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January 7, 2013

Nanette M. Downing Director, EO Examinations
Department of Treasury - Internal Revenue Service
MC 4910 DAL 1100 Commerce ST
Dallas, TX 75242-1198

RE: Zionist Organization of America's tax-exempt status should not be reinstated

Dear Nanette M. Downing,

The Zionist Organization of America (EIN 13-5628475) lost its tax-exempt status over failure to file required IRS form 990s for three consecutive years. Despite our requests in previous years to the IRS for information on what grounds the ZOA was originally granted tax-exempt status, the Tax-Exempt Division was neither able to produce an application for tax-exempt status nor its own determination letter to the ZOA. **We believe the IRS may never have conducted the warranted review of ZOA's operations to determine whether it ever truly qualified as a charity.**

Public interest research reveals ZOA has no charitable purpose and performs no social welfare function that warrants tax-exempt status. ZOA was ordered to register as an Israeli foreign agent on seven separate occasions by the US Department of Justice after an in-depth review of its activities and obligations to foreign principles. However, like the IRS, the Justice Department failed to uphold its constitutional obligations by actually enforcing the 1938 Foreign Agent Registration Act by obtaining semi-annual filings. (Like IRS 990 and tax-exempt application forms, FARA files are open to public inspection).

Perhaps having subsequently determined it was above U.S. law, ZOA supplied two board members to a network of front companies that illegally diverted US government owned weapons-grade uranium into the Israeli nuclear weapons program.¹ ZOA's president helped diffuse wiretap information illegally gathered by the Mossad in New York in order to smear the reputation a sitting US ambassador to the UN engaged in authorized diplomatic activities.² These facts are now in the public record.

The enclosed *special report* published in the January-February 2013 *Washington Report on Middle East Affairs* details the other justifications³ for our attached Form 13909 Tax-Exempt Organization Complaint Referral Form's finding that **ZOA should not be allowed to regain tax-exempt status.**⁴

Sincerely,

A handwritten signature in black ink, appearing to read 'Grant F. Smith', written over a horizontal line.

Grant F. Smith, Director of Research

Cc: IRS Commissioner Douglas Shulman, TEGE Commissioner Sarah Hal Ingram

¹ <http://irmep.org/ILA/numec/default.asp> NUMEC and the diversion of US government weapons-grade uranium to Israel.

² See the enclosed article "Will Zionist Organization of America regain its revoked tax-exempt status?" January-February 2013 *Washington Report on Middle East Affairs*

³ Lobbying with tax-exempt funding, inappropriate executive compensation, etc.

⁴ We have recently requested any newly IRS filed application for tax-exempt status for ZOA for public audit, but have not received any to date.

Tax-Exempt Organization Complaint (Referral) Form

1. NAME OF REFERRED ORGANIZATION: _____

Street Address: _____

City/State/Zip Code: _____

Date of Referral: _____

2. ORGANIZATION'S EMPLOYER IDENTIFICATION NUMBER (EIN): _____

3. NATURE OF VIOLATION:

- Directors/officers/persons are using income/assets for personal gain
- Organization is engaged in commercial, for-profit business activities
- Income/assets are being used to support illegal or terrorist activities
- Organization is involved in a political campaign
- Organization is engaged in excessive lobbying activities
- Organization refused to disclose or provide a copy of Form 990
- Organization failed to report employment, income, or excise tax liability properly
- Organization failed to file required federal tax returns and forms
- Organization engaged in deceptive or improper fundraising practices
- Other (describe): _____

4. DETAILS OF VIOLATION:

Name(s) of Person(s) Involved: _____

Organizational Title(s): _____

Date(s): _____

Dollar Amount(s) (if known): _____

Description of activities: _____

5. SUBMITTER INFORMATION:

Name: _____

Occupation or Business: _____

Street Address: _____

City/State/Zip Code: _____

Telephone: _____

I am concerned that I might face retaliation or retribution if my identity is disclosed.

6. SUBMISSION AND DOCUMENTATION: The completed form, along with any supporting documentation, may be mailed to IRS EO Classification, Mail Code 4910DAL, 1100 Commerce Street Dallas, TX 75242-1198, faxed to 214-413-5415 or emailed to eoclass@irs.gov.

TAX EXEMPT ORGANIZATION COMPLAINT (REFERRAL) INSTRUCTIONS

General Information

The information provided on this form will help the Internal Revenue Service (IRS) determine if there has been a violation of federal tax law. Submission of this form is voluntary.

Upon receipt of this form, the IRS will send you a letter acknowledging receipt of the information you submitted. If at a later date you wish to submit additional information regarding the organization, please attach a copy of the form initially submitted, and send it to the address shown above.

Specific Instructions

1. **ORGANIZATION NAME AND ADDRESS:** Provide the current name and address of the organization. If the organization has used prior or multiple name(s) or address(es), also provide that information.
2. **EMPLOYER IDENTIFICATION NUMBER:** Provide the organization's employer identification number (EIN). The EIN is a nine-digit number, issued by the IRS, that the organization uses for tax purposes (like a Social Security Number (SSN) for an individual). If the EIN is unavailable, include a state nonprofit corporation registration number, if available.
3. **NATURE OF VIOLATION:** Mark the description that describes the organization's alleged violation. More than one line may apply. If none of the descriptions appear to apply, briefly state the issue on the Other line.
4. **DETAILS OF THE VIOLATION:** Provide specific details of the alleged violation including names, actions, places, amounts, dates, and the nature of any evidence or documentation (who, what, where, when, how). Include the names of other organizations, entities, or persons that may be involved with the organization, providing EINs or SSNs, if available.
5. **YOUR INFORMATION:** Provide your name, address, and business or occupation. Include your daytime telephone number, in case we wish to contact you. The acknowledgement letter will be sent to the address you provide.

If you are concerned that you may face retribution if your identity is disclosed, check the appropriate box. You may enter "Anonymous" for Submitter's Name if you do not want to be identified.

6. **SUBMISSION AND DOCUMENTATION:** Mail the completed form, including any supporting documentation that you would like for us to review, to the address provided on the form. You may also fax or email the completed form and any supporting documentation to the fax number and email address provided on the form. Include a cover letter describing the documentation or evidence you are providing. If you have already received an acknowledgment letter, include a copy of that letter. If possible, please try to submit all documentation at the same time.

If your referral relates to a church please be aware that Congress has imposed special limitations, found in IRC section 7611, on how and when the IRS may conduct civil tax inquiries and examinations of churches. You can find out more about these special limitations in Pub. 1828, Tax Guide for Churches and Religious Organizations, in the section on Special Rules Limiting IRS Authority to Audit a Church.

7. **CLAIM FOR REWARD:** To claim a reward for providing this information to the IRS, file Form 211, Application for Reward for Original Information.
 8. **NOTE:** Federal law prohibits the IRS from providing you with status updates or information about specific actions taken in response to the information you submit.
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Will the Zionist Organization of America Regain Its Revoked Tax-Exempt Status?

By Grant F. Smith

Special Report



COURTESY IRMEP

The Zionist Organization of America (ZOA) is just one of a myriad of organizations which make up the Rubik's Cube that is the Israel lobby.

On Oct. 17, 2012 the National Archives and Records Administration released long-secret U.S. Justice Department files concerning a decade-long battle to regulate the Zionist Organization of America (ZOA) as a foreign agent of Israel. The declassified files, released in response to a 2011 Freedom of Information Act request, reveal why the ZOA—a once-formidable entity whose leaders can be linked to major Israeli covert operations within the United States—may have to struggle to regain its IRS tax-exempt status, mysteriously revoked in May of 2011.

Although the ZOA claims that it was founded in 1897, it appears in historical

*Grant F. Smith is director of the Washington, DC-based Institute for Research: Middle Eastern Policy (IRMEP). Declassified files referred to in this article may be browsed at the Israel Lobby Archive, <www.IRMEP.org/ila/>. The full story of ZOA officials' involvement in uranium-235 diversions is covered in his new book *Divert!*, available from the AET Book Club.*

newspaper database citations as a “new” organization shortly before it was incorporated. The ZOA came into being through passage of a special law—chapter 205—in the New York state Senate and Assembly with approval of the governor on April 14, 1920.

Its early mission was to replace and consolidate older U.S.-based Zionist movements to create a state for Jews in Palestine. By 1946 chapters had spread throughout the United States, and the ZOA triumphantly claimed 190,000 members, among them such major Jewish leaders as Justice Louis Brandeis, Rabbi Abba Hillel Silver, Rabbi Stephen Wise, Louis Lipsky, Emanuel Neumann and Judge Louis Levinthal. ZOA members effectively lobbied state legislatures to pass—and even a president to declare—non-binding resolutions in support of creating a Jewish state in Palestine. But the ZOA's hidden foreign connections soon created trouble.

In an effort to thwart Soviet Communist, Nazi and other organized foreign efforts to lobby and influence American public opinion, the U.S. passed the Foreign Agents Reg-

istration Act (FARA) on June 8, 1938. The legislation did not prohibit any foreign government or entity from launching U.S. public relations campaigns or lobbying initiatives—instead it required transparency, public filings, and mandatory declaration stamps on written communications. It also required U.S. agents to publicly reveal controlling relationships with foreign principals, campaigns, and funding flows.

FARA registration initially was enforced by the U.S. Department of State. In September 1938 it politely invited ZOA to begin registering as the U.S. foreign agent of its parent, the World Zionist Organization (WZO)—a global entity composed of dues-paying Jews committed (and paying the shekel tax) to the Zionist program. Three days later ZOA formally refused, emphasizing its primary role as educating American Jews about Zionism while obtaining their financial support and winning over American “public opinion.”

In 1942 the enforcement of FARA and maintenance of registrant files passed to the U.S. Department of Justice (DOJ), which conducted a careful review of legally binding corporate control relationships between the WZO and ZOA. In 1947 it found that the ZOA was constitutionally subject to WZO rules, which governed ZOA protocols for sending delegates to global conferences, subordinated ZOA to WZO's laws and resolutions, and subjected ZOA to WZO approval in its negotiations with governments and NGOs. ZOA also had to regard the WZO as the ultimate authority regarding discipline and dispute resolution. More ominously, ZOA was also beholden to WZO orders for unspecified “political actions of another kind.”

On six separate occasions between 1941 and 1948, the Justice Department ordered ZOA to register as a foreign agent. In the opinion of FARA section staff, registering ZOA was integral to the FARA section's credibility and the broader effort to regulate the activities of other Israel lobbying organizations, including the Jewish Agency's American Section and, later, the Jewish Agency-funded American Zionist Council (AIPAC's parent organization). In March of 1948, a staffer wrote: “If ZOA is to be exempted from registration, DOJ might as well forget its entire campaign...”

The DOJ ordered investigations into the ZOA's publicity campaigns against Arabs and into member support for war materiel transfers to Jewish fighters, which led the FBI to conclude in 1948 that "Close examination of these statements plus investigation of ZOA activities, present and past, easily leads to the conclusion that the ZOA is the agent of a foreign state, acting in its interests, and as such should be registered with the Justice Department or under the legislation affecting lobbies in the United States."

By May 27, 1948, the FARA section—after sending threatening 10-day deadlines to ZOA—sensed it had quietly been stabbed in the back. A staffer filed an internal memo documenting that a high official (discovered to be Attorney General Tom C. Clark himself) apparently had verbally advised ZOA executives in a meeting that all past and current ZOA activities would not be subject to FARA registration or prosecutions in exchange for changes to the WZO/ZOA constitutions.

Even in the face of growing evidence of Neutrality Act violations involving conventional weapons smuggling and WZO-Jewish Agency organization of networks of Americans to transfer technology to Israel, the FBI was ordered to terminate its investigations of ZOA. Only a handful of low-level

American smugglers were ever prosecuted for violating Arms Export Control and Neutrality Acts—despite tons of explosives, ammunition-making equipment, stolen U.S. government-owned .50 caliber machine guns, and surplus WWII aircraft purchased on false pretenses and shipped by an archipelago of Israel front groups under the direction of clandestine WZO and Jewish agency operatives. By the early 1960s, the FARA section chief resigned himself to politely corresponding with ZOA officials, inquiring whether any of the promised control resolutions with the WZO 12 years earlier had yet been ratified. According to the New York State Division of Corporations, ZOA didn't file any changes to its governing documents until December of 1999.

The ZOA currently claims only 30,000 members, and over the past decade its revenues have averaged a paltry \$3 million per year. Approximately 10 percent of this revenue is spent on executive director Mort Klein's compensation package (which some Jewish publications claim is too lavish), while another 10 percent goes toward lobbying the U.S. Congress. ZOA explicitly lobbies to cut Title VI funding to any American college or university that permits vigorous student protests or calls for accountability over ongoing Israeli land grabs and

human rights violations—citing a spreading "anti-Semitic" campus climate that violates the civil rights of Jewish students.

Unlike AIPAC—which claims it lobbies only with non-tax-deductible contributions, and typically lists specific bills on its mandatory quarterly lobbying disclosures—the ZOA is extremely vague about exactly how its two lobbyists spend ZOA's fully tax-deductible dollars. Most ZOA disclosures list only "support for U.S.-Israel political, military and economic cooperation." It is also vague about the current purpose and operations of "ZOA House" in Israel—formerly used to teach Hebrew to newly arrived immigrants. An unabashed supporter of Likud and illegal settlement expansion, the ZOA frequently clashes with other Israel lobby organizations it views as too willing to compromise on territory and principle. The umbrella Conference of Presidents of Major American Jewish Organizations has frequently had to mediate disputes between ZOA and AIPAC, which claims a sole mandate to lobby Congress on behalf of 50 other Zionist organizations.

Failure to File

According to news reports citing ZOA insiders, ZOA lost its tax-exempt status in

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Smugglers and Spies

Presumably emboldened by the conventional arms smuggling success and ZOA's overwhelming victory over FARA, smuggler David Lowenthal, ZOA Pittsburgh chapter president Zalman Shapiro, and future ZOA national president Ivan Novick incorporated the Apollo Industries-NUMEC front companies. Between 1956 and 1968, while under Shapiro's control, nuclear fuel processor NUMEC "lost" more government-supplied weapons-grade uranium (337 kilograms, according to 2001 Department of Energy estimates) than any single facility in U.S. history. Although Shapiro and an array of sympathizers still publicly claim the bomb-grade material had vented into the surrounding environment during production, high-ranking CIA and Justice Department officials concluded the material was illegally diverted into Israel's clandestine nuclear weapons program. Shapiro was investigated as an Israeli foreign agent and alleged violator of the Atomic Energy Act, but internal presidential administration deliberations from LBJ to Jimmy Carter revealed that fear of Shapiro's ZOA-powered political connections rendered him untouchable—even after a NUMEC employee gave the FBI credible eyewitness testimony in 1980 alleging Shapiro's personal involvement in smuggling.

Another ZOA operative engaged in "political activities of another kind" when Israel's Mossad intelligence service wiretapped U.N. Ambassador Andrew Young secretly opening lines of communication with the Palestine Liberation Organization in New York. According to former Mossad case officer and whistleblower Victor Ostrovsky, after transcripts of Young's secret talks with PLO representatives (talks President Carter had promised would not take place) were transferred to Israel, U.S. collaborators were immediately tasked to bombard American media with the Mossad's explosive news, destroying Young's career and President Carter's diplomatic tender to Palestine.

Among the loudest and earliest pundits trumpeting the Young affair

in *The New York Times* and *Baltimore Sun* was ZOA national president and Apollo Industries founder Novick. Since the 1980s, the ZOA has purchased many shrill newspaper advertisements excoriating the State Department's appointment of out-of-favor diplomatic officials, opposing the formation of a Palestinian state, and smearing as anti-Semites academics criticizing ZOA's constant conflation of Judaism with Zionism. In 1998 the ZOA condemned ice cream maker Ben & Jerry's decision to cancel a supply contract with Mei Eden, a Golan Heights-based mineral water company. In 2010 ZOA president Mort Klein accused Georgetown University of promoting "hatred of Israel and Jews" for hosting a Palestinian Solidarity Movement conference on the moral case for boycotting Israel. In 2012 ZOA labeled as an anti-Semite and attacked "Uncle Tom" Friedman after he wrote that Prime Minister Binyamin Netanyahu's standing ovations in the U.S. Congress were bought and paid for by the Israel lobby.

ZOA dinners have long served as soap boxes for U.S. politicians from both parties to make hard-line pronouncements and commitments to Zionism. In a 1980 ZOA convention in Jerusalem, U.S. Sen. Bob Dole (R-KS) claimed the West Bank was "liberated territory" not "occupied territory" that had to be returned under international law. In 2001, then-Sen. Joe Biden (D-DE) urged the ZOA's leadership and Israel's government to keep disagreements with the U.S. government private, and never argue publicly for all the world press to hear. The Pittsburgh chapter continued to be one of the ZOA's strongholds—able to raise a quarter of a million dollars with a single dinner, according to 2003 tax filings—even as the powers of the national organization slowly faded. Former NUMEC president Shapiro and the Center for Security Policy's Frank Gaffney were among Pittsburgh event luminaries raising funds and trumpeting the need to attack Iraq before the disastrous 2003 U.S. invasion.

—G.F.S.

in the president's re-election victory.

Activists like Laila Abdelaziz, a community organizer for Emerge USA, which maintains a database of 150,000 registered Muslim voters in Florida, urged Florida Muslims to show up at the polls and vote. "We may be a minority vote, but we are a minority vote in a tight race in a key state," she wrote in an article published on Huffingtonpost.com. After a lot of hard work, Floridians defeated two Islamophobes—Republican Rep. Allen West (who made controversial statements about Islam being a "vicious enemy," attacked CAIR, and defamed Muslim-American Rep. Keith Ellison [D-MN]), as well as Republican congressional-hopeful Adam Hasner (who once left a Florida House meeting when an imam delivered the opening prayer).

American Muslims in Illinois, where they make up 2.8 percent of the population, also helped defeat Tea Party Rep. Joe



STAFF PHOTO BY D. HANLEY

CAIR's Robert McCaw and Nada El-Eryan, with ADC, wind up a Nov. 7 get-out-the-vote phone bank at ADC headquarters in the nation's capital.

Walsh (R-IL), who repeatedly slammed Islam. Walsh (whose funders included casino magnate and Israel-firster Sheldon Adelson) claimed radical American Muslims posed a "real threat" in the U.S., and they are "trying to kill Americans every week."

Ohio Arab Americans and Muslims also supported Sen. Sherrod Brown (D), who re-

fused to call Jerusalem the eternal capital of the Jewish people, over hawkish Zionist Josh Mandel. The New Jersey Muslim- and Arab-American communities mobilized to support Bill Pascrell (D) against Rabbi Shmuley Boteach (R), who attacked Pascrell on his lukewarm support for Israel.

In 2012 Muslims and Arab-Americans proved once again that they can be a decisive voice in determining election results, especially in key battleground states where they make up 1 percent of voters. Muslim and Arab Americans, who historically

have voted as a bloc, have in the last decade started to vote in extremely high numbers. Before long even the mainstream media will be forced to note the impact of Arab-, Muslim- and South Asian-American voters. Candidates will have to address these voters' concerns, including civil rights at home and foreign policy issues, if they want to win their elections. □

ZOA Tax-Exempt Status...

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early 2011, after it failed to file mandatory public IRS Form 990 tax returns for three consecutive years. Although to date the organization has offered no credible explanation of precisely how this happened, stricter reporting requirements may be the reason. IRS revisions to the 2008 Form 990 required a much fuller disclosure of a charity's governance structure, policies, foreign activities, related organizations and actual expenditures on charitable activities. It is also possible that too many large donations from such prominent ZOA donors as casino magnate Sheldon Adelson may have "tipped" the organization out of its status as a 501(c)(3) charitable organization with broad public support and into a less favorable foundation tax category.

Along with other Zionist organizations such as Hadassah chapters that recently lost their tax exempt status over failure to file, the ZOA may find that not only is reinstatement extremely challenging, but that the IRS has no institutional memory. The IRS,

which provides copies of applications and IRS determination letters on demand to the public, claims it destroyed ZOAs original application records and its own determination of ZOAs tax status (along with records of many other nonprofits) in a round of house-keeping.

Although the ZOA claims to have retained a new accounting firm in order to submit the three years of missing returns, IRS reinstatement regulations require all revoked organizations to submit an entirely new application for tax-exempt status. That means submitting certified articles of incorporation, a mandatory dissolution clause, detailed information about related organizations and justifying precisely what charitable purposes merit IRS tax exemption. ZOA will once again have to clarify its murky relationships with foreign organizations like the World Zionist Organization as it starts from "square one" with the IRS.

Since the 1960s, broad reorganizations periodically announced by major Israel lobbying organizations have allegedly altered lines and boxes on the global Zionist organization chart, even as congressional amendments have steadily watered down

the 1938 Foreign Agents Registration Act. Moreover, a new American umbrella corporation called the "American Zionist Movement" (AZM), created at a Miami conference in the early 1990s and with almost no funding or infrastructure, claims to be the legal intermediary among the WZO, ZOA and 25 other youth and adult organizations. However, the ever abrasive ZOA once claimed to have withdrawn from AZM in 1996 over disputes about the Oslo accords. AZM is reportedly funded by the WZO.

After more than half a century, the ZOA/WZO relationship and activities still are not very clear to outside observers. The Justice Department may even be persuaded to review the ZOAs new public application for tax-exempt status for any WZO FARA regulatory issues. ZOA national vice chairman Steven M. Goldberg, for example, presently serves as a board member of both World Likud and the WZO executive board.

Absent any more improper "favors" of the kind once secretly bestowed by the Justice Department, the Zionist Organization of America may find its road to tax preferences both closely followed and heavily challenged from many quarters. □