

**Congress of the United States**  
Washington, DC 20510

April 15, 2015

The Honorable John Koskinen  
Commissioner  
Internal Revenue Service  
1111 Constitution Avenue, NW  
Washington, DC 20224

Dear Commissioner Koskinen,

As the Chairmen of the Senate Finance Committee and House Ways and Means Committee, we are writing regarding the tax status of organizations known as “worker centers.” Worker centers are typically small organizations that provide services to their members such as job training, education, and legal assistance. Most file as § 501(c)(3) charitable organizations, and, in many cases, this designation may be appropriate.

Some worker centers, however, engage in activities that may call into question their § 501(c)(3) status. For example, some worker centers engage in protests and pickets against targeted businesses and attempt to negotiate with individual employers on behalf of specific employees—sometimes even without those employees’ consent.<sup>1</sup> This conduct may disqualify those worker centers for one of two reasons—first, the worker centers’ activities accrue to the benefit of private individuals, rather than the general public; and, second the activities closely resemble those traditionally conducted by labor organizations.

The IRS has found that organizations with the purpose of advocating on behalf of employees for better working conditions and increased wages do not qualify for tax-exemption under § 501(c)(3) because their benefits accrue to specific employees instead of the general public.<sup>2</sup> As discussed above, some worker centers engage in similar conduct, such as advocating for discrete groups of workers. This activity seems directed

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<sup>1</sup> See Melvin Blackman, *Activists fight for a voice in Olive Garden shakeup*, CNN Money, (Oct. 9, 2014), available at <http://money.cnn.com/2014/10/09/news/starboard-protest-darden/>; Josh Eidelson, *Warehouse Workers Moving Walmart Baggage Will Strike Today*, The Nation, (Jul. 24, 2013), available at <http://www.thenation.com/blog/175407/warehouse-workers-moving-walmart-baggage-will-strike-today#>; *The Retail Action Project Protest Against Juicy Couture’s Alleged Hours Cutting Practice*, StyleBlazer.com (Apr. 20, 2013), available at <http://styleblazer.com/146209/the-retail-action-project-protest-against-juicy-coutures-alleged-hours-cutting-practice/>.

<sup>2</sup> See IRS PLR 200809038, 2008 WL 544023 (Feb. 29, 2008) (determining that teachers’ organization formed to better the members’ working conditions and negotiate their wages did not qualify for § 501(c)(3) status because, to qualify, benefits from an organization’s activities “must accrue to the general public rather than individual members of [the] organization.”); IRS PLR 201120036, 2011 WL 1915710 (May 20, 2011) (denying § 501(c)(3) status to an employee caucus formed for the purpose of advocating for gay, lesbian, and transgender employees of a specific company).

at pursuing a private benefit rather than providing a public service, and, thus, does not satisfy the requirements for § 501(c)(3) status.


Further, if the Department of Labor determines that specific worker centers should be treated as labor organizations, the IRS should consider whether those worker centers' tax exempt status would more appropriately fall under Internal Revenue Code § 501(c)(5) instead of § 501(c)(3). The House Committee on Education and the Workforce has written the Department of Labor to ask it to review worker centers' filing requirements and the status of certain worker centers that engage in traditional union activities such as conducting labor disputes and negotiating with employers on behalf of employees.<sup>3</sup>

We request that the IRS undertake a similar review to determine whether:

- (1) a worker center should be ineligible for § 501(c)(3) status if its activities are primarily intended to benefit a private party; and
- (2) a group should lose its § 501(c)(3) designation if it is determined to be a "labor organization" by the Department of Labor.

Thank you for your attention to this matter.

Sincerely,



Orrin G. Hatch  
Chairman, Senate Committee on Finance  
Committee



Paul Ryan  
Chairman, House Ways and Means

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<sup>3</sup> See Letter from Committee on Education and the Workforce Chairman John Kline and Subcommittee on Health, Employment, Labor, and Pensions Chairman David Poe to Department of Labor Secretary Thomas Perez, July 23, 2013, *available at* [http://edworkforce.house.gov/uploadedfiles/07-23-13\\_letter\\_dol\\_worker\\_centers.pdf](http://edworkforce.house.gov/uploadedfiles/07-23-13_letter_dol_worker_centers.pdf).