
b7C -2,3

[redacted] In March 2013, [redacted] along with several others, wrote a letter to the IRS complaining about the alleged illegal disclosures. IRS responded, saying that the release of information was inadvertent.

IRS published regulations on November 29, 2013, stating that the regulations were in response to the TIGTA report and "Werfel report" issued last summer. [redacted] alleged that the statements in the regulations were false because the regulations were being developed "off plan" well before the TIGTA report. **b6 -2**
b7C -2

On December 10, 2013, [redacted] submitted a FOIA request regarding the IRS' development of the regulations. In response, the IRS called and emailed [redacted] to state that it needed until January 28, 2014 to respond and would not be able to get everything until April 7, 2014. [redacted] alleged that these statements were also false because on its website the IRS said that there were no related documents to the development of the regulations. [redacted] sent a follow up letter to the IRS asking that the IRS extend the comment period related to the new regulations until the IRS produced the related documents. **b6 -2**
b7C -2

[redacted] and [redacted] attended a meeting with Congress' Committee on Oversight & Reform to understand the organizational structure of the IRS. During this meeting, [redacted] was told that HOLLY PAZ was on [redacted] [redacted] twice during the time period that her clients' applications for tax-exempt status were pending. [redacted] began referring to the time period as a [redacted] process. [redacted] did not believe that TIGTA's interviewers should have permitted PAZ to attend the interviews of IRS employees. [redacted] was informed that LERNER told PAZ to sit in on the interviews. **b6 -2,3**
b7C -2,3

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282B-WF-2896615

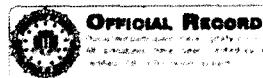
Continuation of FD-302 of Interview of [REDACTED], On 02/28/2014, Page 13 of 13

b6 -2
b7C -2

[REDACTED] saw Department of Homeland Security (DHS) documents that stated that DHS treated the Tea Party as a domestic organization group.

During the interview, [REDACTED] provided five documents: (1) Memorandum to Interested Parties from [REDACTED] Esq., Foley & Lardner, LLP, dated May 20, 2013, regarding IRS Targeting of Conservative Groups: A History, Overview and Status Report; (2) a Form 1024 Application for Recognition of Exemption Under Section 501(a); (3) Department of the Treasury Internal Revenue Service Instructions for Form 1024; (4) email from [REDACTED] assistant to [REDACTED] regarding materials mailed to [REDACTED] at the IRS and copy of facsimile from [REDACTED] to [REDACTED] dated July 20, 2010; and (5) April 27, 2012 facsimile from [REDACTED] to [REDACTED] and transcripts, prepared by her secretary, of voice messages left by [REDACTED] on the same date. (The provided documents will be maintained in the 1A section of the case file.)

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b7C -2,3~~UNCLASSIFIED//FOUO~~



FEDERAL BUREAU OF INVESTIGATION

Date of entry 09/08/2014

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

[redacted] date of birth (DOB) [redacted] social security
 account number (SSAN) [redacted] work telephone number [redacted]
 residence address [redacted] was
 interviewed at the Washington Field Office. Present during the interview
 were U.S. Department of Justice Attorney [redacted] and Treasury
 Inspector General for Tax Administration (TIGTA) Special Agent (SA) [redacted]
 [redacted] U.S. Department of Justice Attorney [redacted] participated
 via telephone. After being advised of the identity of the interviewing
 Agents and the nature of the interview, and being advised by TIGTA SA
 [redacted] that she was authorized to discuss Title 26 United States Code §
 6103 taxpayer information, [redacted] provided the following information:

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b7C -2,4

b6 per CRM
b7C

[redacted] earned her undergraduate degree from [redacted] and
 her law degree from [redacted] was a member of the
 District of Columbia Bar.

b6 -2
b7C -2

[redacted] started working for the Internal Revenue Service (IRS) after law
 school and worked for the IRS for approximately [redacted] Throughout her
 career with the IRS [redacted] worked in Exempt Organizations (EO). EO was
 part of the Tax Exempt & Government Entities (TEGE) Division, which was
 formerly Employee Plans and Exempt Organizations (EPEO).

[redacted] began her career with the IRS as a Tax Law Specialist. She
 worked in various sections of EO, including the guidance section and
 technical section. When she was in the technical section, she worked on
 Private Letter Rulings (PLRs). From 2008 to 2010, [redacted] worked in Tax
 Forms and Publications. She became a manager in March 2010, but worked on
 the Affordable Care Act (ACA) as a technical advisor until December 2010.
 It was not until June 2011 that she actually worked as a manager of a
 technical group. From July 2011 until September 2011, [redacted] was the
 manager of technical group 4. Sometime around the middle of October 2011,
 [redacted] was assigned to backfill for [redacted] as Senior Manager of EO
 Guidance while [redacted] filled in as Director EO Rulings and Agreements for
 HOLLY PAZ, who was out on [redacted] [redacted] returned to managing

b6 -2,3
b7C -2,3

Investigation on 04/09/2014 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615

Date drafted 04/15/2014

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 04/09/2014, Page 2 of 7

b6 -2
b7C -2

technical group 4 in February 2012. It was around this same time that [REDACTED] left the IRS to work for the Department of Justice.

b3 -1
b6 -2,3
b7C -2,3

The first time [REDACTED] learned about the Tea Party cases was in August 2011 during a meeting she attended with Chief Counsel's office (Counsel). [REDACTED] attended this meeting because one of the employees she managed, [REDACTED] was assigned to work a case for an advocacy group that was being reviewed by Counsel. [REDACTED] did not assign the case to [REDACTED] as the case was already in [REDACTED] inventory when [REDACTED] became [REDACTED] manager. [REDACTED] was not aware as to how the [REDACTED] case was assigned to [REDACTED] but felt that it was appropriate that it was sent to [REDACTED] office because it was a case with "no precedent." Often, these types of cases, as well as cases with congressional inquiries, were sent to [REDACTED] office.

[REDACTED] had no knowledge of the specific issues related to this advocacy group or the Tea Party cases, and went into the meeting "cold." At the meeting, a recommendation was made that the cases being discussed at the meeting required further development and that the IRS needed more information from the applicants. There was no further involvement in the case by Counsel while [REDACTED] worked it in [REDACTED] group.

b6 -2,3
b7C -2,3

Prior to the August 2011 meeting with Counsel, [REDACTED] remembered that sometime in Spring of 2011 a decision was made to transfer new advocacy cases to Technical Group 1. After that decision was made, [REDACTED] group received one other advocacy case. She did not open the case, and instead forwarded it to Technical Group 1 to work.

b6 -2
b7C -2

Sometime around April 2012, [REDACTED] approached [REDACTED] after [REDACTED] Power of Attorney (POA) for [REDACTED] called [REDACTED] voicing concerns that if [REDACTED] submitted certain information requested by the IRS then the information would be publicly disclosed under Internal Revenue Code (IRC) Section 6104. The information [REDACTED] was concerned about was the names of the group's contributors. [REDACTED] requested that [REDACTED] provide this information, along with other additional information, in a development letter she mailed to [REDACTED] [REDACTED] approached [REDACTED] because [REDACTED] wanted to know if she was permitted to remove the names of the contributors from the application materials after a determination was made as to [REDACTED] tax-exempt status. [REDACTED] advised [REDACTED] that it was not possible to remove information provided by the applicant from the application materials, and told [REDACTED] to tell [REDACTED] not to provide the names of the group's contributors. At the time, [REDACTED] thought that [REDACTED] was applying for tax-exempt status under IRC Section 501(c)(3), and

b3 -1
b6 -2,3
b7C -2,3

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 04/09/2014, Page 3 of 7

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b6 -2,3
b7C -2,3

therefore, told [REDACTED] to tell [REDACTED] to have [REDACTED] provide only the amount of contributions made to the group.

Later, [REDACTED] realized that [REDACTED] was applying for tax-exempt status under IRC Section 501(c)(4). [REDACTED] told [REDACTED] that asking [REDACTED] to provide the names of its contributors was not relevant to determining its application under IRC Section 501(c)(4), and was beyond what the IRS needed to make a determination. [REDACTED] and [REDACTED] called [REDACTED] but received her voice mail. [REDACTED] left [REDACTED] a voice message, stating that [REDACTED] did not need to provide contributor information.

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] went back to [REDACTED] and asked her why she asked [REDACTED] to provide the names of its contributors. [REDACTED] said that she thought it was relevant to a determination because it may show a private benefit. [REDACTED] also told [REDACTED] that she thought of the question on her own. [REDACTED] never saw "model" questions that were created for tax law specialists to ask of applicants applying for tax-exempt status, and the questions [REDACTED] asked appeared to be questions [REDACTED] created on her own.

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b6 -2,3
b7C -2,3

[REDACTED] did not think that the contributor question was relevant because she did not think it was relevant where a group received its money. She thought it was what the group did with the money it received that was relevant to a determination. [REDACTED] thought that the same analysis applied for determining if there was an improper private benefit for 501(c)(3) purposes.

b6 -2
b7C -2

In May 2012, [REDACTED] provided its response to [REDACTED] development letter requesting additional information. In the cover letter, [REDACTED] stated that [REDACTED] was not answering the contributor question.

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b6 -2,3
b7C -2,3

After that, [REDACTED] called [REDACTED] approximately once a month with regard to the status of [REDACTED] application. [REDACTED] asked [REDACTED] for a status update on the group's application and reported the information to [REDACTED].

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b6 -2,3
b7C -2,3

Around September 2012, [REDACTED] began expressing her "exasperation" to [REDACTED] with the lack of movement on [REDACTED] case. [REDACTED] spoke with [REDACTED] about the case and felt that [REDACTED] was unable to make a determination. [REDACTED] told [REDACTED] that if she did not have enough information at that time, then she would not be able to make a determination. [REDACTED] was the only 501(c)(4) case assigned to [REDACTED]. [REDACTED] felt that [REDACTED] did not have enough background to work a 501(c)(4) case because she had never worked an

b3 -1
b6 -2,3
b7C -2,3

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 04/09/2014, Page 4 of 7

b6 -2
b7C -2

"advocacy or political intervention case" in the past. [REDACTED] also felt that she herself lacked certain expertise with these types of cases.

Because of [REDACTED] expression of concern and the fact that [REDACTED] sent in all of the additional information requested back in May 2012, [REDACTED] recommended that the case be transferred to another group. [REDACTED] spoke to [REDACTED] about the case, and expressed to him that she did not believe that the issue was about the need to gather more information. [REDACTED] agreed with [REDACTED] recommendation to transfer the case to Technical Group 1, which was the group that handled these types of cases. [REDACTED] was trying to move the cases along and wanted to make determinations and close cases. [REDACTED] considered the following individuals who worked for Technical Group 1 to be experts on political advocacy cases:

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Even after the case was transferred, [REDACTED] still called [REDACTED] with questions about the status of the group's application. By this time, [REDACTED] called [REDACTED] every few months requesting a status update instead of every month. [REDACTED] felt "bad," just as she did with all applicants, because she wanted to decide the cases faster. The process for making tax-exempt determinations was not set up to permit immediate or even quick determinations. [REDACTED] was closed with a favorable determination sometime in 2013.

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b6 -2,3
b7C -2,3

Typically when a case was assigned to her group, [REDACTED] determined who was best equipped to handle the case, which included reviewing the tax law specialists' caseloads. Cases were handled in the order they were received. At first the rule was that the first case to her group was the first case worked by her group. However, this rule changed at some point and cases were then worked in the order that they came to the IRS. Exceptions for taking a case out of order included congressional interest or request by Taxpayer Advocate Service.

b6 -2
b7C -2

[REDACTED] thought that applications for tax-exempt status under IRC Section 501(c)(4) were generally difficult cases to determine. Normally, cases required additional information to make a determination because applicants failed to provide enough information for the IRS to make a determination. The volume of questions sent to applicants to determine cases was consistent. The tax law specialist sent the development letters to the applicant. [REDACTED] did not review the development letters before they were sent to the applicants. A tax law specialist was permitted to grant an applicant an initial extension to provide requested information. However, further extensions required [REDACTED] permission.

b6 -2
b7C -2

Tax law specialists worked with a reviewer on each case. If the tax law specialist and reviewer disagreed on a determination, the case was sent

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 04/09/2014, Page 5 of 7

b6 -2
b7C -2

[REDACTED] to [REDACTED] to make a decision to either approve or propose denial of tax-exempt status. [REDACTED] reviewed all files, approvals and denials, before they were sent to the applicant. If the IRS proposed to deny the applicant tax-exempt status, the applicant had the opportunity to work with the IRS to obtain approval.

b6 -3
b7C -3

[REDACTED] was shown an e-mail chain from [REDACTED] dated June 25, 2012, regarding additional procedures on cases with advocacy issues - before issuing any favorable or initial denial ruling. (A copy of this document will be maintained in the 1A section of the case file.) At the time this e-mail was sent, [REDACTED] was Senior Manager of EO Technical. After she reviewed the e-mail, [REDACTED] remembered that [REDACTED] wanted a "sanity check" on these cases so that he could keep track of them. [REDACTED] said that this e-mail related to just "political" advocacy cases. There were other instances when [REDACTED] sent cases to review, including: significant cases, cases in the media, case that no one could reach an agreement on, and cases that presented a new type of issue. [REDACTED] did not find [REDACTED] request to be unusual. At that time, [REDACTED] had heard that there were a lot of congressional inquiries about these cases. [REDACTED] added that it was also not unusual to work with Counsel on case determinations.

b6 -2,3
b7C -2,3

[REDACTED] was shown the document entitled "Increase in (c) (3)/(c) (4) Advocacy Org. Applications." (A copy of this document will be maintained in the 1A section of the case file.) [REDACTED] did not recall ever seeing this document.

b6 -2
b7C -2

[REDACTED] did not recall being at a meeting where LOIS LERNER was briefed on the Tea Party cases. [REDACTED] did not recall DOUG SHULMAN, or anyone beyond LERNER's level, asking her about the [REDACTED] case or these types of cases. [REDACTED] did not have any conversations with anyone above [REDACTED] level about the [REDACTED] case.

b6 -2,3
b7C -2,3
b3 -1

Sometime in the Spring of 2012, PAZ made a comment to [REDACTED] in passing that there was a concern as to whether Cincinnati mishandled the cases. [REDACTED] was not aware that a problem existed as to how these types of cases were handled until PAZ made this comment to her. [REDACTED] did not get involved with issues with Cincinnati. [REDACTED] was aware that a group of employees went to Cincinnati to work cases, but did not remember any of her employees going to Cincinnati to work cases. It appeared to [REDACTED] that PAZ wanted to help solve the problem. PAZ was not political in the office, and she did not discuss her political beliefs with [REDACTED]

b6 -2,3
b7C -2,3

[REDACTED] knew all along that there were congressional inquiries with regard to these cases, which she did not find atypical. Often, applicants

b6 -2
b7C -2

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 04/09/2014, Page 6 of 7

b6 -2
b7C -2

went to their congressman for help with pushing their cases through the determination process. Congress made inquiries all the time with regard to other types of cases, such as hospitals.

[REDACTED] did not know about the TIGTA report until she heard that it was coming out. [REDACTED] reviewed parts of the TIGTA report, including the recommendations section. She thought some of the terminology used in the report was incorrect. [REDACTED] also did not agree with everything in the TIGTA report that she reviewed. For example, she did not agree that there was "targeting." She believed that the IRS looked at every case that came in and made a facts and circumstances determination. The IRS also looked to determine issues regardless of the type of case being reviewed.

b6 -2
b7C -2

[REDACTED] was shown a February 2, 2011 e-mail chain from [REDACTED] regarding SCR Table for Jan. 2011 & SCR Items. (A copy of this document will be maintained in the 1A section of the case file.) [REDACTED] did not recall this e-mail chain. [REDACTED] would have sent this e-mail out so that his employees had situational awareness of cases that the group was handling on the Sensitive Case Report (SCR). The point of the SCR was so that employees did not get caught off guard at a speaking engagement and asked about particular types of cases. [REDACTED] saw SCRs pushed forward in emails, but did not recall reviewing the SCRs.

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[REDACTED] did not find it appropriate to discuss politics at the office because the groups in her division were working advocacy cases. The IRS had "ethics books," which provide certain rules on ethics. The IRS also had yearly meetings with employees to review the rules, which provided, among other things, that employees were not supposed to push political agendas. The IRS also had a "conflict of interest policy," under which employees were required to remove themselves from cases if a conflict existed. [REDACTED] was not aware of any instance when an IRS employee treated an applicant differently because of the applicant's or employee's political beliefs. If this occurred, [REDACTED] would transfer the applicant's case to another group.

b6 -2
b7C -2

[REDACTED] considered LERNER to be her boss and she tried to avoid being called in to the boss' office. [REDACTED] did not "chit chat" with LERNER. LERNER never made any political comments or discussed her political beliefs with [REDACTED]

b6 -2
b7C -2

[REDACTED] only contact with [REDACTED] was at the manager level. [REDACTED] was not political and did not discuss politics with [REDACTED]. [REDACTED] was not political. He did not discuss politics with [REDACTED]

b6 -2,3
b7C -2,3

[REDACTED] was aware of and received a litigation hold related to this investigation. [REDACTED] preserved relevant documents subject to the

FD-302a (Rev. 05-08-10)

282B-WF-2896615

Continuation of FD-302 of Interview of

[REDACTED]

, On

04/09/2014

, Page

7 of 7

b6 -2
b7C -2

litigation hold. [REDACTED] was not aware of anyone who destroyed relevant documents, and was not aware of any direction given to employees to destroy relevant documents. No one told [REDACTED] what to say during her interview. [REDACTED] did not talk to anyone about her interview, other than a conversation with Counsel with regard to her liability insurance and to tell someone at the IRS why she was not in the office.



FEDERAL BUREAU OF INVESTIGATION

Date of entry 10/15/2014

FEDERAL TAXPAYER INFORMATION

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[redacted] date of birth (DOB) [redacted] social security [redacted] b6 -2,4
 account number (SSAN) [redacted] work telephone number [redacted] b7C -2,4
 was interviewed at the Department of Justice, located at 1400 New York
 Avenue, NW, Washington, DC. Present during the interview were U.S.
 Department of Justice Attorneys [redacted] and [redacted] ar b6 per CRM
 Treasury Inspector General for Tax Administration (TIGTA) Special Agent b7C
 (SA) [redacted] After being advised of the identity of the
 interviewing Agents and the nature of the interview, [redacted] provided the
 following information:

Prior to meeting with the interviewing Agents, [redacted] met with [redacted] b6 -2,3
 [redacted] and reviewed 26 U.S.C. Section 6103. Neither [redacted] nor [redacted] saw how b7C -2,3
 the Department of Justice was permitted to "piggyback" on TIGTA, and
 therefore, [redacted] was not comfortable discussing Section 6103 information
 with the interviewing Agents without an attorney present.

[redacted] thought that [redacted] was represented by [redacted] b3 -1
 [redacted] and that the organization filed a legal action against the b6 -2,3
 Internal Revenue Service (IRS). However, [redacted] reviewed the docket and did b7C -2,3
 not see an action pending by [redacted] Instead, [redacted] b6 per TAX
 believed that the organization suing the IRS, which was also represented by

[redacted], was [redacted]
 [redacted] earned [redacted] undergraduate degree in [redacted] from the [redacted] b6 -2
 [redacted] worked for a defense contractor, [redacted] b7C -2
 [redacted] after graduating college. [redacted] worked in b6 per TAX
 the pricing department, pricing contracts. [redacted] then attended law
 school. [redacted] earned a Juris Doctor from [redacted] During [redacted]
 third year of law school, [redacted] applied for the [redacted]

Investigation on 05/05/2014 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615 Date drafted 05/13/2014

by [redacted] b6 -1 b7C -1

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 05/05/2014, Page 2 of 7

[REDACTED] accepted the offer to work for the IRS as a [REDACTED] just prior to graduating law school.

b6 -1
b7C -1

b6 per TAX

[REDACTED] started [REDACTED] fellowship in August 2008 and was assigned to work within Exempt Organizations (EO). [REDACTED] was interested in tax generally and randomly assigned to work EO. [REDACTED] title at the time was Tax Law Specialist. [REDACTED] line manager was [REDACTED] who reviewed all of [REDACTED] work. [REDACTED] On the Job Instructor (OJI) was [REDACTED] [REDACTED] thought [REDACTED] was a "nice guy" who was "pleasant" to work with. During the first few months [REDACTED] was with EO, "it was a given" that [REDACTED] would go to [REDACTED] before [REDACTED] took [REDACTED] work to [REDACTED] to review. [REDACTED] worked on a team with seven or eight other employees. [REDACTED] did not supervise any employees.

b6 -2,3
b7C -2,3

b6 per TAX

As part of the two-year fellow program, [REDACTED] was required to work a six-month detail. [REDACTED] told [REDACTED] that [REDACTED] would like to propose a detail to the United States Attorney's Office and wanted to speak with [REDACTED] and LERNER about it. [REDACTED] arranged for [REDACTED] to discuss the detail with LERNER. This was [REDACTED] only interaction with LERNER. [REDACTED] ended up working [REDACTED] six-month detail at the United States Attorney's Office from March 2009 to October 2009. While [REDACTED] was working at the United States Attorney's Office, [REDACTED] applied for a position with the Department of Justice (DOJ) in the Honors Program. [REDACTED] was offered a position, which [REDACTED] accepted in the Fall of 2009. However, [REDACTED] stayed with the IRS until August 2010 because [REDACTED] had committed to the fellow program for two years. [REDACTED] worked as a trial attorney with DOJ on the civil side, where [REDACTED] handled Freedom of Information Act (FOIA) requests and *Bivens* actions. [REDACTED] did not perform any tax work. [REDACTED] was recently assigned to a [REDACTED]

b6 -2,3
b7C -2,3

b6 per TAX

While [REDACTED] worked in EO, [REDACTED] reviewed the applications submitted by taxpayers for tax-exempt status and prepared Private Letter Rulings (PLR) and Technical Advice Memoranda (TAMs). The managers were responsible for the workflow of their group so [REDACTED] assigned the applications to [REDACTED] to work. Of the applications [REDACTED] reviewed, most were for churches and religious organizations applying for tax-exempt status under Internal Revenue Code (IRC) Section 501(c)(3). [REDACTED] had a lot of organizations that were trying to be online churches. When reviewing applications for tax-exempt status under Section 501(c)(3), the tax law specialist had to be cognizant that there was no campaign intervention.

b6 per TAX

b6 -2,3
b7C -2,3

When [REDACTED] received a taxpayer's Form 1023 Application for Recognition of Exemption Under Section 501(c)(3) or Form 1024 Application for Recognition of Exemption Under Section 501(a) [REDACTED] tried to identify

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b6 per TAX

282B-WF-2896615

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Continuation of FD-302 of Interview of [redacted], On 05/05/2014, Page 3 of 7

precedent for granting tax-exemption for the activities the organization was trying to be recognized. If there were any issues with or deficiencies in the application, [redacted] addressed them with [redacted] manager. If [redacted] needed more information for the taxpayer, [redacted] reached out to the taxpayer via telephone, facsimile, or mail. [redacted] was advised not to use e-mail to communicate with taxpayers. Generally, when [redacted] needed more information from a taxpayer, [redacted] sent a letter. Every case [redacted] worked was different. Some cases did not require that [redacted] request additional information from the taxpayer. For those cases that required additional information, [redacted] was required to review the letter with [redacted] manager before [redacted] sent it to the taxpayer. After [redacted] manager reviewed the letter, [redacted] initialed an internal copy.

b6 per TAX

b6 -2
b7C -2

[redacted] OJI was a good resource to bounce ideas off with regard to the types of questions that should be asked of taxpayers to get the necessary information to make a determination. [redacted] OJI also had templates for asking certain types of questions. [redacted] had an OJI for six to 12 months, but not the entire 24 months of the fellow program.

b6 -2
b7C -2

b6 per TAX

[redacted] was not aware how cases got to EO Technical. Within [redacted] group, cases were assigned on a first-in, first-out basis, unless the organization applied for and received expedited status. Cases were assigned to one tax law specialist at a time. [redacted] did not recall working a case with [redacted] Other than one case [redacted] worked with [redacted] (ph) [redacted] did not recall working a case with another tax law specialist. [redacted] was a senior tax law specialist at the time, and may be a manager now. [redacted] never interacted with other employees about cases [redacted] was working on. However, [redacted] attended meetings and sometimes general issues related to certain cases were discussed at these meetings. None of the cases [redacted] worked on were discussed at these meetings.

b6 per TAX

b6 -2, 3
b7C -2.3

[redacted] recalled that there were special projects that certain employees worked on. Employees treated special projects as "resume builders." Special projects included the university study and "PACI," which was a study that involved political activities headed by [redacted]

b6 -2,3
b7C -2,3

The case [redacted] worked with [redacted] involved a taxpayer applying for tax-exempt status under IRC Section 501(c)(4). The organization withdrew its application. [redacted] recalled that the organization appeared to be involved in political education. The organization was not involved with the Tea Party movement; the group was a liberal organization. While reviewing the application, [redacted] tried to determine the organization's

b6 per TAX

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 05/05/2014, Page 4 of 7

b6 -2
b7C -2

primary purpose and if it fell within the activities permitted by IRC Section 501(c)(4). This was the only 501(c)(4) case for which [REDACTED] recalled doing any substantive work.

[REDACTED] recalled working a case for an organization represented by [REDACTED] but did not recall doing substantive work on this case. [REDACTED] recalled that this organization applied for tax-exempt status under Section 501(c)(4), but [REDACTED] did not remember sending out a development letter to the organization. [REDACTED] contacted [REDACTED] once or twice to ask about the status of [REDACTED] client's application. [REDACTED] remembered having conversations with [REDACTED] during which [REDACTED] may have discussed the revenue procedures for requesting expedited status for [REDACTED] client. [REDACTED] believed [REDACTED] spoke to [REDACTED] about the status of [REDACTED] client's application right before [REDACTED] left to go work for the Department of Justice's tax division. [REDACTED] and [REDACTED] were pleasant to each other on the telephone. [REDACTED] did not remember anything out of the ordinary with regard to [REDACTED] telephone calls with [REDACTED] as compared to other attorneys representing clients applying for tax-exempt status.

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b7C -2,3

b6 per TAX

[REDACTED] recently contacted [REDACTED] at his [REDACTED] telephone number. [REDACTED] called sometime in March 2014 before the Conservative Political Action Conference (CPAC). [REDACTED] remembered that it was around that time because [REDACTED] reads the TaxProf blog and recalled seeing [REDACTED] on the blog talking about the upcoming CPAC. [REDACTED] knew that [REDACTED] worked for a large law firm and represented a taxpayer who had filed litigation against the IRS. [REDACTED] left [REDACTED] a voice message, stating that [REDACTED] wished to speak with [REDACTED] and discuss some things. [REDACTED] left [REDACTED] telephone number. [REDACTED] called the tax division and an [REDACTED] spoke to [REDACTED] (ph), and [REDACTED] (ph), who advised [REDACTED] that it was best that [REDACTED] not call [REDACTED] because [REDACTED] was involved in litigation against the IRS, which was represented by the Department of Justice. [REDACTED] did not return [REDACTED] telephone call. [REDACTED] had not tried to contact [REDACTED] again.

b6 -2,3
b7C -2,3

b6 per TAX

[REDACTED] did not receive any specialized training to review 501(c)(4) applications or 501(c)(4) applications with a political advocacy component. The Continuing Professional Education (CPE) guidebooks, which explained the relevant case law, were at [REDACTED] disposal.

b6 -2
b7C -2

[REDACTED] did not know what a sensitive case report (SCR) was. [REDACTED] had no recollection of cases being categorized or segregated because they were "Tea Party cases" while [REDACTED] worked at the IRS. [REDACTED] had heard from employees who worked in Cincinnati that there were multiple "Tea Party

b6 per TAX

282B-WF-2896615

b6 -2
b7C -2

Continuation of FD-302 of Interview of [redacted], On 05/05/2014, Page 5 of 7

cases" pending. [redacted] mentioned a "Tea Party" case once, but [redacted] did not recall whether [redacted] worked on any "Tea Party cases." It would not have been normal for [redacted] to tell [redacted] what cases [redacted] was working on.

b6 -2,3
b7C -2,3

No one told [redacted] how to decide an application for a taxpayer applying for tax-exempt status. [redacted] never felt influenced by anyone generally and was never politically influenced to decide a case one way or another. [redacted] did not hear that happening to anyone else, and never saw any undue political influence at the IRS. [redacted] never saw employees showing political support at the office, such as through screensavers or buttons. [redacted] thought that if someone did do that they would have violated the Hatch Act.

b6 -2,3
b7C -2,3
b6 per TAX

[redacted] did not know the political persuasion of [redacted] bosses, although [redacted] had friends at the IRS whom [redacted] hung out with socially. [redacted] may have learned of the political persuasion of these employees in a social setting, and recalled that they had differing opinions when it came to politics.

b6 -2
b7C -2
b6 per TAX

[redacted] had no knowledge of the TIGTA audit until the report was made public. [redacted] read the report at that time. [redacted] had no gut reaction to the report because [redacted] was not a fact witness to the statements in the report. In that regard, the report was about things to which [redacted] was not privy. [redacted] did not speak to anyone at the IRS about the TIGTA report. [redacted] recalled a conversation with [redacted] either via e-mail or in person, during which [redacted] mentioned that the mood at the office was "grim."

b6 -2,3
b7C -2,3
b6 per TAX

[redacted] described EO as a "collegial workplace." [redacted] stayed in touch with some of [redacted] former colleagues, including [redacted] and [redacted] Last Name Unknown(LNU). [redacted] had no reporting responsibility to [redacted] HOLLY PAZ, or LOIS LERNER. The only interaction [redacted] had with [redacted] was social interaction during in-office birthday parties.

b6 -2,3
b7C -2,3
b6 per TAX

ROBERT CHOI was [redacted] superior, and LERNER was CHOI's superior. [redacted] only interaction with CHOI was when [redacted] spoke to CHOI about an issue with [redacted] GS level increase. It was represented to [redacted] that [redacted] grade level would increase a certain way, and it did not.

b6 -2,3
b7C -2,3
b6 per TAX

[redacted] worked in the office full-time for the first year. Then, when it was permitted, [redacted] would telecommute, working from home one day a week. The positions at the IRS were unionized positions. Employees had specific work hours and employees stuck to those hours, including working from home the days they were permitted to do so. Employees who had the opportunity to do so opted to telecommute.

b6 -2
b7C -2
b6 per TAX

Managers were graded on their case processing ability. It measured the

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 05/05/2014, Page 6 of 7

b6 -2
b7C -2

effectiveness of the manager based on the number of closed cases. [REDACTED] had no recollection of any manager taking a case out of order improperly. The only cases that were taken out of order were those that applied for and received expedited status.

[REDACTED] felt that it was generally hard to get things done at the IRS. [REDACTED] was frustrated with the inventory of cases. [REDACTED] felt that the review process took too long because the managers also worked their cases first-in, first-out. [REDACTED] did not feel like [REDACTED] was doing anything because of the lag time to get [REDACTED] cases reviewed. For example, it took at least a few days or up to a week to get a development letter reviewed and a month or more to get a determination approved. [REDACTED] had no knowledge of any particular delays specific to the political advocacy cases because of the organizations' political viewpoints.

b6 -2
b7C -2

b6 per TAX

[REDACTED] interacted with IRS Chief Counsel on the TAMs [REDACTED] wrote and the case [REDACTED] worked with [REDACTED]. With regard to the latter, [REDACTED] and [REDACTED] sat down with [REDACTED] and one other person from the Chief Counsel's office to discuss the case. [REDACTED] did not recall there being a similar lag time with the Chief Counsel's office as there was with [REDACTED] manager.

b6 -2,3
b7C -2,3

b6 per TAX

When [REDACTED] went back to DOJ tax division, it was mostly a "clean break" from the work [REDACTED] was doing in EO. [REDACTED] may have worked an EO matter when [REDACTED] worked in the tax division, but it was few and far between and none of the work related to the "Tea Party cases." [REDACTED] may have worked on a Section 748 action for declaratory relief.

b6 per TAX

b6 -2,3
b7C -2,3

[REDACTED] had no recollection of providing information to [REDACTED] with regard to the internal difficulties with deciding cases at the IRS. Instead, [REDACTED] would have given [REDACTED] the typical response, being that the IRS worked the cases in order that they were received and there was a process to apply for expedited status.

b6 per TAX

[REDACTED] had no recollection of any questions sent to 501(c)(4) applicants asking the organization to identify its donors. [REDACTED] did not remember asking any 501(c)(4) applicants to identify their donors. [REDACTED] did not discuss the donor question with [REDACTED]

b6 -2,3
b7C -2,3

No one went to [REDACTED] seeking information in a corrupt or inappropriate matter as it related to the "Tea Party cases." [REDACTED] had no knowledge of anyone outside of the IRS influencing how the cases should be decided. However, taxpayers sometimes tried to get outside assistance with their applications. In that regard, some taxpayers called their Congressman with regard to their application for tax-exempt status. The Congressman then made an inquiry with the IRS on behalf of the taxpayer.

b6 -2
b7C -2

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 05/05/2014, Page 7 of 7

b6 -2
b7C -2

[REDACTED] had no knowledge of anyone obstructing the investigation. [REDACTED] had no knowledge of anyone influencing how applications were decided because the applicant was a "Tea Party case." [REDACTED] had no knowledge of anyone treating any applicants differently because of the applicant's political status or political viewpoint.

b6 -2
b7C -2

[REDACTED] said that [REDACTED] did not get the [REDACTED] through a quid pro quo or because [REDACTED] had worked in EO at the IRS. [REDACTED] had to be nominated by the section chief for the [REDACTED]. [REDACTED] went through several interviews. During one of the interviews, [REDACTED] may have been asked if he worked on any "Tea Party cases." [REDACTED] thought it was because [REDACTED] listed on [REDACTED] resume that [REDACTED] worked in EO at the IRS. During [REDACTED] interview [REDACTED] told the interviewer the same thing [REDACTED] told the interviewing Agents. That is, that [REDACTED] may have had one or two telephone calls with [REDACTED] but [REDACTED] did not do any substantive work on the case.

b6 -2,3
b7C -2,3

b6 per TAX

[REDACTED] did not brief the executive branch on the "Tea Party cases," how cases were processed at the IRS, or the TIGTA report.

b6 -2
b7C -2



~~UNCLASSIFIED//FOUO~~

FEDERAL BUREAU OF INVESTIGATION

Date of entry 07/01/2014

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

[redacted] date of birth [redacted] Social Security
 account number [redacted] residence address [redacted]
 [redacted] telephone [redacted] was interviewed at
 the offices of the Department of Justice (DOJ), located at 1400 New York
 Avenue, Washington, D.C. 20005. [redacted] attorneys, [redacted]
 [redacted] of the American Center for Law and Justice (ACLJ) were
 present during the interview. Also present during the interview were DOJ
 Attorneys [redacted] and [redacted] and Treasury Inspector
 General for Tax Administration (TIGTA) Special Agent (SA) [redacted]
 During the interview, documents were shown to [redacted] and hereafter those
 documents will be referred to by their respective bates numbers or other
 identifying information and copies will be maintained in the 1A section of
 the case file. After being advised of the identities of the interviewing
 Agents and the nature of the interview, [redacted] provided the following
 information:

b6 -2,3,4
b7C -2,3,4

b6 per CRM
b7C

[redacted] grew up in [redacted] She received her Bachelor's
 degree from [redacted] where she studied International Business and
 German. She currently works in sales of high-end appliances. [redacted] moved
 to [redacted] [redacted] considered herself a "concerned citizen"
 with what was going on in this country in 2007 and 2008. The Tea Party
 movement organized in March 2009, and [redacted] looked into joining the
 movement with [redacted] Other people in [redacted] put
 together a tax day rally in April 2009. [redacted] with the help of [redacted]
 [redacted] incorporated the [redacted] in August 2009. [redacted]
 was an all volunteer organization and therefore no one was paid. [redacted] was
 created to organize major events where it could educate people about civics
 and politics. [redacted] had a treasurer, secretary, a Board of Directors
 consisting of 12-14 people and had a core group of supporters consisting of
 about 50 people. The organization decided that the best fit for what it
 was doing was as a 501(c)(4) organization and therefore it submitted a 1024
 application for tax exempt status to the Internal Revenue Service (IRS) in
 December 2009.

b3 -1
b6 -2,3
b7C -2,3

~~UNCLASSIFIED//FOUO~~

Investigation on 05/08/2014 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615

Date drafted 05/14/2014

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of Interview of [redacted] On 05/08/2014, Page 2 of 3 b6 -2
b7C -2

[redacted] was shown two letters from the IRS to [redacted] dated April 2, 2010 and April 21, 2010, respectively. [redacted] did not recall much regarding the April 2 letter, noting that it stated there was a backlog of cases, which did not surprise her. The April 21 letter was very specific about motivational activities and organizations to which [redacted] was related. This made her feel like [redacted] was getting scrutinized. When [redacted] received another letter later, it furthered her belief that she was being harassed.

b3 -1
b6 -2,3
b7C -2,3

[redacted] only spoke to [redacted] five times or less. She thought her conversations with [redacted] mostly involved her asking for clarification about his questions, leaving him messages and then him calling her back with clarification. She then submitted her response. In June or July 2010, [redacted] asked for [redacted] Articles of Incorporation. [redacted] said he would have more questions to follow. She faxed him a letter in the fall of 2010 asking him to let her know when he had questions to contact her. [redacted] was professional on the telephone, coming across as reserved, but not rude. [redacted] did not hear from [redacted] for months, so she called to ask why the process was taking so long. She left [redacted] a message and responded in a day or two. [redacted] paused while he was answering her question and then said that the application process was a long process and required much review. [redacted] had a board meeting at least monthly and sometimes twice monthly. At every meeting they always brought up the status of the tax exemption application.

b3 -1
b6 -2,3
b7C -2,3

[redacted] was shown a copy of a letter dated November 16, 2011 written by [redacted]. She described this as the "bombshell" letter. It had 17 points of inquiry. [redacted] showed the letter to [redacted] Board of Directors. They all thought that the IRS was making this process burdensome. They also received the letter the week of Thanksgiving, which made [redacted] angry because it ruined her holiday season, as she worked to prepare the information for the response. The letter had a two week turnaround. [redacted] politely, but firmly, asked [redacted] if they could have an extension of time to respond. [redacted] "hemmed and hawed" and said she would have to ask her supervisor. [redacted] got the impression that [redacted] was new. [redacted] did get an extension. [redacted] sent the response on January 2 or 3 of 2012 so that it would be in before the deadline of January 6, 2012. In order to prepare all of the information needed for the response, three people met every few days to pull the information together over the holiday season. These people included [redacted] President, and [redacted] Treasurer. [redacted] had helped on the previous letter's response.

The IRS asked for all of [redacted] "E-blasts" since its inception. [redacted] sent out electronic blasts of information on a weekly basis. Additionally, the IRS wanted the information in hard copy form and would not accept it in

b3 -1
b6 -2,3
b7C -2,3

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~~UNCLASSIFIED//FOUO~~

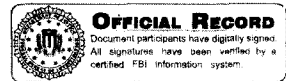
282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 05/08/2014, Page 3 of 3 b3 -1
b6 -2,3
b7C -2,3

[REDACTED] resigned from [REDACTED] in June 2012 due to feeling burned out as a direct result of dealing with the IRS. [REDACTED] received a correspondence letter from the IRS at her personal address after she left [REDACTED]. She forwarded the information to [REDACTED] and asked the IRS to stop sending her correspondence. She helped [REDACTED] with an event in September 2012, but she had no interaction with the IRS. She did not think that [REDACTED] has been granted exempt status as of today.

[REDACTED] had never heard of the Taxpayer Advocate Service and had not heard of a complaint system for issues with the IRS. She felt you had to comply with the IRS and she never questioned the questions that [REDACTED] received on their application. [REDACTED] took over communication with the IRS after [REDACTED] left. [REDACTED] never ceased operating during this process. [REDACTED] did not have other issues with the IRS like audits or other harassment. She has not been in contact much with other [REDACTED] members, but had not heard of them being harassed or audited. She has not had any other government agencies contact her or if they have she did not feel it was related to [REDACTED] and the IRS. [REDACTED] felt as an American citizen her rights were violated and it was a shame that she had to sit down with investigators because of this issue. She felt the IRS sat on the file because of the views of the organization. It was a burdensome process and it should not have happened that way.

b3 -1
b6 -2,3
b7C -2,3
~~UNCLASSIFIED//FOUO~~



FEDERAL BUREAU OF INVESTIGATION

Date of entry 06/18/2014

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

[redacted] date of birth (DOB) [redacted] Social Security Account number [redacted] residential address [redacted] Virginia 23220, telephone [redacted] was interviewed at 1400 New York Avenue NW, Washington, DC. [redacted] attorneys [redacted] were present for the interview. Also present were Department of Justice (DOJ) attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent [redacted] was shown documents during the interview. Copies of those documents are included in the 1A section of the file and are referenced below by their bates stamp numbers or other identifying information. After being advised of the identity of the interviewing Agents and the purpose of the interview, [redacted] provided the following information:

b6 -2,3,4
b7C -2,3,4

b6 per CRM
b7C

[redacted] was born in [redacted] and graduated from high school in 1979. He completed one year of college at the [redacted] He moved to the [redacted] area in 1981 and worked construction. He has [redacted]

b6 -2
b7C -2

[redacted] attended the [redacted] tax day protest rally in April 2009 and was impressed with what was going on. He sent the [redacted] an e-mail to discuss some of his ideas. He later served on their Board of Directors (Board) from 2009-2012. He also served as Treasurer at one point. He resigned as Treasurer in 2011. He is not involved with directing the [redacted] now. When he was a Board member, the Board met approximately once a month and had conference calls maybe once a week. As Treasurer, he provided financial information to [redacted] the attorney who prepared the [redacted] application. [redacted] was not involved in the decision to seek 501(c)(4) status for [redacted] That decision had already been made.

b3 -1
b6 -2,3
b7C -2,3

[redacted] was shown a copy of a 09/17/2010 letter from the IRS to [redacted] along with several attached documents. He identified this as a copy of the letter he picked up at the [redacted] mailbox. He scanned and emailed it to members of the Board. He would normally read through letters he picked up

b3 -1
b6 -2,3
b7C -2,3

Investigation on 05/08/2014 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615

Date drafted 05/15/2014

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 FD-302, On 05/08/2014, Page 2 of 3 b6 -2
b7C -2

at the mailbox and include his comments to the Board before sending them out. role in compiling the response to this letter was to handle financial and some database questions. He did not have any communications with the IRS in connection with the application. Communications with the IRS were handled by the attorney.

b3 -1
b6 -2
b7C -2

The application the had filled out was pretty comprehensive. The Board was "frustrated" and "upset" that such a large amount of information was requested in the letter, such as copies of the group's Facebook pages. The was busy preparing for their convention and this letter diverted them. The approximate amount of labor involved to prepare the response was 20-40 hours.

b3 -1

The response was sent to the IRS and the did not do anything further. The group was awaiting a response from the IRS and operated "business as usual," but on a subdued level because they were concerned they may not be granted exempt status. did not do some things such as making endorsements because they had not received exempt status yet.

was shown a copy of a 01/09/2012 letter from the IRS and the accompanying attachments. He was on the Board at the time this letter arrived and he retrieved it from the post office. He was "astounded" that they had not heard anything back at all from the IRS and then they received this letter which asked for all sorts of additional information and not just filling in the blanks from the previous request.

b6 -2
b7C -2

The Board had discussed what they would do while preparing the initial response and decided they would respond only once. They had already provided "way more" than the IRS needed to know. The Board's reaction to the second letter was "frustration" and "outrage." The Board met and decided to put the matter back into the hands of the attorney. The also retained attorney . Shortly afterward the attorneys from ACLJ came along.

b3 -1
b6 -3
b7C -3

Apart from the application process, had not suffered IRS harassment and was not aware of anyone else in the who has. He was not aware of harassment from any other government agencies either.

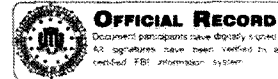
b3 -1
b6 -2
b7C -2

The thoughts and concerns regarded the burden of work placed upon them and over time the feeling that they were being targeted. Their attorney said it might take six to nine months for approval of their application and the timeframe extended well beyond that. After a while, it was difficult to be patient. wondered whether they could achieve their goals without approval of the application. The toned down some fundraising activities and did not execute some activities because they were not sure what was going on with their approval.

b3 -1
b6 -2
b7C -2

282B-WF-2896615

Continuation of FD-302 of FD-302, On 05/08/2014, Page 3 of 3 **b6 -2**
b7C -2



FEDERAL BUREAU OF INVESTIGATION

Date of entry 08/06/2014

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

[redacted] date of birth (DOB) [redacted] Social Security Account number [redacted] residential address [redacted] telephone [redacted] was interviewed at 1400 New York Avenue NW, Washington, D.C. [redacted] attorneys [redacted] and [redacted] were present for the interview. Also present were Department of Justice (DOJ) attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent [redacted] was shown several documents during the interview.

b6 -2,3,4
b7C -2,3,4

b6 per CRM
b7C

Copies of those documents are included in the 1A section of the file and are referenced below by their bates stamp numbers or other identifying information. After being advised of the identity of the interviewing Agents and the purpose of the interview, [redacted] provided the following information:

[redacted] received an undergraduate degree in Political Science from [redacted]. She started working as an intern on the Senate Foreign Relations Committee during the last half of her third year at [redacted]. For approximately a year, she worked on the majority side of the committee during the period when Senator Jessie Helms was the Chairman. She then worked at the [redacted] for less than a year until she began full-time at the [redacted] where she earned her Master's Degree in Public Policy. [redacted] has also had experience working for a [redacted] and working on local elections.

b6 -2
b7C -2

[redacted] currently has a farm and home schools her three children. She maintains a nonprofit 501(c)(3) group for which she plans to file an application. The group is not political and its purpose is to reach young people aged 18-35 from a Christian perspective. She is also involved in a voluntary political blog she writes weekly as a hobby.

b6 -2
b7C -2

The [redacted] first Tax Day rally was on 04/15/2009. She was involved as a speaker because she was with an organization called Restore the Founders' Vision. She talked about what the founding fathers

b3 -1
b6 -2
b7C -2

Investigation on 05/08/2014 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615

Date drafted 05/15/2014

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of [REDACTED]

FD-302

, On

05/08/2014

, Page

2 of 5

b6 -2
b7C -2

believed was the purpose of government.

Five individuals from [REDACTED] worked on the rally. One was a woman named [REDACTED] who formed a Limited Liability Company (LLC) in her own name. [REDACTED] got to know each other and [REDACTED] asked for her help. [REDACTED] had opened a bank account and was taking rally donations. [REDACTED] said she needed a more formal organization other than an LLC in her own name. [REDACTED] began the transition from an LLC to incorporate and form a 501(c)(4). [REDACTED] received a letter from the Virginia Department of Agriculture saying [REDACTED] could not solicit donations unless they filed a certain form. [REDACTED] filed the form after getting an attorney. [REDACTED] and [REDACTED] decided they wanted the purpose of the organization to be education. [REDACTED] had been involved in 501(c)(3) groups and it seemed to her that the 501(c)(4) option was the right way to go because they wanted to educate. Another reason they wanted to go the 501(c)(4) route was because a number of donors wanted to contribute and they had asked whether they could contribute confidentially.

b3 -1
b6 -2,3
b7C -2,3

A lawyer named [REDACTED] prepared the 1024 application for the [REDACTED]. The application was filed at the end of December 2009. A few weeks later, the [REDACTED] received an acknowledgement letter from the Internal Revenue Service (IRS) and then heard nothing from them. The [REDACTED] attorney said it typically takes three to six months to go through the application process, but there was a backlog at the IRS and it may take six to nine months. At the end of September 2010 the [REDACTED] received a letter from the IRS requesting additional information. The [REDACTED] was preparing for a massive Tea Party convention in Richmond on 10/08/2010 called the [REDACTED]. The [REDACTED] was putting on the convention. [REDACTED] was both the Chair of the [REDACTED] and the President of the [REDACTED]. The [REDACTED] was associated with the event. The [REDACTED] was the largest [REDACTED] with over 5000 people. Almost 2000 people were registered for the event and it was the largest Tea Party convention to date. The [REDACTED] received the IRS letter two weeks before the event with a due date of 10/08/2010. The convention was just for Virginia and was one month before the November elections. There were approximately 1900 registrants and 200 credentialed media from national and international media outlets. A lot of national and prominent speakers were coming, to include [REDACTED]. No politicians or people running for office were speaking. They advertised nationally and locally on television and radio.

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] was shown a copy of a 09/17/2010 letter from the IRS. She stated this copy was not the entire letter provided by the IRS. The letter the [REDACTED] received from the IRS had an additional 37 pages of information from the [REDACTED] website. The response date was 10/08/2010. [REDACTED] was not

b3 -1
b6 -2
b7C -2

282B-WF-2896615

Continuation of FD-302 of [REDACTED]

FD-302

, On

05/08/2014

, Page

3 of 5

b6 -2

b7C -2

shocked to receive the letter requesting additional information. Their attorney said requests for information were not unusual, but the extent of the information being requested was unusual. There was a lot of anger on the Board of Directors (Board) because they believed the response deadline on the same date as the convention was suspicious. The response date and the type of information requested were what bothered the Board the most. They did not understand why the IRS requested the resumes of the Board members, as it did not seem relevant. The IRS asked for every page of the [REDACTED] website and for every Facebook post. The IRS printed off pages of the [REDACTED] website and asked the [REDACTED] to verify them.

b3 -1

The Board had a meeting where a lot of frustration was expressed. They decided to make one good faith effort to reply to the information request and to ask for an extension. There was no way they could respond by the deadline date and also do the convention. Their attorney requested an extension and it was granted.

[REDACTED] played little role in putting together the content of the response. [REDACTED] did most of the preparation. [REDACTED] who was on the Board, pulled the website and Facebook content. The reply was sent and was as thick as a ream of paper. After six to nine months the Board asked the attorney to find out why the IRS was taking so long. The Board cannot remember whether this was ever done or not. The attorney said there was a lot of information so it might take a while longer to hear back. The Board members were intentional about not speaking with the IRS directly. They thought it was better to go through their attorney since the Tea Party had gotten so much "crap" over the last year.

b6 -2,3

b7C -2,3

The [REDACTED] heard nothing from the IRS for 15 months. The next communication from the IRS was on 01/09/2012. [REDACTED] was no longer with the [REDACTED] when the letter was received. She had stepped down from the Board in December 2010 or January 2011 to [REDACTED]. She had been gone for approximately one year and was [REDACTED]

b3 -1

b6 -2,3

b7C -2,3

[REDACTED] when the letter was received. [REDACTED] came to her office to show her the letter. She reminded [REDACTED] that the Board had previously said they would make one good faith effort to reply to the IRS and they would go through their attorney to object if further requests were made unless it made sense for them to reply to something in the letter. After [REDACTED] looked at the letter, she felt it reinforced her recommendations.

At that time, there was one different person on the Board than when [REDACTED] was there. [REDACTED] spoke a lot with [REDACTED]

[REDACTED] drafted a press release with an open letter to Congressman Issa objecting to the IRS letter. She put out a letter from her [REDACTED]

b6 -2

b7C -2

282B-WF-2896615

Continuation of FD-302 of [redacted] FD-302 . On 05/08/2014 . Page 4 of 5

b3 -1
b6 -2
b7C -2

saying the IRS letter had requested information on their donors, along with other objectionable questions. [redacted] never heard back from Issa. The [redacted] published the information on its website.

[redacted] had no interaction with the IRS following the application filing. She became aware, at a later time after ACLJ became involved, that the application was approved. [redacted] was not aware of any communications between a Board member and the IRS. The Board's policy was for communications with the IRS to go through the attorney. Outside of this tax exempt process, [redacted] was not aware of any people who were subject to harassment by the IRS. One of the Executive Directors of the [redacted] was audited, but [redacted] does not know whether it was related to the application process. [redacted] and her husband were audited, but she believed it was before this time period. The [redacted] was audited by the Richmond city government during this time period. The [redacted] had to pay for space for the annual Tea Party tax day rallies. An opposition group at the site camped out and did not pay. The Mayor of Richmond said it was okay that the opposition group did not have to pay. The [redacted] objected. The [redacted] was audited.

b3 -1
b6 -2
b7C -2

The [redacted] acted and behaved as if they were a 501(c)(4) while awaiting approval. When they received the first letter from the IRS and decided to respond, some in the [redacted] were frustrated and did not want to proceed. They felt like they were being targeted, repressed, and that the requested information was none of the IRS' business. The [redacted] decided to respond because it was important to business owners who wanted to donate for the [redacted] to have 501(c)(4) status.

b3 -1

The [redacted] behaved in an extra cautious manner because they wanted to be sure they got approved. For example, there was a health care freedom act in Virginia. The [redacted] wanted to be able to call out some politicians on their positions on the issue, but were afraid of giving the IRS a reason to reject their 501(c)(4) status.

b3 -1

Lawyers had advised the [redacted] that they needed to apply to be a 501(c)(4) based upon what the group wanted to do. [redacted] did not want to do social welfare work and be the wrong type of entity to conduct those activities.

b3 -1
b6 -2
b7C -2

During and after the [redacted] experience with the IRS, [redacted] was President of the [redacted]. She told other Tea Party groups about the experience. A number of those groups pursued different options after those discussions.

b3 -1
b6 -2,3
b7C -2,3

There was no discussion at the [redacted] about filling out a 990 form. [redacted] had no idea this was an option. The sense of the Board was that the IRS was looking for every excuse "under the sun" to deny them status. This

b3 -1
b6 -2
b7C -2

282B-WF-2896615

Continuation of FD-302 of [REDACTED]

FD-302

, On

05/08/2014

, Page

5 of 5

b6 -2

b7C -2

belief was based upon the two letters received which asked them to print off the websites, provide donor names, and provide names of who was chairing the committees. The Board's reaction after the second letter was that the IRS was looking for information to cause trouble beyond just denying them status. It seemed like the IRS had a bigger agenda and it "fed into their fear of government."

[REDACTED] referred to a line on page three of the 01/09/2012 letter from the IRS that was shown to her. The line stated the IRS had received the [REDACTED] previous response which was "complete and thorough," but now they needed more information because time had lapsed. The reason 15 months had lapsed was because of the IRS, not the [REDACTED]. Now the IRS was also asking for the names of donors and volunteers after it said the application was complete and thorough. This "set off red flags."

b3 -1

b6 -2

b7C -2



FEDERAL BUREAU OF INVESTIGATION

Date of entry 07/01/2014

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

[redacted] date of birth (DOB) [redacted] Social Security
 Account number [redacted] residential address [redacted]
 [redacted] telephone [redacted] was interviewed at
 1400 New York Avenue NW, Washington, DC. [redacted] attorneys [redacted]
 [redacted] were present for the interview. Also present were
 Department of Justice (DOJ) attorneys [redacted] and [redacted]
 [redacted] and Treasury Inspector General for Tax Administration (TIGTA)
 Special Agent [redacted] was shown documents during the
 interview. Copies of those documents are included in the 1A section of the
 file and are referenced below by their bates stamp numbers or other
 identifying information. After being advised of the identity of the
 interviewing Agents and the purpose of the interview, [redacted] provided
 the following information:

b6 -2,3,4
b7C -2,3,4

b6 per CRM
b7C

[redacted] is originally from [redacted]. She completed one year
 of college. She previously worked with commercial insurance accounts and
 dealt with actuarial departments. She is currently on the Board of
 Supervisors for her county and works part-time for Virginia State Senator
 Tom Garrett.

b6 -2
b7C -2

[redacted] first became involved with the [redacted]
 after hearing an advertisement on the radio for a meeting in February
 2009. She had no involvement in the preparation of the 501(c)(4)
 application. She was involved as more of a volunteer then.

b3 -1
b6 -2
b7C -2

[redacted] was shown a September 2010 letter from the Internal Revenue
 Service (IRS) to the [redacted] and stated she recognized it. It was an IRS
 request for information approximately nine months after the [redacted] submitted
 its application. She was a Director by this time. The document was
 received in the mail. [redacted] received the letter in the
 mail, scanned it to the Directors, and said "looky here." The [redacted] was
 almost ready to launch a large Tea Party convention and everyone was

b3 -1
b6 -2,3
b7C -2,3

Investigation on 05/08/2014 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615 Date drafted 05/15/2014

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of [REDACTED]

FD-302

, On 05/08/2014

, Page 2 of 3

b6 -2
b7C -2

"running around like crazy." The exemption application was extensive.

[REDACTED] wondered if the IRS needed more information why they did not just put it on the application form.

b6 -2
b7C -2

[REDACTED] was the response coordinator for the letter and she produced the documents. Different people in the organization collected documents and provided them to her. She produced a written response and coordinated with everyone else involved in the response. Before they coordinated the response, [REDACTED] spoke with [REDACTED] attorney [REDACTED]

b3 -1
b6 -2,3
b7C -2,3

The response was a "huge" undertaking. They were a grassroots, loosely organized group. They did not have the organized system of a large company. [REDACTED] worked almost exclusively on the response for a few weeks. The [REDACTED] wanted to answer completely and provide information to the best of their ability. They had discussed the [REDACTED] choices in responding to the letter. Their choices were to not respond at all, to respond partially, or to respond entirely. The team decided they would make one good faith effort to respond completely.

b3 -1
b6 -2
b7C -2

She had no communications with the IRS. All communications went through the [REDACTED] attorney. The [REDACTED] did not hear from the IRS for a while. In approximately October 2010 and again in the spring of 2011, they had their attorney conduct an application status check with the IRS. Nothing had been done on it by the IRS.

b3 -1

[REDACTED] was shown a 01/09/2012 letter sent from the IRS to the [REDACTED] and stated she recognized it. She was a Director at the time the letter was received. The [REDACTED] thought the letter was "nuts." The letter was well beyond what was fair and it may have been unconstitutional to ask the questions. The [REDACTED] contacted an attorney who asked the IRS for an extension. The [REDACTED] did not compile a response to the letter. In the spring of 2012 they got new attorneys from the ACLJ.

b3 -1
b6 -2
b7C -2

[REDACTED] was not aware of the [REDACTED] Board or any members having communications with the IRS regarding the application. She believed the attorneys handled all communications with the IRS.

b3 -1
b6 -2
b7C -2

She was aware that the application was approved in the summer of 2012. Outside of the application process she had no experiences she believes were personal harassment by the IRS. She has heard talk of others who believed they were harassed by the IRS but does not know who it was nor does she have any details. [REDACTED] was not aware of harassment from any other government organizations as a result of the group's filing of a tax exempt application.

b6 -2
b7C -2

Donors had been concerned about contributing because the [REDACTED] did not

b3 -1

282B-WF-2896615

Continuation of FD-302 of

FD-302

, On

05/08/2014

, Page

3 of 3

b6 -2

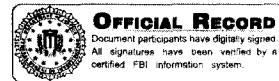
b7C -2

have approval yet. The changed how they operated because they did not have approval. They started out thinking they could make a difference and when this happened with the IRS they were afraid to bring people in and get them involved in the problem. It changed what the thought they could do.

b3 -1

When the second request letter for information came in January, the thought the questions were "egregious." There was a line in the letter where the IRS thanked them for their previous "complete and thorough" response, but when they asked for 53 subpart questions of additional information, she thought these questions were "nuts." The questions asked for things like donors, times and descriptions of events, and names and credentials of organizers. Responding to this letter would have been more labor intensive than the first letter. They did not feel like they had to reveal information on volunteers and donors.

b3 -1



FEDERAL BUREAU OF INVESTIGATION

Date of entry 10/14/2014

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

[redacted] date of birth [redacted] Social Security account number [redacted] residence address [redacted] home telephone [redacted] was interviewed at the office of the Department of Justice, located at 1400 New York Avenue, Washington, D.C. 20005. [redacted] attorneys, [redacted] of the American Center for Law and Justice (ACLJ), were present during the interview. Also present during the interview were Department of Justice Attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent (SA) [redacted]. During the interview, documents were shown to [redacted] and hereafter those documents will be referred to by their respective bates numbers or other identifying information and copies will be maintained in the 1A section of the case file. After being advised of the identities of the interviewing Agents and the nature of the interview, [redacted] provided the following information:

b6 -2,3,4
b7C -2,3,4

b6 per CRM
b7C

[redacted] earned a Bachelor of Arts in communications. He also earned a masters degree from [redacted] [redacted] took course work towards a Doctor of Philosophy (PhD) at the [redacted] [redacted] but did not earn a PhD degree.

b6 -2
b7C -2

[redacted] recalled that the first Tea Party event occurred on January 11, 2009. Around the time the Tea Party movement burst, [redacted] and three others decided to organize the [redacted]. The organization was started sometime in July 2009. [redacted] had four officers and one executive director [redacted] became the executive director of the [redacted] in January 2010,

b3 -1
b6 -2
b7C -2

Investigation on 05/08/2014 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615

Date drafted 05/13/2014

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 05/08/2014, Page 2 of 6

b6 -2
b7C -2

approximately six months after the organization was created. [REDACTED] [REDACTED] had approximately 2,600 participants who paid voluntary dues. The organization was not a membership organization.

b3 -1

[REDACTED] described [REDACTED] as a group of business owners organizing a "bus trip" to Washington, D.C. to tell Congress the things they were unhappy about. The organization intended to educate the public about the candidates running for office. The organization hosted public forums so that candidates could talk to citizens. The organization did not endorse candidates. The organization engaged in free speech and focused on educating the public. The organization was not involved in campaigning. [REDACTED] was associated with the [REDACTED] [REDACTED] which endorsed candidates and engaged in political activity at the state level.

b3 -1
b6 -2
b7C -2

[REDACTED] sought legal advice from five separate attorneys regarding its formation. All five attorneys advised the organization that it could not incorporate because it was engaged in political activity. Some of the attorneys advised the organization that it should apply for tax-exempt status under Internal Revenue Code (IRC) Section 501(c)(3), but others told the organization that it could not be a 501(c)(3) organization because the organization intended to engage in political work. These lawyers told the organization to apply for tax-exempt status under IRC Section 501(c)(4). [REDACTED] did not think there was an ambiguity as to what IRC Section 501(c)(4) provided; IRC Section 501(c)(4) permitted an organization to be tax-exempt if it engaged in 51% social welfare activities and 49% of any other activities.

b3 -1
b6 -2
b7C -2

[REDACTED] applied for tax-exempt status on June 6, 2011, by completing a Form 1024. (IRS0000080486-490.) [REDACTED] said that the organization applied because it had no other choice. This was the only way for the organization to obtain tax-exempt status. [REDACTED] now understood that the organization did not have to apply for tax-exempt status, but he did not know that at the time the organization submitted its Form 1024. At that time, [REDACTED] fought the idea of applying for tax-exempt status. [REDACTED] did not know one Tea Party organization that wanted tax-exempt status. [REDACTED] was led down that path. Initially, the organization wanted to be an LLC.

b3 -1
b6 -2
b7C -2

[REDACTED] filled out the Form 1024 for the organization. He was surprised as to how in-depth the application was and was unsure how to answer some of the questions on the application. Shortly after he sent in the application, [REDACTED] received a letter stating that the IRS received the organization's application. That letter was dated June 14, 2011.

b6 -2
b7C -2

282B-WF-2896615

Continuation of FD-302 of Interview of [redacted], On 05/08/2014, Page 3 of 6

b6 -2
b7C -2

[redacted] did not hear anything else from the IRS in 2011 with regard to [redacted] application. [redacted] recalled preparing the tax returns for the organization in November 2011 and calling the IRS's "800" number during that time period to check on the status of the organization's application. He left a message, but received no response from the IRS. [redacted] did not hear anything from the IRS until August 2012 when the organization received a development letter.

b3 -1
b6 -2
b7C -2

(IRS0000080524-527.) [redacted] put that development letter aside because he was also working with [redacted] and focused on getting that organization through the tax-exempt application process.

[redacted] became a member of [redacted] sometime in 2011. [redacted] was an outgrowth of the Cincinnati tea parties. It was an organizing structure for the Cincinnati tea parties to communicate with each other. [redacted] did not have individual members; the various organizations were the members. [redacted] started with only two organizations and grew to seventy-five organization members. [redacted] changed its name to [redacted] after a lawsuit was filed against the organization related to its name. At first, [redacted] had 12 board members and four officers, including a president, vice president, treasurer, and secretary. Later, under [redacted] presidency, the organization reduced the number of board members to eight.

b3 -1
b6 -2
b7C -2

Trust was important to the Tea Party movement. Disclosing information about a Tea Party organization was seen as infringing on the organization's relationship with its members. [redacted] assumed that information about the organization was kept confidential, and therefore, information such as member lists were not shared among the various Tea Party organizations within [redacted]

b3 -1
b6 -2
b7C -2

From July 2011 until January 2013, [redacted] served as the president of [redacted]. It was initially agreed that he would be paid \$4,000 a month salary. However, the organization was unable to raise the money to pay the president a salary. When he became president, [redacted] became aware that [redacted] had filed for tax-exempt status. (IRS0000026420-437.)

b3 -1
b6 -2,3
b7C -2,3

[redacted] and the former president of [redacted] made three attempts to contact the IRS with regard to the organization's application status. However, at no time did [redacted] or anyone else at the organization have an actual conversation with someone at the IRS about the organization's application. [redacted] received a development letter from the IRS dated January 26, 2012. (IRS0000025977-980.) The letter provided that the organization's response

b3 -1
b6 -2
b7C -2

282B-WF-2896615

Continuation of FD-302 of Interview of [redacted], On 05/08/2014, Page 4 of 6

b6 -2
b7C -2

was due on February 16, 2012. After reviewing the letter, it struck [redacted] that the IRS had sat on the organization's application for years and then only gave the organization until February 16, 2012 to respond. It was as if the "letter fell out of the sky" after having no communication from the IRS relating to the organization's application.

b6 -2
b7C -2

In the January 26, 2012 development letter, the IRS requested that [redacted] provide a hard copy print out of the organization's website. [redacted] found this question to be "odd" since the organization had been doing business since 2000. [redacted] also took issue with the IRS requests that the organization provide all handouts and materials provided to audience members at public events and the federal identification numbers of the group's members. [redacted] was unclear as to why the IRS thought that the organization had the federal identification numbers of the group's members or why the IRS needed this information.

b3 -1
b6 -2
b7C -2

[redacted] went to the board of directors for [redacted] with the January 26, 2012 development letter. He asked the members if this letter was a "normal" letter from the IRS. The board had not seen anything like it before. [redacted] concluded that the questions in the development letter represented "opposition research," questioning why else would the IRS ask these questions except if it was trying to understand the Tea Party movement? [redacted] thought that the questions in the development letter were political questions that had nothing to do with the organization's tax-exempt status. The development letter was a little different from the development letter sent to [redacted] eight months later.

b3 -1
b6 -2
b7C -2

A few weeks after receiving the January 26, 2012 development letter, [redacted] sent a letter to [redacted] refusing to respond to the development letter. The point of the letter was to make a statement about the development letter the IRS sent to [redacted]. This letter was dated February 16, 2012. (IRS0000025982.) [redacted] spent hundreds of hours trying to figure out what the law required [redacted] to provide the IRS in response to the development letter and what the organization would and would not provide to the IRS. Responding to the development letter was painful from a time, resource, and financial standpoint. [redacted] also felt that responding to the development letter seemed like a futile exercise. If the organization responded to the letter and was not approved based on its response, [redacted] felt that the organization would just receive another letter with more questions.

b3 -1
b6 -2,3
b7C -2,3

Between January 26, 2012, the date of the development letter, and February 16, 2012, when [redacted] sent his letter to [redacted] there was no contact between [redacted] and [redacted]. Sometime in March of

b3 -1
b6 -2,3
b7C -2,3

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 05/08/2014, Page 5 of 6

b6 -2
b7C -2

2012, [REDACTED] hired the ACLJ as its attorneys and the ACLJ became involved in the organization's application for tax-exempt status.

b3 -1

Later that year, in November 2012, when [REDACTED] was preparing the tax returns for [REDACTED] he called the IRS's "800" number to check on the status of the organization's application. He left a message, but received no response from the IRS. At no time while [REDACTED] application was pending did [REDACTED] have an actual conversation with someone at the IRS about the organization's application.

b3 -1
b6 -2
b7C -2

After the election in November 2012, [REDACTED] "gave up" on its application. [REDACTED] realized that there was no hope that the [REDACTED] application for tax-exempt status was going to be approved, so he wrote a letter on behalf of [REDACTED] withdrawing its application for tax-exempt status and forfeiting the organization's application fee. (IRS0000080539.) [REDACTED] felt that the organization complied with the requirements for 501(c)(4) status, but did not comply with the IRS's "demands." One month later, [REDACTED] received a letter approving the organization for tax-exempt status.

[REDACTED] was negatively impacted in 2012 because it did not have 501(c)(4) status. The organization was trying to attract donors and raise money. Both were difficult for [REDACTED] to accomplish because the organization did not have 501(c)(4) status and did not file tax returns for the years its application for tax-exemption was pending with the IRS. Generally, the lack of tax-exempt status created "tremendous uncertainty." "Mom and pop" organizations were not used to talking to the IRS and were concerned about the types of activities in which the organizations were permitted to engage. To date, [REDACTED] did not have 501(c)(4) status.

b3 -1
b6 -2
b7C -2

[REDACTED] was "really mad" because no one was trying to work with the organizations to help them understand what activities the organizations were permitted to engage in. Instead, the focus was on internationally restricting the organizations' speech and the organizations from exercising their rights.

[REDACTED] complained to Congressman Steve LaTourette. Congressman LaTourette sent a letter to the tax advisor service at the IRS on behalf of [REDACTED]. Congressman LaTourette did not receive a response from the tax advisor service until after LOIS LERNER and [REDACTED] were scheduled to testify before Congress. [REDACTED] asked [REDACTED] for permission to speak to Congress about the organization. This request went through Congressman David Joyce.

b3 -1
b6 -2,3
b7C -2,3

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 05/08/2014, Page 6 of 6

b6 -2
b7C -2

[REDACTED] had not been harassed by the IRS or any other government agencies because of his connections with [REDACTED] or the Tea Party movement. However, he heard concerns raised by others. [REDACTED] former president of the [REDACTED] told [REDACTED] that he was personally audited in 2011 or 2012 by the IRS. [REDACTED] said that the IRS agent told him that he was being audited because of his involvement with the Tea Party. [REDACTED] handled the books for the [REDACTED]. The audit was initiated because money for one of the organization's events went into the [REDACTED] personal account first before being placed in the organization's account to pay for services related to the event.

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] who was associated with the [REDACTED] told [REDACTED] that he was audited two years in a row and believed that it was because of his involvement with the Tea Party. Other members of the Tea Party have been audited and many of them have asked [REDACTED] if he thought it was because of their involvement with the Tea Party.

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] a public relations representative for the [REDACTED] [REDACTED] who recently stepped down from his position with that organization, had put on a marketing seminar for EmpowerU. A different Tea Party organization promoted the seminar on its website. [REDACTED] heard that the IRS sent a letter to the Tea Party organization that promoted the seminar asking that organization about its involvement with [REDACTED]

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] heard from other Tea Party leaders, who contacted him as a Tea Party leader, to compare notes with regard to issues Tea Party members have had with federal government agencies because of their members' connections to the Tea Party.

b6 -2
b7C -2

[REDACTED] had nothing else to volunteer that he thought was relevant to the investigation, and believed that the questions asked of him "thoroughly" covered the relevant topics.

b6 -2
b7C -2



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FEDERAL BUREAU OF INVESTIGATION

Date of entry 10/09/2014

FEDERAL TAXPAYER INFORMATION

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b6 -2,3,4
b7C -2,3,4

[redacted] date of birth [redacted] Social Security
 account number [redacted] residence address [redacted]
 [redacted] home telephone [redacted] was interviewed at the office of
 the Department of Justice (DOJ), located at 1400 New York Avenue,
 Washington, D.C. 20005. [redacted] attorneys, [redacted]
 [redacted] of the American Center for Law and Justice (ACLJ) were present
 during the interview. Also present during the interview were DOJ Attorneys
 [redacted] and [redacted] and Treasury Inspector General for
 Administration (TIGTA) Special Agent (SA) [redacted] During the
 interview, documents were shown to [redacted] and hereafter those documents
 will be referred to by their respective bates numbers or other identifying
 information and copies will be maintained in the 1A section of the case
 file. After being advised of the identities of the interviewing Agents and
 the nature of the interview, [redacted] provided the following information:

b6 per CRM
b7C

[redacted] is self-employed and does political work, mostly social media
 for campaigns. She avoids working for people she would vote for, as she
 would choose to volunteer instead. She used to contract through consulting
 groups, but one group became political and she had to leave. She has used
 [redacted] up until 2009. [redacted] has
 taken some college courses.

b6 -2
b7C -2

The first time the name [redacted] was used was in February
 2009. [redacted] signed up on various web sites using this name. [redacted] is
 currently the President and she has a Board of Directors which includes
 [redacted] Treasurer, [redacted] has
 always been the President of [redacted] would not characterize herself
 or the Board of Directors as leaders, but rather as facilitators. People
 were afraid to take leadership roles in the Tea Party because of how it

b3 -1
b6 -2,3
b7C -2,3

~~UNCLASSIFIED//FOUO~~

Investigation on 05/08/2014 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615

Date drafted 05/14/2014

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of Interview of [redacted], On 05/08/2014, Page 2 of 5

b3 -1
b6 -2
b7C -2

would appear in their jobs. The purpose of the Tea Party is to engage people in the political and civil process and get them involved. When [redacted] was created in 2009, it had a different Board of Directors than it does now.

[redacted] did not endorse candidates, because endorsing candidates usually tears groups apart. [redacted] was designed to be educational, provide people with information, and let them decide for themselves. Web sites and other services gave discounts to non-profit groups. To obtain these discounts, a certificate that showed the group was tax exempt was needed. [redacted] thought [redacted] was required to file for tax exempt status with the IRS. Even if [redacted] was not required to file, [redacted] needed the tax exempt certificate to prove its tax exempt status. All of those discounts add up and can be very helpful to the group. [redacted] had no paid staff, and was made up of volunteers. [redacted] the Board of Directors, and some attorneys and Certified Public Accountants (CPAs) worked together to file [redacted] application for exemption in July 2010. It was a time consuming process. After filing the application, she received a letter a few weeks later from ROB CHOI and the Internal Revenue Service (IRS) that said [redacted] should hear back from the IRS within 90 days. [redacted] was shown a letter from the IRS to [redacted] dated October 8, 2010. [redacted] never saw this letter.

b3 -1
b6 -2,3
b7C -2,3

In November 2010 [redacted] had not heard anything from the IRS. [redacted] had secretary and a treasurer who had health issues. One died and one had Alzheimer's. In order to make sure [redacted] had not missed any correspondence during these problematic issues, [redacted] and others called the IRS using its toll free "877" number that was listed on [redacted] initial letter from the IRS. In late January 2011, they obtained the name and number of a person at the IRS they could call. That person was [redacted] They left him voice mails but never received a reply. Around February 2011, [redacted] called the "877" number repeatedly, which was difficult because she would be placed on hold for long periods of time. [redacted] who did not have a home telephone, would use up her cellular telephone minutes waiting to talk to someone. One person at the "877" number they reached told [redacted] that the IRS was backlogged with cases and it was a long wait. Another person from the "877" number told them that the IRS website showed the month and year for which cases were currently being worked. [redacted] noted that the date the website said the IRS was working on was past the date when [redacted] had filed its application. Additionally, [redacted] knew people who had applied for 501(c)(4) status after [redacted] and had already received their exemption, of which was a conservative group and another that was a volunteer fireman's group.

b3 -1
b6 -2,3
b7C -2,3

b3 -1
b6 -2
b7C -2

The next time [redacted] heard from the IRS was in February 2012. [redacted] was shown a letter from the IRS dated February 1, 2012 (IRS0000026680-84) and

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282B-WF-2896615

Continuation of FD-302 of Interview of [redacted], On 05/08/2014, Page 3 of 5

b6 -2
b7C -2

she confirmed this was the letter she received. When she received the letter, she was outraged. In fact, she was so mad that she cursed. She had seen other letters like this one on the Internet, but they had referred back to the 1024 application. This letter did not refer back to the 1024 application and had onerous questions that wanted her to predict what [redacted] would do in the future. Not only did the letter want her to predict the future, it wanted her to do so under penalty of perjury. The turnaround date on the request for this large amount of information was quite short as well.

b3 -1

[redacted] conducted "meet and greets" between elected officials and public citizens. At one of these meetings sometime after she received the IRS letter, [redacted] talked to some Congressional staffers. She felt some of the questions asked by the IRS in the letter were in violation of her rights. She wanted an attorney to clarify what the IRS wanted. [redacted] anxiety was building at this point. [redacted] told [redacted] that she talked to [redacted] of the IRS, and he told her that [redacted] was no longer working [redacted] case. [redacted] asked for an extension. They needed an extension because one of the requests, asking for transcripts, alone would take "years." They also wanted clarification on some questions, like question #17 from the letter, which asked about close relationships with political candidates. They wanted the IRS to define "close relationships" so they could answer it honestly. They also wanted to know when someone was a candidate as opposed to an elected official. [redacted] believes in the "rule of law" and she felt the IRS' questions seemed more subjective than about the law. [redacted] called [redacted] right after her conversation with [redacted] [redacted] was upset. She told [redacted] that [redacted] was rude, not kind, and not helpful. [redacted] was upset at all the effort it took to get anyone on the telephone. She felt like this was a subjective process. She was also upset that the IRS wanted them to tell the IRS everything, but then the IRS would only give them two weeks to comply. [redacted] then retained ACLJ for their case. [redacted] received its tax exempt status around March 2013.

b3 -1
b6 -2,3
b7C -2,3

[redacted] was a small group of people, therefore a 10% discount given to tax exempt groups when putting on an event can be a lot of money. Donors also wanted to see proof of the exempt status of a group in order for them to underwrite projects. Until [redacted] received exemption, it was in a pending status, which in and of itself raised questions and caused people, even members and volunteers, to wonder what was wrong with [redacted] application. Some people stopped donating to [redacted]

b3 -1

[redacted] has 4-6 people on its Board of Directors, 8-12 people on a steering committee, and about 25 people making up the core group of volunteers. When [redacted] first began, it had over 100 people involved; now it has less than half of that. People dropped out because they were afraid of

b3 -1

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~~UNCLASSIFIED//FOUO~~

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 05/08/2014, Page 4 of 5

retribution from the IRS. On numerous occasions people told [REDACTED] they were leaving because of this fear. The treatment of [REDACTED] case by the IRS almost destroyed the group. [REDACTED] posted the letter [REDACTED] received from [REDACTED] and the IRS on the Internet so people could see what was happening.

[REDACTED] had not experienced any other type of harassment from the IRS or any other government agency. [REDACTED] a former board member, was audited in 2011 or 2012 while he was on the board. [REDACTED] also worked for a large medical group that endorsed "Obamacare," and when that group found out he was part of [REDACTED] he was fired. Some donors and underwriters whose identities were public were audited. [REDACTED] does not have specifics regarding the audits and their connection to [REDACTED] application. Other donors, after 2010, received more visits from government agencies. One in particular, who [REDACTED] would not identify, had numerous issues with Occupational Safety and Health Administration (OSHA). [REDACTED] a [REDACTED] and a CPA, was audited.

Other Tea party groups received similar letters, so looking back, [REDACTED] wondered whether the IRS meant groups from the "Tea Party" when the IRS told her group that there was a backlog of groups like theirs. [REDACTED] knew that other Tea Party groups received letters because she was involved in discussions conducted by the leadership of other groups.

Some of the particular questions from the letter that bothered [REDACTED] included question #1, which asked for copies of all media, literature, and articles about [REDACTED] stated the size of that production would take up a "U-Haul truck." It was also onerous to print out all tweets and posts for the last three years. It really bothered her to predict the future under penalty of perjury. The IRS also asked for "action items" which she did not know what those were and it seemed very vague. She did not know why the IRS needed to know everyone that [REDACTED] did business with. [REDACTED] is a small town and people that [REDACTED] did business with would frequently be donors too. The IRS also wanted to know about hours worked by volunteers. [REDACTED] found this request burdensome. Since they are volunteers, they do not keep timecards. It would be impossible to come up with the time worked by the volunteers. [REDACTED] did not see how this was relevant to the application. Another burden put on [REDACTED] by the IRS was that the IRS would not accept any of this information electronically. [REDACTED] told her they would need paper copies and it did not matter how much space it took.

[REDACTED] received a typed letter, hand-signed by [REDACTED] It was not on IRS letterhead, and was delivered in a handwritten envelope. The letter did not have the normal identifying numbers, including the agent's phone number. In the letter [REDACTED] apologized for giving her the wrong date for

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~~UNCLASSIFIED//FOUO~~

282B-WF-2896615

Continuation of FD-302 of Interview of , On 05/08/2014, Page 5 of 5 b6 -2
b7C -2
an extension. was confused by the non-official appearance of the letter.

~~UNCLASSIFIED//FOUO~~



~~UNCLASSIFIED//FOUO~~

FEDERAL BUREAU OF INVESTIGATION

Date of entry 09/15/2014

FEDERAL TAXPAYER INFORMATION

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[redacted] date of birth (DOB) [redacted] Social Security
account number (SSAN) [redacted] residence address [redacted]
[redacted] was interviewed telephonically. [redacted]

b6 -2,3,4
b7C -2,3,4

[redacted] attorneys, [redacted] were present during the
interview. Also present during the interview were Department of Justice
Attorney [redacted] and Treasury Inspector General for Tax
Administration (TIGTA) Special Agent [redacted] Prior to the
interview, [redacted] attorneys were provided a set of documents that will be
maintained in the 1A section of the case file and will be referred to by
their respective bates numbers during the interview. After being advised
of the identities of the interviewing Agents and the nature of the
interview, [redacted] provided the following information:

b6 per CRM
b7C

[redacted] reviewed an e-mail dated October 2, 2012 [redacted] where he sent
his bucketing sheet for [redacted]
[redacted] to [redacted] [redacted] was assigned the [redacted] application in
Exempt Organizations (EO) Determinations. [redacted] filed as a
501(c)(4) and [redacted] received the case in early 2012. [redacted] was not sure if
he was the first person to work the case or how old it was. It was
assigned to him by project coordinator [redacted] because of his
involvement with the advocacy team. No specific instructions were given to
him regarding this case. [redacted] sent a development letter shortly after the
case was assigned to him.

b3 -1
b6 -2,3
b7C -2,3

[redacted] focused on two revenue rulings. Revenue ruling 2004-6 discussed
the facts and circumstances of an application. [redacted] was concerned about
the amount of information needed to come to a decision on this case.

b3 -1
b6 -2,3
b7C -2,3

[redacted] was engaged in a large amount of activity that fell into
the facts and circumstances area when making a determination. For example,
the group was involved in media and had many advertisements over a long
period of time, so in order to understand what [redacted] was involved
with [redacted] wanted specific transcripts of advertisements. This was going
to be a lot of information. The other revenue ruling was 81-5, which
focused on whether the primary activity for an organization was for social

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Investigation on 05/09/2014 at Manassas, Virginia, United States (Phone)

File # 282B-WF-2896615 Date drafted 05/14/2014

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

b6 -2,3
b7C -2,3

Continuation of FD-302 of Interview of [REDACTED], On 05/09/2014, Page 2 of 3

welfare or political campaign intervention. [REDACTED] had a meeting to discuss the letter with [REDACTED]. The tenor of the meeting was that everyone thought his development letter looked good. [REDACTED] went ahead and sent the letter. [REDACTED] did not recall any internal communications at the Internal Revenue Service (IRS) on this case at that time. The advocacy cases were then put on hold.

In May 2012, [REDACTED] received a voluminous and very detailed response from [REDACTED]. The information in the response took up at least two full binders. [REDACTED] had contact with EO Technical, particularly [REDACTED] and [REDACTED] about the case. [REDACTED] did not recall if he reached out to EO or EO reached out to him. [REDACTED] was the coordinator of the advocacy cases out of Washington, D.C. (DC). [REDACTED] followed the review process that came out of the "bucketing" exercise in May 2012. It was common practice to send write ups up the chain of command on the advocacy cases. All "bucketing" sheets were sent to [REDACTED] had communications with [REDACTED] on this case, and HOLLY PAZ participated on a conference call about the case.

[REDACTED] continued to review the information that [REDACTED] had sent. He created a spreadsheet to track the facts and circumstances on the advertisements in order to determine the amount of political activity. [REDACTED] had engaged in various activities and [REDACTED] was analyzing the television advertisements and mailings in order to determine whether they were for social welfare or political campaign intervention. He then made his decision based on the aggregate of what he saw. [REDACTED] was leaning towards a denial for exemption. He discussed his conclusion with [REDACTED] in order to verify DC's agreement with him. There was a four month gap as he waited to hear back from EO Technical.

On January 4, 2013, [REDACTED] had a conference call in [REDACTED] office with [REDACTED] PAZ and LOIS LERNER. [REDACTED] did not recall who moderated the call. On the call [REDACTED] discussed the tax law, his conclusion to deny exemption, and how to write up the denial since the tax law was gray in this area. [REDACTED] had reached the same conclusion of denial as [REDACTED] did. Everyone seemed to agree on the denial. There was discussion about this denial letter being a template for other denials. They wanted him to get the thought process regarding the tax law written out and set up in a template for consistency purposes with other denials. They discussed the mechanics of how to write the denial. [REDACTED] recalled other denials being worked on at that time, but did not recall denials being issued. They discussed the high profile nature of the case, which is why LERNER was on the call. This was the only conference call [REDACTED] had been on with LERNER.

~~UNCLASSIFIED//FOUO~~

~~UNCLASSIFIED//FOUO~~

282B-WF-2896615

b6 -2
b7C -2

Continuation of FD-302 of Interview of [REDACTED], On 05/09/2014, Page 3 of 3

He met her in Cincinnati before and once at a conference in Denver. [REDACTED] did not recall getting instruction on how to work the case from either PAZ or LERNER.

[REDACTED] drafted a denial letter and forwarded it to [REDACTED]. The case was eventually transferred to EO Technical. [REDACTED] had no involvement with the case after it was transferred. He knows it is still open. [REDACTED] noted that nothing seemed out of the ordinary when he worked the advocacy cases. Nobody told him [REDACTED] was a denial; he made that call based on his work and his opinion. Any input or decision by others on the [REDACTED] case appeared to him to be based on the facts and circumstances, not by inappropriate motivations or the group's political viewpoint.

b3 -1
b6 -2,3
b7C -2,3

[REDACTED] was shown a Case Chronology Report (CCR) and an Advocacy Case Review (ACR) for [REDACTED] (01-12). [REDACTED] did not recall working on the [REDACTED] case until he reviewed the CCR. The handwriting from a note on the ACR discussing the Review of Operations (ROO) referral was not his. ROO referrals did not necessarily equate to an exam referral. [REDACTED] did not recall a discussion of a ROO referral on this case.

b3 -1
b6 -2
b7C -2

[REDACTED] noted that tax-exemption can be granted in advance of operations. The EO determinations process is a representational process. [REDACTED] has approved groups before and then submitted a ROO referral. He thought it was listed in the Internal Revenue Manual (IRM) around 7.20.2. While ROO referrals are not a regular occurrence, they are not an uncommon practice. The "bucketing" sheet used to review the cases during the "bucketing" exercise had ROO referral listed as a possible recommendation. [REDACTED] felt that given the activities of political advocacy groups and what the law is regarding these activities, ROO referrals would be a more common occurrence with those cases than with normal cases. The IRM has political advocacy as a mandatory review by Quality Assurance (QA). The ROO staff would review the referrals and decide whether to elevate the review for an exam.

b6 -2
b7C -2

[REDACTED] recalled receiving and forwarding the case for [REDACTED] but did not remember any follow up or any discussions with the group.

b6 -2
b7C -2

[REDACTED] had no knowledge of anyone using inappropriate criteria in determining their cases. No one tried to steer or influence these cases because of the political viewpoints of the organizations. [REDACTED] had no knowledge of any inappropriate influence on these cases. He had no knowledge of anyone destroying documents.

b6 -2
b7C -2~~UNCLASSIFIED//FOUO~~

14-cv-1239-FBI-364



FEDERAL BUREAU OF INVESTIGATION

Date of entry 10/14/2014

FEDERAL TAXPAYER INFORMATION

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b6 -2,4
b7C -2,4

NANETTE DOWNING, date of birth (DOB) [redacted] Social Security
 account number (SSAN) [redacted] residence address [redacted]
 [redacted] cell number [redacted], was interviewed at
 the Department of Justice, located at 1400 New York Avenue, NW, Washington,
 DC. Present during the interview were Department of Justice Attorney
 [redacted] and Treasury Inspector General for Tax Administration
 (TIGTA) Special Agent (SA [redacted]) After being advised of the
 identities of the interviewing Agents and the nature of the interview,
 DOWNING provided the following information:

b6 per CRM
b7C

DOWNING attended Missouri Western State College where she earned a Bachelor of Science in Business Administration (BSBA), with a major in management and minor in accounting. After she graduated college, DOWNING worked for the Federal Deposit Insurance Corporation (FDIC). She worked for the FDIC until 1988 when she took a position with the Internal Revenue Service (IRS). Throughout her career with the IRS, DOWNING held various positions, including revenue agent in Exempt Organizations (EO) and frontline manager. The majority of her work in these positions was on the examination side. From 2008 to 2010, she served as LOIS LERNER's executive assistant. As an executive assistant, DOWNING was responsible for the EO program management, staff, budget, data calls, and hiring.

In 2010, DOWNING became the Director of EO Examinations for Tax Exempt and Government Entities (TEGE). She served in that position for four years. She reported directly to LOIS LERNER. DOWNING had nine direct reports, which included five area managers and four frontend/backend processing managers. Approximately two months ago, DOWNING became the Assistant Deputy Commissioner Government Entities Shared Services for TEGE. She reported to the Commissioner of TEGE.

Investigation on 05/12/2014 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615 Date drafted 05/13/2014

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of Interview of Nanette Downing, On 05/12/2014, Page 2 of 6

As Director of EO Examinations, DOWNING ran the examination program, which was divided into different buckets of work to include: referrals; claims; special projects; and review of operations. There were different types of referrals. All of the referrals came through Dallas and went through a classification process. During the classification process, either an individual revenue agent reviewed the referral or, if the referral related to a sensitive case, a committee of frontline managers reviewed the referral. If a referral was warranted, as determined by the classifier or committee, then the referral went into the work stream. A manager then decided if there were enough resources to work the referral. The manager either designated the referral for survey or examination. If the referral was designated for a survey, then an examination was not done.

Referrals could be made by citizens, internally by the IRS (for example, by the Small Business/Self-Employed Division (SBSE) or by the determinations unit). The majority of referrals were made by citizens through the online referral system. EO Examinations received approximately 4,000 referrals a year. Once a referral was received, the initial IRS employee who received it merely inputted the referral into the system. Approximately five to seven days after a referral was received, a letter was sent to the person making the referral notifying them that the IRS received the referral. After the referral was inputted, it could take a while for the classifier to receive a referral. On average, it could take four to six months for the classifier to receive a referral.

The claims worked by EO Examinations referred to claims received by taxpayers. Examinations reviewed the claims submitted by the taxpayers. Years ago, the IRS also used to conduct random examinations, but has since stopped conducting random examinations.

The review of operations (ROO) unit was created sometime around 2006. The ROO reviewed randomly selected organizations approximately three to five years after the organization was granted tax-exempt status. The organizations were selected from a random statistical sample of Form 990s. The ROO reviewed publicly available information to determine if there were any compliance issues. If the ROO found a compliance issue, then a referral for examination was prepared. The review process was similar to that of the classifier who reviewed referrals. The ROO was expanded to include the review of hospitals for compliance with the Affordable Care Act (ACA).

Referrals from the determinations unit went directly to the ROO until this issue was presented. Referrals now go through the classification

282B-WF-2896615

Continuation of FD-302 of Interview of Nanette Downing, On 05/12/2014, Page 3 of 6

process like all other referrals. DOWNING did not believe that referrals from the determinations unit that went directly to the ROO were more likely to be examined. ROOs were not necessarily all internal.

Prior to 2010, there were no audits of 501(c)(4) organizations regarding political activity. Around that time, EO Examinations started receiving referrals to examine 501(c)(4) organizations. It was also around that same time that the Form 990 was revised.

The IRS spent a year and a half creating a process to review the applications. In February 2013, the IRS started examining applications. There were 28 organizations selected for examination. The 28 organizations had been approved for tax-exemption under Internal Revenue Code (IRC) Sections 501(c)(3), (c)(4), and (c)(5). In May or June of 2013, EO Examinations was told to put the examinations on hold because inappropriate criteria were used by EO Determinations in determining the tax-exempt status of the organizations. Just last week, the IRS started to examine the 28 cases.

DOWNING was shown an email chain dated June 2, 2011 from LERNER. (A copy of the document will be maintained in the 1A section of the case file.) Someone sent DOWNING a data request, which is why she initiated this email to LERNER. DOWNING received requests for data, but did not receive requests for specific examinations. DOWNING often received questions that required EO Examinations to pull information to answer. EO Determinations received data requests all the time. DOWNING recalled receiving an email about [REDACTED] and pulling data about the organization. The IRS was not an organization of "political" people. DOWNING did not know the viewpoints of the organizations for which she received data requests.

b3 -1

When the [REDACTED] issue arose, it was the first time that DOWNING learned that there was a "loophole" in the system and that organizations could self-declare tax-exemption. After learning this, DOWNING spoke to the "dual-track process team" to make sure that the team built in to the process something to note that an application was in the determinations process while at the same time the IRS was conducting an examination. DOWNING wanted to make sure that the IRS was not examining a group that was denied tax-exempt status by EO Determinations. If an organization was denied tax-exempt status by EO Determinations, then there was no need to conduct an examination because if denied the organization was no longer permitted to self-declare as tax-exempt.

b3 -1

DOWNING requested that this issue be put into the ROO process. She was not sure what the mechanism was for accounting for this "loophole" as examinations of the 28 applications had been suspended until just last

282B-WF-2896615

Continuation of FD-302 of Interview of Nanette Downing, On 05/12/2014, Page 4 of 6

week. However, DOWNING was sure to note that the way to handle the issue was not to wait until the application was reviewed by Rulings & Agreements (R&A) because that would take too long. If it was decided to handle the "loophole" this way, then DOWNING would have wanted assurances that EO Determinations decided the tax-exempt status of an applicant within a few days. DOWNING also added that if EO Examinations examined an organization that had self-declared and decided that the organization was tax-exempt, then that determination should be good enough for EO Determinations.

DOWNING was shown an email chain dated January 7, 2013 from LERNER. (A copy of the document will be maintained in the 1A section of the case file.) DOWNING described this email as one of LERNER's "rants." DOWNING received similar emails in the past from LERNER. [REDACTED] was HOLLY PAZ's technical advisor. Prior to the dual-track process, LERNER had [REDACTED] and [REDACTED] review the cases for consistent treatment. LERNER was cautious and wanted to make sure that there was a solid process and procedures in place and that classifiers were making consistent decisions and being clear and concise.

b6 -3
b7C -3

DOWNING never took LERNER's "rants" as telling DOWNING's folks what to do, but just that LERNER did not believe that DOWNING's group knew what they were doing. LERNER did not believe that the accountants could do their job and correctly apply the law because they were not lawyers. DOWNING's group's philosophy was that no one told them who to examine. And, if someone did, then they would turn them in to TIGTA. LERNER did not have the authority to initiate an examination. If LERNER told EO Examinations who to examine, DOWNING would have turned LERNER in to TIGTA. The point of putting EO Examinations in Dallas was to keep the unit separate.

DOWNING did not interpret the email from LERNER as LERNER telling EO Examinations to examine [REDACTED] but instead LERNER was "ranting" about what to do with a case that fell within the "loophole" discussed previously. The issue involved a group that was self-declared tax-exempt, the group had been selected to be examined, and the group's application for tax-exempt status was pending with EO Determinations. LERNER did not give DOWNING specific guidance or direction as to how to handle [REDACTED]. DOWNING never felt any political pressure from LERNER or anyone else. DOWNING did not think of [REDACTED] as a political group; she thought of it only as a referral.

b3 -1

LERNER treated all groups the same and "ranted" about all of the groups in the same way. For example, DOWNING recalled an organization called the [REDACTED] that tried to [REDACTED]. LERNER offered someone to assist EO Examinations in reviewing the referral because LERNER was not

b3 -1

282B-WF-2896615

Continuation of FD-302 of Interview of Nanette Downing, On 05/12/2014, Page 5 of 6

confident that the classifiers were well versed in the issue to be able to make a determination.

DOWNING had nothing to do with the determination of [REDACTED] application for tax-exemption. DOWNING reviewed the tracker sheets for [REDACTED] and confirmed that the classifiers were strong managers. DOWNING was not going to second guess her classifiers. [REDACTED] went to Dallas and provided training on how to make sure the documentation was clear and concise and showed that the determinations were being made based on the facts and law. DOWNING did not know if [REDACTED] application for tax-exemption was still pending. When she was the Director of EO Examinations, there was no need for her to be "in the weeds" on this kind of issue.

b3 -1
b6 -2,3
b7C -2,3

The original 28 cases selected for examination were the only cases being examined. There were no new cases selected for examination. DOWNING had no knowledge of whether any of the cases were Tea Party cases. None of the cases selected were from EO Determinations. Each of the 28 cases was reviewed by a committee of classifiers. [REDACTED] reviewed the 28 cases to make sure that the sample was "balanced."

b6 -3
b7C -3

DOWNING had no recollection of the bucketing process or that one option in the process was to refer the application for tax-exempt status to ROO. DOWNING had no recollection of receiving any referrals from the advocacy project. However, DOWNING recalled an email conversation approximately a year and a half ago with [REDACTED] and KAREN SCHILLER, stating that they needed to discuss EO Determination referrals that were pending. They told DOWNING that there were approximately 60 cases that had been pending for approximately one year. The email said that they were Tea Party cases. The email conversation occurred around the time that the IRS changed the ROO process and EO Determination referrals were sent to the regular review process instead of going straight to ROO. The 60 cases were sent through the classification process like all other referrals. DOWNING checked the 60 cases against the 28 cases selected for examination and confirmed that the 28 cases were not part of the 60 cases.

b6 -2,3
b7C -2,3

At some point, DOWNING was given a list of 400 cases from EO Determinations. A handful of the cases on the list were organizations that EO Examinations had examined for unrelated reasons. These cases represented a random statistical sample and were examined as part of a special project.

DOWNING was shown an email chain dated August 4, 2011 from LERNER. (A copy of the document will be maintained in the 1A section of the case

282B-WF-2896615

Continuation of FD-302 of Interview of Nanette Downing, On 05/12/2014, Page 6 of 6

file.) If any employee saw something in the news, that employee could make a referral based on what he or she saw or heard. That referral would be reviewed by a classifier just like all other referrals.

During the last election, DOWNING recalled that EO Examinations received a "high-profile" referral for an examination of [REDACTED] [REDACTED] LERNER sent an email to DOWNING for her situational awareness. DOWNING knew that the organization was a conservative group only because of the name of the organization. The referral went through the process, but was not selected for an examination. DOWNING emailed LERNER for LERNER's situational awareness, advising her that the organization was not selected for examination. LERNER had no reaction to DOWNING's email; LERNER was not upset that the organization was not selected for examination.

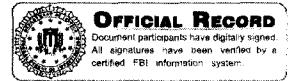
b3 -1

DOWNING had heard of the EMERGE cases, but did not know what side of the political spectrum they fell.

In general, DOWNING had nothing to do with EO Determinations. PAZ and CHOI were two of a series of acting directors for EO Determinations. DOWNING received monthly Sensitive Case Reports (SCRs).

DOWNING received and complied with the litigation holds related to this investigation. DOWNING had no knowledge of anyone concealing or destroying documents. No one influenced DOWNING as to what to say during this interview or what to say to Congress.

DOWNING volunteered that she was a conservative, Christian Republican.



FEDERAL BUREAU OF INVESTIGATION

Date of entry 07/22/2014

[redacted] date of birth [redacted] social security number [redacted] b6 -2,4
 [redacted] address [redacted] was b7C -2,4
 interviewed at 550 Main Street, Cincinnati, Ohio. Also present during the
 interview were U.S. Department of Justice Attorneys [redacted] and
 [redacted] and Treasury Inspector General Tax Administration (TIG b6 per CRM
 Agent [redacted] After being advised of the identities of the b7C
 interviewing Agents and the nature of the interview, [redacted] provided the
 following information:

[redacted] was shown a copy of the document titled "BOLO Iteration b6 -2,3
 History" dated 04/30/2012. [redacted] discussed his history with managing the b7C -2,3
 "TAG" database and how the concept evolved into the BOLO after discussing
 initial ideas with [redacted] and possibly
 [redacted]

In the summer of 2010 the first BOLO iterations were released. [redacted]
 did not recall providing any guidance to [redacted] b6 -2,3
 regarding the BOLO and the Tea Party description, but stated it could have b7C -2,3
 happened. [redacted] had previously listened to testimony given by [redacted] in
 which she described [redacted] providing input on the language used in the
 BOLO [redacted] instructed [redacted] to forward the BOLO drafts to [redacted] for
 review.

Sometime in 2012 the Tea Party description or name was changed to a
 more neutral name, "Current Political Issues". [redacted] could not recall any b6 -2,3
 specific meeting, but indicated it is possible he gave input for the name b7C -2,3
 and description. [redacted] sat beside [redacted] area when [redacted]
 worked for [redacted] He had impact on various stages of the BOLO. [redacted] did
 not believe any input was given from Washington D.C. regarding the name or
 descriptions of the BOLO during this period.

[redacted] described the Tea Party designation on the BOLO as simply a b6 -2,3
 list of cases which had a sensitive case report (SCR) and were being worked b7C -2,3
 by [redacted] was working with [redacted] in Washington D.C. Tea Party
 was a loose term used to categorize these cases. There was no intent to
 harm or stall those particular cases. [redacted] believed there was good
 reason to hold the cases and request guidance.

Investigation on 06/19/2014 at Cincinnati, Ohio, United States (In Person)

File # 282B-WF-2896615 Date drafted 06/26/2014

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 06/19/2014, Page 2 of 2

b6 -2,3
b7C -2,3

In January 2012, [REDACTED] asked [REDACTED] about development letters and the questions used to request additional information from taxpayers. [REDACTED] did not recall any specific guidance he gave to [REDACTED] but he remembered the donor question being on the list. [REDACTED] used old credit counseling questions when creating the development questions for the Tea Party cases. [REDACTED] did not recall speaking to [REDACTED] about the donor question in particular, but believed he discussed the letters overall with [REDACTED]

b6 -2,3
b7C -2,3

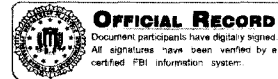
[REDACTED] reviewed approximately 15-20 political advocacy cases and spoke to [REDACTED] about issues concerning political activity, how to develop the cases, and legislative issues surrounding 501c(4). [REDACTED] remembered meeting with [REDACTED] regarding the BOLO description which included the word "\$social economic". [REDACTED] did not recall any specific reason for the "\$" replacing the "S" in social but said he would check his emails. The social economic topic was used in the ACORN cases.

b3 -1
b6 -2,3
b7C -2,3

The Internal Revenue Service (IRS) no longer uses the BOLO list and has created mandatory manager review of development letters. The IRS is also in the process of redacting donor information previously collected. The process is approximately 90% complete.

[REDACTED] stated he will go back and review any emails surrounding the descriptions used on the BOLO to include "\$social economics".

b6 -2
b7C -2



~~UNCLASSIFIED//FOUO~~

FEDERAL BUREAU OF INVESTIGATION

Date of entry 10/09/2014

FEDERAL TAXPAYER INFORMATION

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[redacted] date of birth [redacted] Social Security account number [redacted] residence address [redacted] office telephone [redacted] was interviewed at the office of the Treasury Inspector General of Tax Administration (TIGTA) located at 550 Main Street, Cincinnati, Ohio 45202. Also present during the interview were Department of Justice Attorneys [redacted] and [redacted] and TIGTA Special Agent [redacted]. During the interview, documents were shown to [redacted] and hereafter those documents will be referred to by their respective bates numbers or other identifying information and copies will be maintained in the 1A section of the case file. After being advised of the identities of the interviewing agents and the nature of the interview, [redacted] provided the following information:

b6 -2,4
b7C -2,4

b6 per CRM
b7C

[redacted] assigned the advocacy team to [redacted] and he let [redacted] run it. The advocacy team project was formed in Exempt Organizations (EO) Technical, and then [redacted] and his team met and formed questions. [redacted] would come into [redacted] office and tell [redacted] what stage of the project the team was in. [redacted] does not recall more formalized meetings with [redacted] about the team. [redacted] was shown an e-mail dated January 18, 2012 (GOV-EMAILS-000148) he received from [redacted] wanted to review all the development letters before they went out, but then he became comfortable with agents sending them out without him reviewing them. [redacted] is not sure if [redacted] showed [redacted] the template questions mentioned in the e-mail. He would have to check his records. [redacted] recalled talking about the donor question after everything "blew up," but not before.

b6 -2,3
b7C -2,3

[redacted] relied on his senior agents to review questions.

b6 -2,3
b7C -2,3

[redacted] was shown an e-mail dated February 28, 2012 he received from [redacted] with the subject "Advocacy template questions." [redacted] guessed that

~~UNCLASSIFIED//FOUO~~

Investigation on 06/19/2014 at Cincinnati, Ohio, United States (In Person)

File # 282B-WF-2896615

Date drafted 06/25/2014

by [redacted] _____ b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 06/19/2014, Page 2 of 5

b6 -2,3
b7C -2,3

this was when the questions were first sent to him, as he could not recall another time when he received them. [REDACTED] noted that the template was probably changing as it was being used based on feedback from taxpayers. [REDACTED] did not remember if he sat down with [REDACTED] about the template after receiving this e-mail. It is possible he talked with [REDACTED] about the template before it went out. He did not recall discussing the template, but he could have. He doubts he talked with [REDACTED] about the donor question, and did not recall meeting with [REDACTED] on a particular question like the donor question. [REDACTED] would not have discussed a particular question with either [REDACTED] team. The donor question was a typical question and would not have stood out to [REDACTED] if he had reviewed a group of questions with the donor question included. Revenue agents can ask whatever they want to make a determination, there is no law preventing them from doing so.

Pressure on [REDACTED] group started when taxpayers started sharing their development letters. [REDACTED] noted there was no "finger-pointing" in the Cincinnati office when this happened. [REDACTED] did not recall [REDACTED] raising concern about the donor question. There was a good reason for the donor question when determining where donations came from with regard to politics. When donors pump money into an organization there is the possibility that the organization may no longer be a public charity and may become a private foundation. This private benefit issue is backed by law. [REDACTED] recalled discussions after the fact about not asking the donor question if the organization was a 501(c)(4). These discussions probably occurred because IRS personnel in Washington, D.C (DC) sent word through [REDACTED] for them to not use the template. [REDACTED] recalled there was an e-mail to put a hold on the questions. [REDACTED] reiterated he did not recall conversations about not using the donor question because it was a sensitive issue or it could be an issue prior to everything "blowing up." He is not sure who he had conversations with about the issue after it came up. It did not come up in a staff meeting, but rather in conversations he had in passing in the hall.

b6 -2,3
b7C -2,3

[REDACTED] did not recall reviewing the template questions for these cases. He trusted [REDACTED] relied on him, and would do the same today. He did not recall [REDACTED] coming to him to ask questions about the template. [REDACTED] oversaw [REDACTED] and [REDACTED] oversaw his team. [REDACTED] would take responsibility and the blame for his people and the questions they asked whether he reviewed the questions or not. That is what a good manager does. [REDACTED] is the Area Manager now, and he received complaints on his people, but he also received clearance letters from TIGTA on these complaints about his people, which showed they were doing their jobs correctly.

b6 -2,3
b7C -2,3~~UNCLASSIFIED//FOUO~~

14-cv-1239-FBI-374

~~UNCLASSIFIED//FOUO~~

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 06/19/2014, Page 3 of 5

b6 -2
b7C -2

The Be on the Lookout (BOLO) list was coordinated through him. He made sure it was updated and went out to everyone on time. The BOLO coordinator was in his group. [REDACTED] would pass information along to the BOLO coordinator for that person to make changes to the BOLO. Depending on what the issue was, changes to the BOLO could come from IRS Criminal Investigations (CI), or DC, or it could be a new trend that was being seen by agents. The purpose of adding issues to the BOLO was to treat them consistently across the IRS and make the agents aware of the issues.

[REDACTED] was shown an e-mail dated May 18, 2012 from [REDACTED] with the subject "Updates to BOLO Spreadsheet." This e-mail had a memo attached which changed the process for putting issues on the BOLO. Prior to this memo, changes would come to [REDACTED] from his boss, whoever that happened to be. Changes could go up from a person recommending a change all the way to [REDACTED] and then it would come back down from [REDACTED] to [REDACTED] would not weigh in on the decision to add information to the BOLO. If he saw something that he thought was "weird" he would ask about it.

b6 -2,3
b7C -2,3

[REDACTED] was shown an e-mail chain dated February 15, 2012 from [REDACTED] to him and [REDACTED] with the subject "FW: BOLO ALERT 02-14-12." [REDACTED] was a front-line manager. The e-mail alerted them that some cases were being sent to the wrong group. [REDACTED] was a senior agent in his group. This issue was already on the BOLO, they were just fixing an error. This was a typical change. Taking an issue off, adding it on, or changing the language on the BOLO would come from the "top." If they needed to change a group number or another procedural issue, [REDACTED] would have changed it. Now, [REDACTED] and the other Area Manager, [REDACTED] are adamant that no spreadsheets be used. [REDACTED] personally believes that there was nothing wrong with the BOLO or any list. The OFAC list is a transparent list they use. [REDACTED] believed everyone uses lists.

b6 -2,3
b7C -2,3

[REDACTED] is the Area 1 Manager and he reports to [REDACTED] who is the Acting Director of Rulings and Agreements (R&A). [REDACTED] was a program manager, but so were the two Area Managers. [REDACTED] old position was removed when she took an analyst position within the IRS. Issues that came up through the Cincinnati office were issues that were not clear, such as 501(c)4, medical marijuana and fraud. The issues on the BOLO were issues that were not "concrete." The BOLO helped identify possible issues so that they could receive consistent treatment.

b6 -2,3
b7C -2,3

[REDACTED] was shown a spreadsheet dated 04/30/2012 and titled "BOLO Iteration History." The change on the BOLO in July 2011 came from LOIS LERNER. It made the issue description broader. [REDACTED] still did not know what the Tea Party did, what side they were on, and he did not care. [REDACTED] did not think the inventory grew because of changes in the BOLO;

b6 -2
b7C -2~~UNCLASSIFIED//FOUO~~

14-cv-1239-FBI-375

~~UNCLASSIFIED//FOUO~~

282B-WF-2896615

Continuation of FD-302 of Interview of [redacted], On 06/19/2014, Page 4 of 5

b6 -2
b7C -2

rather it grew because cases built up due to time passing and the cases not being worked. [redacted] stated the change in description to the most recent BOLO could be seen as using more particular buzzwords. Additions to the BOLO could come from screeners. [redacted] guessed that the "\$" was a "typo." He was not sure exactly who wrote it. He remembered seeing it and he remembered reviewing it. He did not remember how he got the language for the BOLO change or who he talked to about it. It is possible he met with [redacted] about it. He also could have met with [redacted] about it as well. [redacted] was a front-line manager who used to be in the TAG group. [redacted] was not sure if [redacted] was the coordinator of the BOLO at that time, which was January 2012. The language used in the issue description could have come from screeners based on how detailed the description was. As applications came in, language on the BOLO evolved.

b3 -1
b6 -2,3
b7C -2,3

[redacted] did not know what social economic reform meant. He thought the "\$" was a typo and that it was funny. He did not think it was deliberate, but if it was, "who cares." He did not think it stood for anything. If it was meant to mean "money," then it would have said "financial." It was not his idea to use the "\$," and he did not recall discussions about it.

b3 -1
b6 -2,3
b7C -2,3

[redacted] was shown an e-mail chain between him and [redacted] dated January 24, 2012 with the subject "RE: Potential Watch List/BOLO item - Occupy Groups Applying for (c) (3)." [redacted] stated that Occupy was different from the Tea Party cases. [redacted] and [redacted] brought this issue to him, they discussed it, and he sent it to [redacted] read the attached scenarios but did not recall drafting or writing the language. He did not recall who wrote it. He did not believe he wrote it, but he could not say for sure that he did not write it. The language for the BOLO would come from DC, but [redacted] did not know and did not recall where this language originated from, even though the suggestion for it came from his group.

[redacted] noted that [redacted] approved the scenario.

[redacted] was shown an e-mail dated January 25, 2012 with the subject "BOLO" from [redacted] to [redacted] made the changes to the spreadsheet because [redacted] is "challenged" by Excel spreadsheets. He would usually make changes because [redacted] spreadsheets would have problems.

b6 -2,3
b7C -2,3

[redacted] was shown an e-mail chain dated January 25, 2012 with the subject "RE: BOLO" between [redacted] believed that [redacted] might have confused issues in the e-mail. It was typical of a revenue agent to just copy stuff. When [redacted] referred to code language he could have meant buzzwords in the BOLO. [redacted] stated there was no secret code in the BOLO. He did not recall discussions about following the money. If that was needed, it would have been spelled out in the BOLO. [redacted] did not know why the "\$" was there in the BOLO. It was not his idea. He was involved in actually changing the BOLO, he did not have anything to do with

b6 -2,3
b7C -2,3

~~UNCLASSIFIED//FOUO~~

~~UNCLASSIFIED//FOUO~~

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 06/19/2014, Page 5 of 5

b6 -2,3
b7C -2,3

the language of it. He did not make the decision of what went on the BOLO. He could not put stuff on the BOLO without approval. He was involved in the process, and he could suggest changes. He did not remember what specifically happened in the meeting with [REDACTED] and [REDACTED]. He reiterated that screeners would not pick up on the "\$" to mean they should look at the finances of an organization. Someone might have thought the "\$" was funny. He was not sure why someone would say he put the "\$" on the BOLO.

[REDACTED] was shown an e-mail chain dated February 23, 2012 from [REDACTED] with the subject "FW: Advocacy Cases ---NUMBERS NEEDED." [REDACTED] was being a "smartass" about the thoroughbreds comment. He did not have enough people to work the number of cases he had. He felt this was a hiring issue. His comment referred to cases "across the board," his group's entire inventory, not just the advocacy cases.

b6 -2,3
b7C -2,3

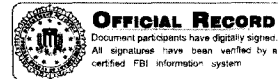
[REDACTED] did not think he put the "\$" in the BOLO, but he did not remember what he "had for lunch last week." This was all a political game by Congress. There was no targeting. Approvals on the BOLO were above him. He was not saying that language from the January 2012 BOLO came from DC or the people above him. This proposed language and the idea for this change came from his people. They received no pressure from DC on this particular language. [REDACTED] people came up with it. DC usually approves the BOLO changes. At the end of the day, he is responsible for what goes up to the people above him, so the language with the "\$" in it would be his responsibility since he sent it up.

b6 -2
b7C -2

[REDACTED] wants this issue resolved and that is why he has volunteered to be interviewed. He is not worried about losing his job or possible administrative action against him. He did not think he had any e-mails in his possession where he talked about the "\$," but he would conduct another search. [REDACTED] understands how it looks in the e-mails with the "\$" and [REDACTED] saying it was a code word. He really did not recall whose idea the "\$" was and he did not recall anyone bringing up the "\$" as a typo and suggesting that they change it after the fact. It is very possible that people would give him credit for something, including the "\$," that he did not do. He would own a clever idea if it was his. He did not recall any conversations about the "\$." He reiterated that screeners would not pick up on something implied in the BOLO like the "\$."

b6 -2,3
b7C -2,3~~UNCLASSIFIED//FOUO~~

14-cv-1239-FBI-377



FEDERAL BUREAU OF INVESTIGATION

Date of entry 10/16/2014

FEDERAL TAXPAYER INFORMATION

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LOIS G. LERNER, date of birth [redacted] Social Security account number [redacted] residence address [redacted] home telephone [redacted] e-mail [redacted]

b6 -2,3,4
b7C -2,3,4

was interviewed at the law offices of Zuckerman Spaeder LLP, 1800 M St. NW, Suite 1000, Washington, D.C. 20036, telephone (202) 778-1800.

b6 per CRM
b7C

LERNER's attorneys, [redacted] were present for the interview. Also present during the interview were Department of Justice (DOJ) attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agents [redacted]

[redacted] Documents shown to LERNER during the interview are identified below and will be maintained in the 1A section of the case file. After being advised of the identities of the interviewing Agents and the nature of the interview, LERNER provided the following information:

LERNER was interviewed regarding the failure of her computer hard drive in June 2011. She stated she did not intentionally damage the hard drive and did not destroy or hide any documents on her computer. She sought assistance from Information Technology (IT) personnel at the IRS. She stated that IT personnel advised her the efforts to recover the information on her hard drive were unsuccessful and all of the data on her hard drive was lost. A full summary of LERNER's interview regarding the hard drive is included in the attached TIGTA Memorandum of Interview or Activity (MOI).

LERNER had no role in selecting taxpayers for audit. After the IRS reorganization, the examinations and determinations functions were placed outside of Washington, D.C. (DC). One of the reasons for the relocation was to ensure executives were not involved in the decisions in these areas. Part of LERNER's job was to refer cases to Exempt Organizations Examinations (Examinations) so Examinations could decide whether they were

Investigation on 07/09/2014 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615

Date drafted 07/11/2014

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 07/09/2014, Page 2 of 8

going to conduct examinations on them. She was not involved in that decision process. She often sent Examinations information from the daily press clippings she received from IRS media relations and [REDACTED]

[REDACTED] There was no particular process to refer something to Examinations. LERNER just sent them e-mails.

b6 -3
b7C -3

She learned of [REDACTED] through complaints and [REDACTED] letters. She referred the information on [REDACTED] to Examinations because they contained allegations of impropriety. Examinations responded with their "pat" paragraph discussing the referral process and stating that Examinations would not discuss the referral with the person who referred it.

b3 -1
b6 -3
b7C -3

The process for coordinating responses to letters to the Commissioner often involved many offices. The letters usually went to the Tax Exempt and Government Entities (TEGE) Commissioner first and then filtered down to the various offices. People in each office responded to the complaints and letters. Legislative Affairs gave Congressional letters to the liaison person in LERNER's office to prepare a response on their issues. Letters to the Commissioner with high profile issues were treated differently. LERNER was not part of the vetting process for these letters.

She reviewed an e-mail she sent to NANETTE DOWNING on 01/07/2013 regarding the referral of [REDACTED] Part of what [REDACTED] and others had asked for was regulations. LERNER got Treasury and Chief Counsel (Counsel) together for a meeting in her office. She gathered letters about [REDACTED] dating back to 2010. The meeting involved a general discussion of the issues. An audit was opened on the organization which would have been in Sensitive Case Reports (SCRs).

b3 -1
b6 -3
b7C -3

LERNER said her comment to DOWNING in the 01/07/2013 e-mail about "cogitating" on an exam probably should have been worded differently. She did not mean to be telling Examinations what to do. It did not make sense for LERNER's group and Examinations to be duplicating efforts. LERNER only knew about what happened in Examinations in high profile situations. She was "cogitating" on whether it made sense for them to spend resources in both Examinations and Determinations when there was a denial pending for [REDACTED]

b3 -1

Before all of this happened and in a different context, there were concerns about the way things were selected for examination. Organizations could be referred in two ways. A person at a certain level in the IRS could select and refer them. Also, organizations could be referred from other sources. [REDACTED] were Senior Technical Advisors at the IRS who had seen previous referrals on [REDACTED] from other sources. The documentation of reasons for why the group did not undergo an

b3 -1
b6 -3
b7C -3

282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 07/09/2014, Page 3 of 8

examination was not good. LERNER stated she saw documentation on one referral that "just flipped me out." Part of the problem with people in Examinations was that they were not really trained in writing and they did not understand the subtleties of some of the cases. Her goal was to provide training so when TIGTA came in to conduct a review they could see there was a process. [REDACTED] had looked twice before at Examinations' justification for not taking a referral on this organization. LERNER's belief was that the justification for not taking the referrals was done poorly. b6 -3 b7C -3

It was her responsibility to make sure people were trained to do their jobs correctly. All Revenue Agents who did referral communications were managers. LERNER had reviewed materials that [REDACTED] sent over on [REDACTED] over a period of several years. His allegations were "quite serious" and in LERNER's view it was clear there was an issue. She asked [REDACTED] if they had seen any of this when they were reviewing a much larger group of referrals LERNER had previously asked them to review. LERNER recalled one of the cases they reviewed involved the [REDACTED] and another dealt with insurance. The cases did not deal with political issues. This subject was what the 01/07/2013 e-mail was about. It was clear there was a systemic problem with Revenue Agents who did not know what to do with these cases. b3 -1 b6 -3 b7C -3

There was a 01/04/2013 telephone conference call between DC and people in Exempt Organizations Determinations (EOD) in Cincinnati, to include [REDACTED] LERNER did not think she participated in that call. [REDACTED] probably participated. There had been previous discussions about [REDACTED] LERNER had already been told the case was likely to be denied. [REDACTED] was in the bucket in Cincinnati for denial. LERNER did not instruct anyone in EOD to deny [REDACTED] The information on the denial was coming the other way; specifically, the people on the ground working the case made the decision. DC wanted to develop a generic 501(c)(4) denial and tell EOD how to lay things out. Another case denial was going to be sent to Counsel to review for use as a sample. b3 -1 b6 -3 b7C -3

Paul Streckfus from the Exempt Organization Tax Journal e-mailed an article on 09/16/2010 about the potential abuse of 501(c)(4) status. STEVE MILLER called LERNER to see what they could do in the 501(c)(4) area. STEVE MILLER did not want to look at "per se political activity," but wanted to look at the 501(c)(4), (c)(5), and (c)(6) areas generally. When LERNER wrote in her 09/16/2010 e-mail that they needed to be cautious so it was not a "per se political" project, she meant they should not focus on the 501(c)(4) groups' political activity and they should look at other issues. [REDACTED] saw other issues discussed in the e-mail chain in the 501(c)(4) area. Not all 501(c)(4) organizations were doing political b6 -3 b7C -3

282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 07/09/2014, Page 4 of 8

activity. [redacted] had done some research and found non-traditional 501(c)(4) activity involving homeowner and condominium associations who were self-reporting as 501(c)(4) groups, but they could not be 501(c)(4)s. They were not looking to see whether the groups were doing political activity. They were looking to see whether they were doing significant 501(c)(4) activity. They were getting asked a lot of questions about 501(c)(4)s because they were in the press a lot. Most of the public complaints were that the 501(c)(4)s were acting politically. The IRS had been putting information and guidance out in the press about other 501(c) areas, but had not done much in the (c)(4) area. STEVE MILLER told her he wanted an Examinations project to be completed on 501(c)(4), (5), and (6). They often used questionnaires to get information, like the ones they sent out on Colleges and Universities and compensation. The questionnaires were their tool to let the public know what things they were interested in.

The 01/14/2012 e-mail from [redacted] to LERNER and others discussed addressing 501(c)(4)s "off plan." They have a published plan and they also have things they are working on anyway, i.e. that are "off plan." Treasury put out a very broad plan on a topic because they did not know what they could actually come to agreement on at the time they wrote the plan. An issue was left "off plan" until they had something ready and then they would add it to the plan. Counsel was graded on whether it completed its plan or not. The published plan might only have 10 topics because they could only get 10 done. Numerous other projects were being worked on and added to the plan when they developed into something. Sometimes things developed off-plan in response to new legislation or developments.

LERNER begged [redacted] for guidance in the 501(c)(4) area and asked for guidance at least twice to clarify the political issues. [redacted] said the "49/51%" standard was confusing. It was out in the public, but there was no IRS guidance that included this standard. Practitioners on the outside were advising people that 49% of their activity could be political activity. Revenue agents did not acknowledge this as a rule because it was not IRS guidance. LERNER wanted a rule from Treasury to clarify the standard and guidance was needed on 501(c)(4)s engaged in political activity.

LERNER's office at the IRS had "thinkers" and "doers." The process with the thinkers was long and arduous. Doers were working on the ground and needed to do work until the thinkers' process was complete. The advocacy organizations guidesheet had too many things in it and would have never have become formal guidance. Formal guidance normally included only one point.

When LERNER reviewed the e-mail dated 01/31/2013 with the subject line

282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 07/09/2014, Page 5 of 8

"RE: A Couple Items," she stated "no good deed goes unpunished." CHRIS WAGNER on the e-mail chain was formerly the Deputy Commissioner in her division and she was pretty close with him. The person LERNER spoke with about the 501(c)(4) requirements at the meetings with Appeals was new on the job and she was not sure the person understood the potential "danger," meaning the volume and high profile nature of this topic. There was a terrible backlog in Appeals due to resource problems. SARAH HALL INGRAM was formerly head of Appeals and had implemented good changes there, however Appeals was not ready operate under the changes yet. LERNER reached out to WAGNER, who was another executive in Appeals, to offer her assistance.

LERNER reviewed the e-mail chain dated 12/04/2012 regarding a letter to Senator Grassley that was mistakenly delivered to her. [REDACTED] and [REDACTED] came in together to bring her the letter. [REDACTED] called a man in Grassley's office and said the letters, which were invitations to a seminar, may have been switched. The letter to Grassley said the group sponsoring the seminar could pay for [REDACTED] expenses. LERNER thought the group was a 501(c)(3) and could not pay for the [REDACTED] expenses. When LERNER mentioned a possible referral to Examinations in the e-mail chain, she meant a possible referral of the 501(c)(3) group, not a referral of Grassley. [REDACTED] was thinking of the tax issue for Grassley, but LERNER was thinking about the benefit to the 501(c)(3). This was not intended as a way to "get Grassley." It was intended to make sure the charity was using its funds properly. LERNER had background with Grassley and had no problems with him. Her group had a lot of hearings before him. When she held an international conference for charity regulators, her office reached out to Grassley's office and he gave the regulators a private tour.

b6 -3
b7C -3

The 01/24/2013 e-mail chain "RE: EO Tax Journal 2013-15" concerned a Paul Streckfus article about [REDACTED] group. LERNER's comment about getting a DC office job with the organization was a joke because it looked like the organization was "not good." She was already thinking about retiring at the end of the year. She had been asking retirement specialists for quotes for retirement. She was not considering applying for a job with the organization and had no connections with them.

b3 -1

A few years earlier, LERNER applied for a position with a lobbying organization for women in politics. She also gave her husband a resume to shop around in accounting firms. She had not seen the organization for women in the course of her work. The organization was not on one side of the political spectrum or another. It was not EMERGE. It was for women

b3 -1

282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 07/09/2014, Page 6 of 8

who were already in state government. She also applied once to an organization that provided governance advice to larger 501(c)(3)s, but did not get the job. She could not recall the organization's name.

LERNER was asked about a 06/01/2011 e-mail from HOLLY PAZ to [REDACTED] asking [REDACTED] to provide the criteria that were used to identify "Tea Party" cases because LERNER was concerned about being overinclusive.

LERNER was familiar with this e-mail from the TIGTA report. She did not know what prompted the e-mail from PAZ. Using "Tea Party" was overinclusive and underinclusive. Other organizations were included in the group of cases. The Tea Party term was used for different political organizations without Tea Party in their names. The Tea Party name could be overinclusive because a Tea Party organization could be pulled for the group when they were not doing any political activity. If you were pulling cases just because Tea Party was in the name, it was overinclusive. You had to look at what was in the application and whether there were questions about it. If they were only doing 501(c)(4) activity, then they should have been approved and not pulled for the group.

LERNER did not think [REDACTED] was connected to the group of cases discussed above even though they were listed in point one of the same e-mail. She did not know why she had asked about [REDACTED]. There may have been something about them in the public realm or the press. The [REDACTED] materials on [REDACTED] came in during 2010, 2011, and 2012.

LERNER was certain she had conversations with PAZ about [REDACTED] in this period but had no recollection of a specific conversation.

LERNER met with her staff around June/July 2011 and told them to call the cases "advocacy cases." She heard from PAZ that the name used for selecting cases for the group changed back in April 2012. She reviewed a February 2012 e-mail chain which included a discussion between [REDACTED] and [REDACTED] about a BOLO change (GOV-EMAILS-000158 - GOV-E-MAILS-000161).

LERNER had no knowledge of the change at that time. Although [REDACTED] wrote in the e-mail about a meeting that day between LERNER and STEVE MILLER and stated that if LERNER and STEVE MILLER wanted anything changed they would let them know, LERNER did not know what [REDACTED] was talking about. LERNER and STEVE MILLER were not meeting about the BOLO list. She did not know what the referenced meeting was. She did not recall having a conversation with [REDACTED] regarding this topic. LERNER did not talk much with [REDACTED] and usually went through PAZ to reach her. LERNER did not talk to [REDACTED] about the BOLO list and this issue was never raised with LERNER. She did not find out the list was changed until PAZ told her. It was not brought to her attention that [REDACTED] thought the description was too broad until she learned the list was changed again. In a different e-mail in the same e-mail chain, LERNER mentioned the need for her staff to get numbers by the

b6 -3
b7C -3b3 -1
b6 -3
b7C -3b6 -3
b7C -3

282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 07/09/2014, Page 7 of 8

afternoon meeting. PAZ asked [REDACTED] for the number of advocacy matters and their status.

b6 -3
b7C -3

LERNER's conversations with MILLER in this timeframe were not about the selection criteria. He was concerned that complaints kept coming out about the cases and he wanted to know what was going on with them. One of the complaints was that the applications had been there forever and then the IRS wanted a response in 60 days. MILLER wanted to give the applicants more time. This was the type of discussion she was having with MILLER about the cases at that time. This e-mail did not change her recollection of events during that period. She still thought that the BOLO was changed to "advocacy" and there were no problems.

She did not recall seeing the 04/28/2010 e-mail [REDACTED] sent to her and others regarding the SCR chart and two Tea Party cases. The term Tea Party did not raise a red flag at this point like it did later. A lot of things happened after that with Capitol Hill (the Hill) and the press. She was not [REDACTED] ROB CHOI was his boss, so often LERNER would not look at [REDACTED] e-mails. The BOLO list got her attention. It was upsetting to her when she saw a lot of cases referred to as Tea Party cases. She recalled hearing at some point that several Tea Party cases had come in.

b6 -3
b7C -3

In the 05/16/2010 e-mail chain regarding "EO Tech. highlights and stats" she was asking whether any of the Tea Party cases were 501(c)(3) applicants, and if so, what was their basis to be a 501(c)(3). [REDACTED] discussed the Tea Party cases in Cincinnati in the e-mail chain. LERNER did not recall this e-mail. Her comment of "[l]et's talk about co-conspirator" dealt with [REDACTED] a different issue discussed in the e-mail chain. She did not recall what [REDACTED] was. Nothing would have piqued her interest about this e-mail. There were not that many cases and nobody asked her for anything. A lot changed between that time and spring 2011 to pique her interest including attention from the press and the Hill. She was not "freaked out" here. PAZ was Director of Rulings & Agreements in 2011 and may have been talking to her more about these issues. CHOI was not very involved in this area when he was there. This was one tiny piece of a very big job she had. She remembered the big things, not the little things.

b6 -3
b7C -3
b3 -1

LERNER reviewed e-mails from 10/05/2010 regarding conversations with [REDACTED] from DOJ. She previously worked in the DOJ Public Integrity Section. [REDACTED] called her and said he had a new boss who wanted to talk to people who knew the rules for 501(c)(4)s and asked for information on 501(c)(4)s. There had been press on 501(c)(4)s. [REDACTED] said his new boss was interested and wanted to do something with 501(c)(4)s. LERNER reached

b6 -3
b7C -3

282B-WF-2896615

Continuation of FD-302 of Interview of Lois Lerner, On 07/09/2014, Page 8 of 8

out to [redacted] who had oversight of the approved 990s at the IRS office in Ogden. Disks of 990s are made available to anyone who wants to buy them. [redacted] group sent the disks to [redacted]

b6 -3
b7C -3

[redacted] and several people from DOJ and LERNER's office had a meeting the Friday after the e-mail was sent. DOJ wanted to know the 501(c)(4) rules and IRS explained them. There was no discussion of the political positions of the groups on the 990s. There was no sense that DOJ wanted to investigate anyone based upon their political affiliation. Anyone could obtain access to the information DOJ requested. There was nothing sensitive in the information. LERNER asked that the same disks be provided to DOJ that anyone else could have received. The disks were sent to DOJ.

Over time there have been incidents when someone accidentally included 6103 materials in released 990 information. For example there were instances when they forgot to remove a Schedule B or the information contained social security numbers.

LERNER did not follow up on what was done with the disks or whether anyone was being pursued. In the meeting with DOJ, the IRS told them how difficult it was to make a criminal case in this area because of the 501(c)(4) rules. For example, if you did not say who to vote for or against, the activity did not fit easily into a criminal investigation.

LERNER never communicated with the White House about these cases or took direction from the White House about how to handle these cases. She received no direction from Congress about how to handle cases. Nobody inside or outside the IRS attempted to improperly influence her regarding the handling of these cases. She did not consult anyone outside the IRS on how to handle advocacy or Tea Party cases.



UNCLASSIFIED//FOUO

FEDERAL BUREAU OF INVESTIGATION

Date of entry 07/10/2014

On October 23, 2013 and July 9, 2014, LOIS G. LERNER was interviewed at the offices of her attorneys, [redacted] of Zuckerman Spaeder LLP, 1800 M St. NW, Suite 1000, Washington, D.C. 20036. Neither interview was conducted pursuant to a proffer letter. The administrative paragraph in the report of investigation (FD-302) for the October 23, 2013 interview incorrectly stated that interview was conducted pursuant to a proffer letter. This report of investigation serves to correct that fact.

b6 -3
b7C -3

UNCLASSIFIED//FOUO

Investigation on 07/10/2014 at Manassas , Virginia, United States (In Person, Other (Supplemental Information))

File # 282B-WF-2896615 Date drafted 07/10/2014

by [redacted]

b6 -1
b7C -1

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FEDERAL BUREAU OF INVESTIGATION

Date of entry 06/13/2013

[redacted] Internal Revenue Service (IRS) Senior Technical Advisor to the Director of Exempt Organizations (EO), born [redacted] social security account number [redacted] office telephone number [redacted]

b6 -2
b7C -2

[redacted] home telephone number [redacted] residing at [redacted]

[redacted] was interviewed in the offices of the Treasury Inspector General for Tax Administration (TIGTA), located at 1401 H Street NW, Washington, D.C. 20005, on May 29, 2013, at approximately 4:30 P.M. EST.

Those present for the interview were FBI Special Agent (SA) [redacted] TIGTA Special Agent [redacted] and Assistant United States Attorney (AUSA) [redacted]

b6 -1,4
b7C -1,4
b6 per CRM
b7C

After being advised of the identities of the interviewing Agents and AUSA, SA [redacted] read aloud TIGTA Form OI 5320, Non-Custodial Advisement of Rights, and provided the form to [redacted] for review. At approximately 4:35 P.M., [redacted] signed and dated the form, as witnessed by Special Agents [redacted]

b6 per CRM
b7C

[redacted] AUSA [redacted] reiterated to [redacted] that the interview was voluntary and she could stop the interview or leave at any time. [redacted] acknowledged that she understood. The original Non-Custodial Advisement of Rights will be maintained in a 1A envelope and made part of the FBI case file.

b6 -1,2,4
b7C -1,2,4

[redacted] then voluntarily provided the following information:

b6 -2
b7C -2

[redacted] is an attorney and started working for the IRS in [redacted] For at least the last five years, [redacted] had held the position of Senior Technical Advisor to the Director of EO. She reported to LOIS LERNER. At no time has [redacted] had any subordinates. As Senior Technical Advisor, [redacted] gives advice and provides technical expertise on guidance projects, revenue rulings and regulations. She also serves as a technical expert for examinations. Her area of expertise is primarily in the healthcare and political activity arena. [redacted] holds one of three Senior Technical Advisor positions; [redacted] hold the others.

b6 -2,3
b7C -2,3

Regarding her interview by TIGTA auditors concerning the Tax-Exempt Applications audit, [redacted] stated that her interview took place at the

b6 -2
b7C -2

Investigation on 05/29/2013 at Washington, District Of Columbia, United States (In Person)

File # 282-WF-0-TAINT Date drafted 06/04/2013

by [redacted]

b6 -1
b7C -1

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282-WF-0-TAINT

Continuation of FD-302 of Interview of [REDACTED], On 05/29/2013, Page 2 of 2 b6 -2
b7C -2

IRS's 999 North Capital Street location in D.C. [REDACTED] did not have any objections to the interview, and did not have any concerns about the questions being asked. [REDACTED] participated in the interview voluntarily. Other than the auditors, the only other person present during [REDACTED] interview was HOLLY PAZ.

[REDACTED] talked to PAZ about the scheduling of her own interview, which was likely done through a calendar invite. b6 -2
b7C -2

[REDACTED] had no role in setting up employee interviews with the auditors. [REDACTED] did not tell any employee that they had to meet with the auditors.

[REDACTED] did not sit in on any employee interviews with the auditors.

[REDACTED] has no memory of the auditors telling her about the content of any other IRS employee's interview.

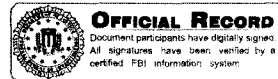
[REDACTED] stated that, if asked, she would have discussed her interview with the auditors with another employee. [REDACTED] cannot remember a specific conversation, but if she did have a discussion it would have been with [REDACTED] b6 -2
b7C -2

[REDACTED] has no specific memory of another employee telling her about their interview with the auditors, but if so, it would likely have been [REDACTED]

Other than her interview, [REDACTED] only other interaction with the auditors was during a couple meetings between the auditors and IRS management. All of these meetings, which were either in person or by phone, took place after [REDACTED] interview. [REDACTED] did not have any objections to these meetings, and did not have any concerns about speaking during these meetings. [REDACTED] participated in these meetings voluntarily. b6 -2
b7C -2

[REDACTED] has read the auditor's report, but did not see any other related internal documents. [REDACTED] has watched some of the testimony on the hill, namely a little of STEVE MILLER's testimony and a little of LOIS LERNER's testimony. [REDACTED] has been following the related media reports a little. b6 -2
b7C -2

At the conclusion of the interview, SA [REDACTED] provided [REDACTED] with a signed copy of the Non-Custodial Advisement of Rights. b6 -1,2
b7C -1,2



FEDERAL BUREAU OF INVESTIGATION

Date of entry 10/09/2014

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

[redacted] date of birth (DOB) [redacted] Social Security account number [redacted] residence address [redacted] [redacted] was interviewed telephonically. [redacted] attorney [redacted] was present via telephone. Also present during the interview were Department of Justice (DOJ) attorneys [redacted] and [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent (SA) [redacted] was provided a document for review prior to the interview. The document is identified below and will be maintained in the 1A section of the case file. After being advised of the identity of the interviewing Agents and the nature of the interview, [redacted] provided the following information:

b6 -2,3,4
b7C -2,3,4

b6 per CRM
b7C

[redacted] was asked to clarify his statement from his 06/13/2013 testimony in a transcribed interview before the U.S. House of Representatives Committee on Oversight and Government Reform, in which he indicated that between July 2011 and July 2012 when he stopped performing secondary screening, the Tea Party cases remained on hold pending guidance from Washington, D.C. (DC) while other cases identified as non-Tea Party cases were either closed or further developed. [redacted] clarified that when he said "Tea Party cases" in his testimony, he meant "advocacy cases." In July 2011 the Be on the Lookout (BOLO) list changed to the broader advocacy case definition. After July 2011, they were not just looking at Tea Party cases; they were looking at all political advocacy cases. They were awaiting guidance from DC on cases with political activity. Political cases were treated the same as they were under the pre-2011 July BOLO.

b6 -2
b7C -2

After the BOLO definition was made broader in July 2011 to bring in other advocacy cases, [redacted] received general advocacy cases that were not political advocacy/campaign intervention type cases. An example would be a

b6 -2
b7C -2

Investigation on 08/06/2014 at Manassas, Virginia, United States (Phone)

File # 282B-WF-2896615 Date drafted 08/12/2014

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 08/06/2014, Page 2 of 3

b6 -2
b7C -2

case advocating for gay rights. If the case met the requirements for tax exemption, he would approve and process it. If cases were not political intervention cases, he did not put them into the inventory awaiting DC guidance. This policy applied all along. In July 2011 when the BOLO included advocacy cases, and not just political cases, he knew he should not keep non-political cases in his group for DC guidance. After the July 2011 BOLO change, cases that came into his inventory that were not political advocacy were worked. He approved the cases if appropriate or would send them for development. These cases would not have been logged into the spreadsheet with the political cases. After the July 2011 BOLO change the inventory got broader. The inventory included what they had before and they also started receiving progressive-type groups.

After reviewing a 01/25/2012 e-mail between himself and [REDACTED] [REDACTED] stated the BOLO had expanded on July 2011 and [REDACTED] provided feedback to [REDACTED] that they were receiving cases beyond the current political issues cases they were looking for. He asked [REDACTED] often for updates on whether guidance was received from DC. One day in early January 2012, [REDACTED] called [REDACTED] into his office for an impromptu brainstorming session on the wording of the BOLO. He did not recall being told the specific reason why the brainstorming meeting was held. Nobody from above suggested the meeting or was otherwise involved in the meeting to his knowledge. The BOLO wording was frustrating for those reviewing cases because it was so broad. They tried to consolidate wording to take out advocacy on general issues such as gay rights or no-kill puppy shelters. A few weeks later, [REDACTED] received the 01/25/2012 e-mail from [REDACTED] saying he had made the BOLO changes. In the e-mail chain, [REDACTED] wrote about "\$ocial economic reform" being their "code word" for the Occupy organizations. On the new BOLO, they included activities the organizations said they were doing. [REDACTED] got the impression from the meeting with [REDACTED] and [REDACTED] about the use of the "\$ocial economic reform" term that they were not allowed to put the word "Occupy" in the BOLO. He thought "\$ocial economic reform" was their description of what Occupy did, but there was also a separate column for Occupy. Occupy was in two places on the BOLO and in this e-mail chain he questioned why it was used in two different spots. They had no code words. His understanding was that they could not use Occupy because people previously got "ticked" when they used "Tea Party." He thought the use of the word Occupy would cause the same reaction.

b3 -1
b6 -2,3
b7C -2,3

The use of "\$" was intentional. [REDACTED] wrote it down on a paper during the brainstorming session. He was not sure "what the Occupys" really did. He did not know why the "\$" was used. He did not recall a discussion about its use. It was not a typo. He remembered seeing it in the BOLO, an official document. [REDACTED] recommended that someone should ask

b6 -2,3
b7C -2,3

282B-WF-2896615

Continuation of FD-302 of Interview of [REDACTED], On 08/06/2014, Page 3 of 3

b6 -2,3
b7C -2,3

[REDACTED] what it meant. [REDACTED] did not know if the "\$" meant to follow the money, but that is their job. That is what they do.

In the January 2012 timeframe, [REDACTED] was not involved in any discussions about the political advocacy tab on the BOLO other than the brainstorming session with [REDACTED]. He did not know whose idea it was to change the BOLO again in January 2012. He told [REDACTED] there were too many cases involving things such as gay rights and no-kill puppy shelters that were being put into the group. He stated that on 01/26/2012 at 8:44 p.m. he sent out an e-mail forwarding the new BOLO to the whole group.

b6 -2,3
b7C -2,3

After the January 2012 BOLO change, it was clearer that only political cases were to be sent to his group. The group they were looking at was broader than Tea Party cases. He did not take anything off the spreadsheet that may have been put there before under the broader July 2011 BOLO. Once a case was put on the spreadsheet it stayed there. All cases in that inventory were treated the same under the first-in, first-out policy. At some point the cases were bucketed by DC people, but he was not part of the process.

[REDACTED] was assigned to Group 7822, but it changed at some point to Group 7823. He did not recall when it changed, but the group stayed the same other than the number. [REDACTED] was his supervisor throughout the entire period he was working with this inventory of cases.

b6 -2,3
b7C -2,3

He did not call into the July 2011 meeting with LOIS LERNER because he was not invited. [REDACTED] or somebody sent an e-mail asking whether some people should participate and [REDACTED] was one of the people listed. He has never participated in a teleconference with LERNER and "the big shots." It would have been out of the norm for him to participate in the July 2011 teleconference.

[REDACTED] had no knowledge of anyone trying to destroy documents or conceal information regarding these cases. He had no knowledge of anyone being intentionally involved in any politically-based targeting. He never witnessed any disparaging or political name calling of any particular groups in the office.

b6 -2
b7C -2

[REDACTED] did not hear about LERNER's hard drive crash prior to hearing about it in the news a little while ago. TIGTA requested to interview him next week about his computer crash in 2009/2010. He did not think he lost any data for the most part. He got most of his e-mails back and they were able to fix it for the most part. He did not archive his e-mails and did not do a lot of backup. He stated he was not the most computer savvy person and was "flying by the seat of my pants."



UNCLASSIFIED//FOUO

FEDERAL BUREAU OF INVESTIGATION

Date of entry 08/28/2014

On September 26, 2013, [redacted] was interviewed at the offices of the Department of Justice (DOJ), located at 1400 New York Avenue, Washington, D.C. 20005. The administrative paragraph in the report of investigation (FD-302) for the September 26, 2013 interview incorrectly stated that DOJ Attorney [redacted] was present during the interview. [redacted] was not present during the interview. This report of investigation serves to correct that fact.

b6 -2
b7C -2

b6 per CRM
b7C

UNCLASSIFIED//FOUO

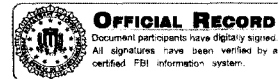
Investigation on 08/28/2014 at Manassas , Virginia, United States (In Person, Other (Supplemental Information))

File # 282B-WF-2896615 Date drafted 08/28/2014

by [redacted]

b6 -1
b7C -1

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FEDERAL BUREAU OF INVESTIGATION

Date of entry 11/19/2014

FEDERAL TAXPAYER INFORMATION

Do not disseminate or use except as authorized by 26 U.S.C. 6103.

HOLLY PAZ, date of birth (DOB) [redacted] Social Security account number (SSAN) [redacted] residence address [redacted] home telephone [redacted] was interviewed [redacted] at the office of the U.S. Department of Justice (DOJ), located at 1400 New York Avenue, Washington, D.C. 20005. Also present during the interview was DOJ Attorney [redacted] PAZ's attorney [redacted] and Treasury Inspector General for Tax Administration (TIGTA) Special Agent (SA) [redacted]. During the interview, documents were shown to PAZ and hereafter those documents will be referred to by their respective bates numbers or other identifying information and copies will be maintained in the 1A section of the case file. After being advised of the identities of the interviewing Agents, PAZ provided the following information:

b6 -2,3,4
b7C -2,3,4

b6 per CRM
b7C

PAZ returned to work with the Internal Revenue Service (IRS) in February 2014 after being on administrative leave. Initially, she was detailed to the Large Business and International Division as Deputy Director for Content Development. That position was made permanent in May 2014.

PAZ did not remember receiving an e-mail that mentioned that LOIS LERNER's hard drive crashed in June 2011, but did recall hearing during that time period that it had happened. PAZ did not recall the details of the hard drive crash, for example, why LERNER's hard drive crashed or the result of the crash.

PAZ received several hundred e-mails a day. The IRS placed a capacity limit on the number of e-mails PAZ could retain in her e-mail inbox. PAZ recalled receiving warning emails once her e-mail inbox was approaching the

Investigation on 09/29/2014 at Washington, District Of Columbia, United States (In Person)

File # 282B-WF-2896615

Date drafted 10/06/2014

by [redacted]

b6 -1
b7C -1

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282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/29/2014, Page 2 of 11

capacity limit. She received these warnings "often." If she did not delete or folder the e-mails in her e-mail inbox once it was full, then her e-mail would "freeze." When this occurred, PAZ either deleted e-mails or dragged the e-mails into folders. To avoid deleting e-mails, PAZ moved her e-mails to various Outlook folders, which she created and labeled by topic. PAZ thoroughly archived and/or foldered her e-mails and documents so that she could locate a document or e-mail quickly. If PAZ deleted any documents or e-mails, she would do so by identifying those documents or e-mails that were not relevant to her work. PAZ never used "auto-clean."

PAZ did not recall receiving any training on how she should save, folder, or archive documents or e-mails she received. PAZ did not know that the e-mails she was dragging into Outlook folders were saved on her hard drive and not on the IRS server. PAZ assumed that all of her e-mails were backed up. This was a "general" assumption she had; her assumption was not based on anything specific that she was told by the IRS or that she learned from an IRS policy that she received or reviewed.

PAZ never experienced an incident where she lost e-mails and could not recall a time when her hard drive crashed on any of her computers. PAZ had heard that other IRS employees experienced hard drive crashes. It was common at the IRS for employees' hard drives to crash. PAZ did not recall if any employees lost data when their hard drives crashed, or were just unable to use their computer after the crash.

PAZ was shown an e-mail dated January 31, 2013 that she sent to [redacted] and carbon copied LERNER, subject "RE: E-Mail Retention Question," (bates IRS0000202641). PAZ sent the e-mail in response to [redacted] January 24, 2013 e-mail, wherein [redacted] mentioned that TIGTA did not have the original e-mail from May 2010 stating that "Tea Party" applications should be forwarded to a specific group for additional review. PAZ stated that during the TIGTA audit, she requested that the employees who worked in Exempt Organizations (EO) Determinations provide all documents that support the references on the Be on the Lookout (BOLO) that "Tea Party" applications should be forwarded to a specific group for additional review. In response to [redacted] e-mail asking PAZ if she knew who he could contact to find out if the e-mail may have been retained, PAZ referred [redacted] to the IRS Chief Counsel's office because that office was in charge of e-discovery. PAZ and LERNER discussed the May 2010 e-mail with [redacted] who, in turn, consulted with the employees she supervised. It was determined that the reference to a May 2010 e-mail was incorrect and there was, in fact, no such document. In that regard, it was not that the document was missing, but rather, that the e-mail never existed in the first place. PAZ informed [redacted] accordingly.

b6 -3
b7C -3

282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/29/2014, Page 3 of 11

As part of its audit, TIGTA requested various documents from the IRS. The production began in the middle of 2012 and was ongoing. In response to TIGTA's document requests, PAZ e-mailed everyone up and down her chain of command who she thought was involved in the issue TIGTA was auditing. She provided a description of the documents TIGTA requested to those employees. The employees included, but were not limited to LERNER, [REDACTED] JOSEPH GRANT, NIKOLE FLAX, STEVEN MILLER, [REDACTED]. The employees were charged with e-mailing the responsive documents to PAZ, who reviewed them for duplicates and encrypted documents. PAZ then e-mailed the documents to [REDACTED]

b6 -3
b7C -3

When producing documents to TIGTA, PAZ was not focused on what documents were provided on an employee-by-employee basis. Instead, she was focused on providing responsive, relevant documents to TIGTA. Accordingly, if PAZ received more than one copy of the same document, regardless of whether more than one employee sent her the document, PAZ sent TIGTA only one version of the document. If a document was encrypted, PAZ asked the employee to resend the document to her without encryption. PAZ then forwarded the unencrypted document to TIGTA.

PAZ did not keep an account of the number of documents she provided to TIGTA. PAZ did not recall any missing documents or missing a document that she knew existed. PAZ also did not recall any gaps in the documents she provided to TIGTA.

NANCY MARKS collected the relevant documents for LERNER and sent them to PAZ. PAZ did not remember if at that time, May 2012, it came up that LERNER was missing e-mails because of her hard drive crash in June 2011.

b6 -3
b7C -3

PAZ became Manager of EO Technical in the fall of 2010. PAZ first became aware of the significant backlog of "Tea Party" cases awaiting action in Cincinnati, Ohio sometime around October 2010. Around that time, she received a memorandum from [REDACTED] that discussed the status of the pending "Tea Party" cases.

PAZ was shown an October 19, 2010 e-mail that [REDACTED] sent to her and carbon copied [REDACTED] subject "FW: Coordinating Tea Party Cases Update Memorandum" and the corresponding memorandum. PAZ did not recall what prompted [REDACTED] to send her the e-mail and corresponding memorandum. After she received the memorandum, PAZ met with [REDACTED] to discuss the status of the pending applications. [REDACTED] was concerned about the amount of time that had passed and wanted resolution of the pending applications. After meeting with [REDACTED] PAZ spoke to [REDACTED] and [REDACTED] about the status of the template that was being created to assist the specialists in working the pending applications. [REDACTED] and [REDACTED] told PAZ that there were too many differences among the groups applying for tax-exempt status and they

b6 -3
b7C -3

282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/29/2014, Page 4 of 11

were having a hard time creating a "one size fits all" template. For example, the groups were different sizes, engaged in different types of activities, and some were represented by counsel and others were not.

PAZ was shown an e-mail chain from late 2010 into early 2011 (bates GOV-EMAILS-000050-52). She recalled that the issue with the pending applications was that they presented a "fresh issue" and it was taking time to decide the cases because Internal Revenue Code (IRC) Section 501(c)(4) was a difficult area of law. Not all of the pending cases had the same issue. These were complex cases, and it was not unusual for a complex case to be pending for a year.

PAZ was shown a chain of e-mails dated April 7, 2011 (bates IRS0000069898). The first e-mail referenced a meeting with [REDACTED] about two cases that were being elevated to Washington, D.C. (DC) to work. The e-mail was sent by [REDACTED] to PAZ and LERNER and carbon copied [REDACTED]. PAZ did not know why LERNER was included on the e-mail. PAZ mentioned that in February 2011, LERNER sent an e-mail about the monthly case report and the pending cases listed in the report. LERNER wanted [REDACTED] and IRS counsel to remove these two cases from the monthly case report.

b6 -3
b7C -3

In April 2011, PAZ thought that there were 40 backlogged cases. This number was based on the memorandum [REDACTED] prepared that she received six months earlier in October 2010. When PAZ briefed LERNER in June 2011, PAZ learned that the number of backlogged cases increased to about 100 cases. PAZ was surprised to learn that the number increased so much between April and June 2011. PAZ did not know why she did not know in April 2011 that the number of backlogged cases was more than 40. She did not recall the Sensitive Care Report (SCR) reporting an increase in the number of backlogged cases.

b6 -3
b7C -3

PAZ was "concerned" and "surprised" that the number of backlogged cases increased to 100. She was concerned to have that many complex cases to work. PAZ was more concerned about getting the cases worked than she was about the actual number of cases that had to be worked.

PAZ knew that EO Determinations had a growing group of applications for tax-exempt status that were forwarded for additional review. PAZ requested that [REDACTED] obtain the criteria that was being used to select the cases for additional review because PAZ was concerned that they were either pulling in too many cases or not enough cases for additional review. PAZ's concern was based on the list of applicants provided by [REDACTED]. The list was called "Tea Party" cases, but the names of the groups were "all over the map." [REDACTED] said that the groups on the list were diverse and he saw no set of

b6 -2
b7C -2

282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/29/2014, Page 5 of 11

facts that was consistent among the groups. [REDACTED] was one of the organizations on the list. Substantively it did not concern PAZ that [REDACTED] was on the list; her concern was more that there was such a diversity of groups on the list. [REDACTED] was very sophisticated, but other organizations on the list were more grassroots.

b3 -1

The number of cases also caused PAZ concern that there was over inclusion. Two cases grew to ten which grew to 40 which grew to 100. PAZ also knew that [REDACTED] had already reviewed two applications and initially suggested that the IRS deny the 501(c)(3) applicant and approve the 501(c)(4) applicant for tax-exempt status. Therefore, PAZ wanted to know the criterion that was being used to select the groups to make sure there was not over inclusion.

b6 -3
b7C -3

PAZ knew that the concern with the pending cases was that the applicants noted in their applications intent to engage in political activity. But she did not know anything more specific about the criteria that was being used to select the groups. When LERNER learned the criteria that were being used, her response was "Oh boy."

PAZ was shown a chain of emails dated May 26 and May 27, 2011, subject "C4." The initial e-mail was sent by NANETTE DOWNING to LERNER and GRANT and carbon copied JOSEPH URBAN and [REDACTED]. The e-mail referenced that EO Examinations received two referrals, one for [REDACTED] and the other for [REDACTED]. Around the time this e-mail was sent, PAZ was Acting Director of Rulings and Agreements (R&A). She had no role in deciding which tax-exempt organizations were selected for audit. PAZ recalled that the IRS received various correspondence and complaints from "watch dog" groups about [REDACTED] asserting that the group was not in compliance with the tax law.

b3 -1
b6 -3
b7C -3

[REDACTED] held itself out as a 501(c)(4) organization, but had also applied for tax-exempt status. There was a Revenue Ruling that provided that EO Determinations will not work an application for tax-exempt status that is under examination by the IRS or in litigation with the IRS. Therefore, both EO Determinations and EO Examinations had to coordinate with each other in such situations. As such, PAZ did not see anything improper about LERNER's e-mail, responding that [REDACTED] had an application pending in Cincinnati, Ohio.

b3 -1

PAZ never thought that LERNER tried to do anything inappropriate with regard to [REDACTED]. PAZ never felt that LERNER tried to exert her influence. Instead, LERNER just wanted to know what was going on because it was her job to know what was going on.

b3 -1

If a specialist in EO Determinations had concerns about an application

282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/29/2014, Page 6 of 11

that he or she was working, that specialist could make a referral to the Review of Operations (ROO) to look at the group down the road and review whether the organization was compliant with the tax law. For example, a specialist could make a ROO referral if there was not enough information to sustain a denial or the specialist asked the applicant to make certain changes to comply with the tax law. This process applied to all groups that applied for tax-exempt status, and was created so that specialists did not "overwork" the applications and could comfortably approve an organization for tax-exempt status knowing that there would be a check and balance down the line.

PAZ did not review the referral of [REDACTED] to the ROO. That was an EO Examinations issue and not in her area of responsibility. However, she was aware of the general allegation asserted against [REDACTED] which was that [REDACTED] engaged in too much campaign intervention. She learned this information from the press. The referral of [REDACTED] was not because [REDACTED] was a conservative group, and therefore, doing something inappropriate.

b3 -1

Whether it was [REDACTED] one of the Emerge organizations, or any other group that qualified for tax-exemption, every group was evaluated solely on whether the organization met the tax law requirements. The evaluation was not based on the organization's actual activities. PAZ had no knowledge of anyone at the IRS determining a group's tax-exempt status based on the organization's actual activities.

b3 -1

PAZ was shown an e-mail chain (bates GOV-EMAILS-000057-59) that related to the e-mails discussed above, regarding the [REDACTED] application and the criteria that was being used to label a case a "Tea Party" case. LERNER wanted [REDACTED] to take a look at the [REDACTED] application because [REDACTED] was an expert in political activity. Therefore, LERNER's request did not trouble PAZ.

b3 -1
b6 -3
b7C -3

PAZ said that "Tea Party" was shorthand for "campaign intervention." With the exception of [REDACTED] most employees interpreted "Tea Party" cases to mean "campaign intervention" cases. PAZ did not think the cases were "Tea Party" cases, but "campaign intervention" cases because the concern was over whether the organizations engaged in "campaign intervention." [REDACTED] forwarded a case up his chain of command because of "media attention." PAZ agreed to send the cases for additional review because of "media attention," but also elevated the cases because of "campaign intervention."

b6 -3
b7C -3

EO Determinations had other campaign intervention cases that were referred to by their name, for example, Emerge, Occupy, and Acorn. These cases were referred to by their names because they presented a "cookie

14-cv-1239-FBI-399

282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/29/2014, Page 7 of 11

cutter" issue that was consistent among all of the groups with that name. The Emerge cases were not considered "campaign intervention" cases because each applicant was part of one, larger affiliate and the activities engaged in by each of the Emerge groups were the same. Because these cases presented "unified, cookie cutter" issues the IRS called these cases "Emerge" cases. The "Tea Party" cases were not "cookie cutter" cases and were not elevated because of "consistency" among all of the groups. The "Tea Party" cases were more of a "catch-all" category of cases, which was evident since several Acorn successor cases were grouped with the "Tea Party" cases when they should have been grouped with the "Acorn" cases.

PAZ was shown a chain of e-mails (bates GOV-EMAILS-0000555-56) dated June 6, 2011 from [redacted] to [redacted] and carbon copied [redacted] subject "RE: Application Info." The e-mail mentioned that DC office thought that [redacted] was associated with the Republican Party, not necessarily the Tea Party, and that PAZ sent an e-mail asking about the criteria being used to identify cases as "Tea Party" cases. PAZ said that she did not send the e-mail because she was trying to limit the group of cases to any select group or to just "Tea Party" cases. Instead, she was just trying to understand the criteria being used because she thought that the issue that was elevated was "campaign intervention."

b3 -1
b6 -3
b7C -3

Prior to the e-mail that PAZ sent, she had a call with [redacted] during which PAZ discussed over inclusion and under inclusion of organizations on the list. By over inclusion, PAZ meant groups that were included on the list because they engaged in "standard lobbying," but not "political intervention." PAZ did not believe that [redacted] initially knew what the criteria was and had to obtain the information from [redacted]. In her e-mail, PAZ did say that the IRS was calling the cases "Tea Party" cases, and that [redacted] was associated with the Republican Party and not the Tea Party. That is why she asked what cases [redacted] was selecting for additional review, why she was selecting them, and based on what criteria.

b3 -1
b6 -3
b7C -3

PAZ thought that the BOLO should have been reviewed up the chain of command. However, there was no IRS policy in place that required such review. And since there was no policy in place that required such review, there was no policy violation with regard to the fact that the BOLO was not run up the chain.

In the spring of 2012, PAZ went with MARKS to Cincinnati. It was then that PAZ learned that [redacted] had a credit counseling background. It was standard practice for development letters sent to credit counseling applicants to be lengthy based on the history of abuse by these groups. Accordingly, PAZ could see why [redacted] did not view the lengthy development

b6 -3
b7C -3

282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/29/2014, Page 8 of 11

letters that were sent to the "Tea Party" cases as inappropriate. PAZ had no knowledge that [redacted] had any viewpoint discrimination; he was just trying to work the cases.

b6 -3
b7C -3

After PAZ went to Cincinnati she had a meeting with MILLER. She did not recall a meeting with MILLER prior to her trip to Cincinnati. MILLER was "mad" or "upset" because PAZ informed him about the number of backlogged cases, the length of the development letters, the number of questions being asked, the types of questions being asked, and that the criteria in the BOLO for selecting cases for additional review was changed after Cincinnati was told not to do so. MILLER was upset, but it was not because the cases were not being denied. PAZ had no sense that MILLER thought that the cases should be decided one way or another due to a group's viewpoint.

[redacted] was removed as the case coordinator. PAZ communicated to [redacted] that this needed to be done. PAZ had no knowledge of any other adverse employment action taken against [redacted]. PAZ disagreed with MILLER that more severe employment action in the form of discipline should be taken against [redacted]. PAZ had the impression that the focus was on [redacted] and it made her uncomfortable for the IRS to hold only these two employees accountable because she felt that more people were involved in mishandling the cases. It was possible that MILLER was looking for a scapegoat, but if he was, PAZ did not get the sense that MILLER had a political bias in doing so. Instead, he was more concerned with protecting the integrity of the IRS and holding someone responsible for mishandling the cases. At a follow up meeting, MILLER retreated from his initial position that more severe action should be taken against [redacted].

b6 -3
b7C -3

PAZ did not recall helping DOUG SHULMAN prepare for his Congressional testimony in March 2012. She did not know what SHULMAN knew or when he knew it. MILLER was responsible for briefing SHULMAN.

PAZ was shown an e-mail she sent to LERNER and [redacted] dated May 6, 2013, subject "FW: Proposed Denial - Political c4." In that e-mail, PAZ stated that the first proposed denial of a 501(c)(4) advocacy case, [redacted] would be issued the next day. PAZ stated that, at that point, the cases that were still pending were the cases that were going to be denied or were the cases that needed additional information. The reason for the holdup was that there were various levels of review for denial letters.

b3 -1
b6 -3
b7C -3

[redacted] was the first denial. PAZ did not recall exactly why that was, but mentioned three factors that may have contributed to that fact. One, the IRS had all the necessary information it needed from the organization. Two, the IRS worked cases on a first in, first out

b3 -1

282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/29/2014, Page 9 of 11

basis and it was possible that this organization applied for tax-exempt status before other organizations that were on the list. Three, the evidence was overwhelming that the organization was engaged in campaign intervention. In that regard, PAZ said that it was a "slam dunk" denial.

PAZ knew that [REDACTED] was a Democratic group and she knew that at the time the group was denied tax-exempt status. Everyone was aware of that fact. However, the fact that [REDACTED] was a Democratic group was not a factor in the decision to deny the group's application. Everyone thought that it was a good thing that a Democratic group was the first group on the list to be denied tax-exempt status because it showed "balance" in the IRS' decision-making process.

b3 -1

[REDACTED] application for tax-exempt status went to EO Technical under "normal procedures." The organization applied for tax-exempt status before the "Tea Party" cases were grouped together for additional review. PAZ did not recall exactly why [REDACTED] application was transferred to EO Technical. She assumed that it was because of "media attention" and the group was engaged in "campaign intervention."

b3 -1

PAZ did not know [REDACTED] well. She did not supervise him directly, and the two only briefly worked in EO at the same time. PAZ did not know [REDACTED] political viewpoints.

b6 -3
b7C -3

PAZ was shown a chain of e-mails dated February 1 to February 2, 2011, (bates IRS0000147510-13). In an e-mail dated February 2, 2011 from LERNER to PAZ and [REDACTED] and carbon copied [REDACTED] [REDACTED] subject "RE: SCR Table for Jan. 2011," LERNER wrote that "even if we go with a 4 on the Tea Party cases, they may want to argue they should be 3s, so it would be great if we can get there without saying the only reason they don't get a 3 is political activity." PAZ did not truly follow LERNER's logic or what she was saying in this e-mail. PAZ did not think that the e-mail made any sense, and thought that perhaps where LERNER wrote 4 she meant IRC Section 501(c)(3), and where she wrote 3 she meant IRC Section 501(c)(4).

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b7C -3

Essentially, PAZ understood LERNER to be saying that an organization could apply for tax-exempt status under IRC Sections 501(c)(3) or (c)(4), and therefore, the specialist reviewing the application had to be prepared for either in case the applicant reapplied because then the specialist would have to work the case under IRC Sections 501(c)(3) and (c)(4). PAZ did not understand LERNER to be saying that she wanted to make sure that every angle was worked to deny an applicant tax-exempt status, regardless of whether the group applied under IRC Section 501(c)(3) or (c)(4). PAZ did not feel that she was being directed by LERNER to deny organizations

282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/29/2014, Page 10 of 11

tax-exempt status for any reason the IRS could find. In general, when the IRS denied an applicant, the denial letter included every reason, including alternative grounds, to deny the organization tax-exempt status. At no time did PAZ feel that LERNER was trying to exert her political influence over EO Determinations to meet a particular result.

PAZ was shown a chain of e-mails dated July 18 to July 19, 2011 (bates IRS0000014372-73). In one of the e-mails dated July 19, 2011, which PAZ sent to JANINE COOK and carbon copied MARKS, PAZ wrote "[w]e suspect we will have to approve the majority of the c4 applications." PAZ explained that she meant that she had concerns that many of the organizations on the list were engaged in too much campaign intervention to qualify for tax-exemption, but there was not enough information to deny the group tax-exempt status because IRC Section 501(c)(4) did not clearly articulate how much was too much campaign intervention to substantiate a denial.

PAZ was shown an e-mail chain dated June 1 and June 4, 2012, subject "FW: donor info letter.doc." PAZ recalled that the issue she was addressing here was that some of the applicants sent the IRS donor information in response to the IRS' development letters. By law, the file of any applicant approved for tax-exempt status was made public. This meant that for those applicants who provided donor information and were approved tax-exempt status, the donor information would be made public because it was part of the applicant's file. PAZ and [redacted] sought advice from the IRS Chief Counsel's office and the disclosure unit to resolve the issue. IRS Chief Counsel's office said that if the donor information was not used in making a determination as to the applicant's tax-exempt status, then the information should be taken out of the file. That answer presented a second issue, which was whether EO Determinations was to return or destroy the donor information it was now taking out of the applicant's file. No one responded by saying do not shred it and IRS Chief Counsel's office seemed indifferent. Accordingly, the instruction was given to destroy the donor information. PAZ had no reason to believe that the donor information was not destroyed.

b6 -3
b7C -3

PAZ was not aware of a "secret research project." [redacted] was a "sarcastic" person and PAZ took his comment about a "secret research project" to be made in jest.

b6 -3
b7C -3

PAZ was shown a chain of e-mails dated July 10 and July 11, 2012, subject "RE: Document Review." In one of the e-mails, LERNER wrote PAZ, saying, "Was my face red! Did they tell you what they found?" PAZ did not know what incident LERNER was referring to when she wrote that. PAZ

282B-WF-2896615

Continuation of FD-302 of Interview of Holly Paz, On 09/29/2014, Page 11 of 11

recalled hearing about incidents where there were documents in places that the documents should not be. For example, there were incidents where documents were in the wrong files.

PAZ was shown an e-mail chain dated January 24, 2013, subject "FW: EO Tax Journal 2013-15" (bates IRSC007157-60). PAZ recalled that there had been press regarding a new IRC Section 501(c)(4) organization with connections to PRESIDENT BARRACK OBAMA and the DEMOCRATIC NATIONAL COMMITTEE. In one of the e-mails, LERNER asked PAZ if the IRS received an application for tax-exempt status from the organization mentioned in the article. PAZ responded, saying that it was difficult to determine if the organization applied without knowing the group's Employer Identification Number (EIN).

In response to [redacted] e-mail, which referenced that the organization had a DC office and the executive director of the organization was leaving to run the group from Chicago, LERNER wrote "maybe I can get the DC office job!" PAZ took LERNER's comment as a joke and did not take her seriously. [redacted] then forwarded the e-mail to PAZ and said "retirement talk?" PAZ took [redacted] comment also to be a joke. At that time, there was some speculation that LERNER may retire, but PAZ did not believe that LERNER was serious about leaving the IRS.

b6 -3
b7C -3