

Form <b>13909</b> (November 2023)	Department of the Treasury - Internal Revenue Service <b>Tax-Exempt Organization Complaint (Referral)</b>	OMB Number 1545-2314
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**Referred Organization Information**

1. Name of referred organization Financial Services Stakeholder Project/Private Equity Stakeholder Project			
2. Street address 2513 N Central Park Ave			
3. City Chicago	4. State IL <input type="text"/>	5. ZIP code 60647	6. Date of referral 07-16-2025
7. Organization's Employer Identification Number (EIN) 82-1722599			

**Details of Alleged Violation**

8. Name(s) of person(s) involved Jim Baker and affiliated staff of the named orgnaziations	
9. Organizational title(s) President and staff	
10. Date(s) 2017-present	11. Dollar amount(s) (if known)

12. Description of alleged activities (*briefly describe the facts of the alleged violation – Who/What/Where/When/How you learned about and obtained the information in this report. Attach another sheet if needed*)

The Financial Services Stakeholder Project, d/b/a Private Equity Stakeholder Project ( “ PESP” ) and Financial Services Stakeholder Action, d/b/a Private Equity Stakeholder Action ( “ PESA” ) have engaged in serious and deliberate violations of the Internal Revenue Code of 1986, as amended ( “ IRC” ), and abused their tax-exempt status. Specifically, as detailed in the attached memorandum, PESP has not been operated for an educational purpose; PESA (and potentially PESP) has engaged in excessive political activities as its primary purpose while providing an improper private benefit to Democratic candidates and the Democratic Party; both PESP and PESA appear to have engaged in an unrelated trade or business without paying the required taxes; and both PESP and PESA have failed to comply with reporting requirements by shielding their expenditures from required public disclosures.

**Submitter Information**

13. Name Dan Backer			
14. Occupation or business Reclaiming Americans Freedom			
15. Street address 10521 Judicial Drive, Suite 200-A			
16. City Fairfax	17. State VA <input type="text"/>	18. ZIP code 22030	19. Telephone number 202-210-5431

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

**Submission and Documentation**

The completed form, along with any supporting documentation, may be mailed to IRS TEGE Classification, Mail Code 4910DAL, 1100 Commerce Street Dallas, TX 75242-1027 or emailed to [eoclass@irs.gov](mailto:eoclass@irs.gov). **Disclaimer Notice:** Your email submission of Form 13909 and attachments are not encrypted for security.

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# Instructions for Form 13909, Tax-Exempt Organization Complaint (Referral)

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## General Information

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The information provided on this form will help the Internal Revenue Service (IRS) determine if there has been a violation of federal tax law. The Tax Exempt and Government Entities (TEGE) division is responsible for exempt organizations, employee plans, Indian tribal governments, tax exempt bonds, and federal, state and local governments. 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

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**1 - 5. 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.

**6. Date of referral:** Enter the date you submit the completed form

**7. Employer identification number:** Provide the organization's 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.

**8 - 12. Details of alleged 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.

**13 - 20. Submitter 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 box. You may enter "Anonymous" for Submitter's name if you do not want to be identified.

**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 email the completed form and any supporting documentation to the 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 [Publication 1828, Tax Guide for Churches and Religious Organizations](#), in the section on Special Rules Limiting IRS Authority to Audit a Church.

**Claim for reward:** To claim a reward for providing this information to the IRS, file [Form 211, Application for Award for Original Information](#).

**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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## Paperwork Reduction Act Notice

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We ask for the information on this form to carry out the Internal Revenue laws of the United States. Use of this form is completely voluntary.

Form 13909 is used to submit a complaint about tax-exempt organizations. The IRS uses the information that is provided to determine if there has been a violation of federal tax law. From IRS.gov, you can fill out the mobile friendly version of the form and submit it, or download the fillable PDF version to complete, print, and mail, or email it for submission to IRS.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form, or its instructions must be retained if their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

<b>Recordkeeping</b> . . . . .	6 min.
<b>Learning</b> . . . . .	1 min.
<b>Preparing, copying, and sending the form to the IRS</b> . . . . .	39 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

INTERNAL REVENUE SERVICE

In the matter of:

PRIVATE EQUITY  
STAKEHOLDERS PROJECT &  
PRIVATE EQUITY  
STAKEHOLDERS ACTION.

**MEMORANDUM IN SUPPORT OF  
TAX-EXEMPT ORGANIZATION REFERRAL**

Reclaiming Americans Freedoms submits this memorandum in support of the enclosed Form 13909, Tax-Exempt Organization Complaint (Referral), alleging Financial Services Stakeholder Project, d/b/a Private Equity Stakeholder Project (“PESP”) and Financial Services Stakeholder Action, d/b/a Private Equity Stakeholder Action (“PESA”) have engaged in serious and deliberate violations of the Internal Revenue Code of 1986, as amended (the “IRC”), and abused their tax-exempt status.

Launched in 2017 by three labor union organizers, PESP first started as an internal initiative of the 300,000-member UNITE HERE union. PESP and PESA have since received \$549,978 from eight different labor unions, including the Service Employees International Union (SEIU).

Specifically, as detailed below, PESP has not been operated for an educational purpose; PESA (and potentially PESP) has engaged in excessive political activities as its primary purpose while providing an improper private benefit to Democratic candidates and the Democratic Party; both PESP and PESA appear to have engaged in an unrelated trade or business without paying the required taxes; and both PESP and PESA have failed to comply with reporting requirements by shielding their expenditures from required public disclosures.

## **FACTS**

### **PESP**

PESP was incorporated in 2017 by James (“Jim”) Baker.<sup>1</sup> Shortly thereafter, in June 2017, PESP submitted an application to the IRS for recognition of tax-exempt status under section 501(c)(3).<sup>2</sup> On August 24, 2017, the IRS approved PESP’s application and determined that it was exempt from tax “under Internal Revenue Code (IRC) Section 501(c)(3).”<sup>3</sup>

PESP described itself to the IRS as being organized to “conduct and distribute research, studies, and analysis relating to the impact of financial services firms on stakeholder groups including but not limited to impacts on human rights, jobs, housing, consumers and the environment.”<sup>4</sup> PESP further represented to the IRS that it would engage in public education by “disseminat[ing] information from the research program,” and “sponsor[ing] educational and public forums on various issues.”<sup>5</sup> Recognizing its educational and research efforts could be viewed as partisan political activity, PESP assured the IRS “[w]hile [PESP] may express a point of view or set forth recommendations on an issue, all publications will rely on careful analysis, will weigh diverse viewpoints, and will diligently present facts along with citations of sources and underlying data.”<sup>6</sup>

Since receiving its tax-exempt status, however, PESP has entirely ignored and failed to comply with the assurances it made to the IRS in its application for tax-exempt status. Instead, PESP has repeatedly presented viewpoints unsupported by facts or distorted facts to support its views and frequently uses inflammatory and disparaging terms to express conclusions based on a

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<sup>1</sup> See Articles of Incorporation, PESP (June 1, 2017) (attached as Exhibit 1).

<sup>2</sup> See Financial Services Stakeholder Project, Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code (June 10, 2017) (attached as Exhibit 2).

<sup>3</sup> See Financial Services Stakeholder Project, Letter 947, IRS Determination (Aug. 24, 2017) (attached as Exhibit 3).

<sup>4</sup> See Exhibit 2, Attachment A.

<sup>5</sup> See Exhibit 2, Attachment A.

<sup>6</sup> See Exhibit 2, Attachment A.

strong emotional response rather than any objective evaluation. For example, a recent blog post on its website is titled “How ‘Vulture Investors’ Get Rich Wrecking Companies, Killing Jobs, Endangering the Vulnerable & Spoiling the Environment—And Our Tax Code Helps Them Do It.”<sup>7</sup> This post, and the accompanying report, contain numerous inflammatory and disparaging statements that evidence a lack of objective evaluation.

Another recent post continues the same pattern and is titled “How private equity exploits the tax code to loot workers, consumers, and communities.”<sup>8</sup> Describing these actions as “exploit[ing]” “loot[ing]” is clearly inflammatory and designed to elicit a strong emotional response rather than being based on an objective evaluation. Another example can be found in the “Private Equity Climate Risk Scorecard” which concludes “the energy portfolios of leading private equity firms are responsible for 1.17 gigatons of annual emissions.”<sup>9</sup> This remarkable conclusion, which has limited sourcing to support it, leads the authors to conclude: “Society cannot afford to let private fund managers continue to pollute under the shroud of darkness and regulatory blind spots.”<sup>10</sup>

## **PESA**

PESP also operates in tandem with its related entity, Financial Stakeholder’s Project Action dba Private Equity Stakeholder Action (“PESA”), which is organized under section 501(c)(4) of the Internal Revenue Code. PESA was similarly incorporated in 2017 by James

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<sup>7</sup> See Eileen O’Grady, *How ‘Vulture Investors’ Get Rich Wrecking Companies, Killing Jobs, Endangering the Vulnerable & Spoiling the Environment—And Our Tax Code Helps Them Do It* (Feb. 14, 2025), <https://pestakeholder.org/reports/private-equity-public-damage>.

<sup>8</sup> See Matt Parr, “*How private equity exploits the tax code to loot workers, consumers, and communities*” (Feb. 14, 2025), <https://pestakeholder.org/news/how-private-equity-exploits-the-tax-code-to-loot-workers-consumers-and-communities>.

<sup>9</sup> See 2024 Private Equity Climate Risks Scorecard (Oct. 2024), <https://www.peclimaterisks.org/2024scorecard>.

<sup>10</sup> See 2024 Private Equity Climate Risks Scorecard Report (Oct. 2024), [https://www.peclimaterisks.org/wp-content/uploads/2024/10/PECR\\_Report\\_Climate-Risks-Scorecard\\_2024.pdf](https://www.peclimaterisks.org/wp-content/uploads/2024/10/PECR_Report_Climate-Risks-Scorecard_2024.pdf).

(“Jim”) Baker.<sup>11</sup> PESA and PESP share office space and staff expenses and have a majority-overlapping Board of Directors.<sup>12</sup>

PESA describes itself as developing “policy and legislative solutions for the environment, social, and governance problems related to investments made by financial services firms, including but not limited to private equity firms, hedge funds, and infrastructure funds.”<sup>13</sup> Yet, PESA has never engaged in any significant activity as reflected on its Forms 990. Instead, its primary activity appears to be making grants to Democratic organizations and campaigns.

In fact, in two years PESA made grants exclusively to Democratic organizations, and explicitly engaged in political activity, as follows:

#### 2020

- Contribution to Democratic Treasurers Association: \$ 10,000
- Contribution to Friends of Tobias Read: \$ 5,000

#### 2022

- Direct expenditures on political activity: \$ 19,000
- Contribution to Democratic Treasurers Association: \$ 10,000
- Contribution to Friends of Tina Kotek: \$ 10,000
- Contribution to Committee to Elect Aaron Ford: \$ 5,000
- Contribution to New Mexicans for Michelle: \$ 5,000
- Contribution to Faith in Minnesota: \$ 5,000

The only other activity PESA engaged in during these two years was to provide reimbursement to PESP pursuant to their cost sharing agreement. This is strong evidence that PESA’s primary purpose in 2020 and 2022 was to engage in political activity in support of the Democratic Party rather than any legitimate exempt social welfare activity. The following chart highlights that this political activity in 2020 and 2022 represented a significant part of its

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<sup>11</sup> See Financial Services Stakeholder Action NFP, CauseIQ (May 2025).  
<https://www.causeiq.com/organizations/financial-services-stakeholder-action-nfp,821727600>.

<sup>12</sup> See Cost Sharing Arrangement (attached as Exhibit 4); *see also* Forms 990 for the entities showing the common board control (attached as Exhibits 5-6).

<sup>13</sup> See PESA 2023 Form 990, Part 1. (attached as Exhibit 7).

activities. As displayed in the following chart, PESA reported making political expenditures totaling \$15,000 in 2020, and \$54,000 in 2022. The only other expenses that it reported for those years were the amounts that it paid to PESP as reimbursement, which were \$32,784 in 2020, and \$257,497 in 2022:

<b>Year</b>	<b>Political Expenditures</b>	<b>Amount Paid by PESA to PESP</b>	<b>Program Service Expenditures</b>	<b>Total Expenditures</b>
<b>2020</b>	\$15,000	\$ 32,784 <sup>14</sup>	\$25,278	\$ 41,071
<b>2022</b>	\$54,000 <sup>15</sup>	\$ 257,497	\$312,761	\$ 315,869

### **Program Services Revenue**

Both PESP and PESA receive significant income in the form of “program service revenue.” However, the Forms 990 for both organizations create a strong presumption that this revenue is in fact from unrelated trade or business activity. PESP has described its “program service revenue” as arising from “consulting” and “research” activity, both of which may actually represent a fee for service arrangement. Additionally, PESA describes its “program service revenue” as from “efforts to support workers.” This again sounds like revenue earned from a trade or business and not any exempt activity of PESA.

## **VIOLATIONS**

### **A. The Law.**

#### **1. Section 501(c)(3) Organizations**

501(c)(3) organizations are prohibited from participating or intervening in, directly or indirectly, any political campaign for public office, including national, state, or local offices.<sup>16</sup>

<sup>14</sup> As reported on PESP’s Form 990 for 2020.

<sup>15</sup> This amount includes \$19,000 in expenditures by PESA directly for political activity. It is not clear from PESA’s Form 990 whether those direct political expenditures are reported in Part IX within the amount for advertising or for “payments to affiliates” (i.e., PESP). Accordingly, it is possible that the amount PESA reported as direct political activity was actually performed by PESP and reimbursed by PESA pursuant to the shared resources agreement.

<sup>16</sup> 26 U.S.C. § 501(c)(3); 26 C.F.R. § 1.501(c)(3)-1(c)(3)(iii).

The prohibition is absolute, and the IRS has previously revoked an organization's tax-exempt status where it "has demonstrated a deliberate and consistent pattern of support for and opposition to various candidates for public office, and engaged in these activities during the [redacted] election."<sup>17</sup> Political campaign activity includes, but is not limited to, "the publication or distribution of written or printed statements or the making of oral statements on behalf of or in opposition to such a candidate."<sup>18</sup>

Further, under IRS regulations, to claim tax-exempt status as an "educational" organization, an organization must engage in "[t]he instruction or training of the individual for the purpose of improving or developing his capabilities; or [t]he instruction of the public on subjects useful to the individual and beneficial to the community."<sup>19</sup> Though organizations may be considered educational even if they advocate a particular position or viewpoint, such organizations must "present[] a sufficiently full and fair exposition of the pertinent facts as to permit an individual or the public to form an independent opinion or conclusion."<sup>20</sup> An organization will fail to qualify as educational "if its principal function is the mere presentation of unsupported opinion."<sup>21</sup>

The IRS has provided four factors that indicate when an organization advancing a particular position or viewpoint is no longer educational:<sup>22</sup>

- The presentation of viewpoints or positions unsupported by facts is a significant portion of the organization's communications;
- The facts that purport to support the viewpoints or positions are distorted;

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<sup>17</sup> See PLR 201416011, Form 886A at 14 (Apr. 18, 2014).

<sup>18</sup> 26 C.F.R. § 1.501(c)(3)-1(c)(3)(iii).

<sup>19</sup> 26 C.F.R. § 1.501(c)(3)-1(d)(3)(i).

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> Rev. Proc. 86-43, 1986-2 C.B. 729.

- The organization’s presentations make substantial use of inflammatory and disparaging terms and express conclusions more on the basis of strong emotional feelings than of objective evaluations; and
- The approach used in the organization’s presentations is not aimed at developing an understanding on the part of the intended audience or readership because it does not consider their background or training in the subject matter.

The presence of any one factor “is indicative that the method used by the organization to advocate its viewpoints or positions is not education.”<sup>23</sup>

In addition to avoiding political campaign intervention, and engaging solely in an exempt purpose (e.g., educational activity), 501(c)(3) organizations must be “operated exclusively for the promotion of” their exempt purpose.<sup>24</sup> In *Better Business Bureau v. U.S.*, the court stated, “in order to fall within the claimed exemption, an organization must be devoted to educational purposes exclusively. This plainly means that the presence of a single noneducational purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly educational purposes.”<sup>25</sup>

This means 501(c)(3) organizations are prohibited from providing a private benefit that serves private interests.<sup>26</sup> In evaluating this issue, the IRS may consider whether the private benefit is a necessary consequence of the organization’s exempt activities and whether any resulting public benefit outweighs the private benefit.<sup>27</sup> The IRS and courts have consistently found that an organization that dedicates its resources to benefit private individuals, rather than

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<sup>23</sup> *Id.*

<sup>24</sup> See 26 C.F.R. § 1.501(c)(3)-1(a)(1).

<sup>25</sup> *Better Bus. Bureau v. United States*, 326 U.S. 279, 283, 66 S. Ct. 112, 114 (1945)

<sup>26</sup> *American Campaign Academy v. Commissioner*, 92 T.C. 1053, 1065 (1989).

<sup>27</sup> IRS GCM 39,598 (December 8, 1986).

the community as a whole, is not operated exclusively for exempt purposes, and that its tax-exempt status should be revoked.<sup>28</sup> Importantly, organizations that are operated to benefit one political party or its candidates have consistently been determined to be providing a prohibited private benefit.<sup>29</sup>

Finally, both 501(c)(3) and 501(c)(4) organizations must report and pay taxes on any unrelated trade or business income. The tax on unrelated business activity is broadly applied to the gross income derived by an organization from any unrelated trade or business regularly carried on by it (minus some permissible deductions and modifications).<sup>30</sup> An “unrelated trade or business” means “any trade or business the conduct of which is not substantially related (aside from the need of such organization for income or funds or the use it makes of the profits derived) to the exercise or performance by such organization of its charitable, educational, or other purpose or function” under section 501(c)(3) or 501(c)(4).<sup>31</sup> Under the unrelated trade or business income tax provisions of the Internal Revenue Code, the following three requirements must be met for income to be subject to tax as unrelated business taxable income:<sup>32</sup>

- Trade or Business Requirement: The income must be from a trade or business.
- Regularly Carried On: The conduct of such trade or business must be regularly carried on by the organization.

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<sup>28</sup> Rev. Rul. 73-306, 1972-2 C.B. 179 (a nonprofit organization formed to represent member-tenants of an apartment complex does not qualify for exemption under section 501(c)(4) because the organization is not primarily engaged in activities for the common good and general welfare of the community); *Retired Teachers Legal Defense Fund v. Commissioner*, 78 T.C. 280 (1982) (organization dedicated to protecting the financial stability of the New York City Teachers' Retirement System was not a charitable organization because it served the private interests of its members rather than the public more broadly).

<sup>29</sup> See *American Campaign Academy*, 92 T.C. at 1053; *Democratic Leadership Council, Inc. v. United States*, 542 F. Supp. 2d 63 (D.D.C. 2008) (although the court found that retroactive revocation was not proper in this case, it described favorably the IRS' decision that the Democratic Leadership Council should not be classified as a tax-exempt organization.).

<sup>30</sup> 26 U.S.C. § 512(a)(1).

<sup>31</sup> 26 U.S.C. § 513(a).

<sup>32</sup> 26 C.F.R. § 1.513-1(a).

- Not Substantially Related: The conduct of the trade or business must not be substantially related (other than through the production of funds) to the organization's performance of its exempt functions.

If these factors are met, an organization must report its unrelated trade or business income on Form 990-T and pay any appropriate tax liability arising from such activity.

## **2. Section 501(c)(4) Organizations**

Section 501(c)(4) organizations will only qualify for tax exempt status if all the following apply. The organization “(i) must be a civic league or organization; (ii) must not be organized for profit; (iii) must operate exclusively for the promotion of social welfare; and (iv) no part of the net earnings of the organization may inure to the benefit of any private shareholder or individual.”<sup>33</sup> Section 501(c)(4) organizations may engage in limited campaign activity that involves supporting or opposing candidates for election. This activity, however, may not be the organization's primary purpose.<sup>34</sup> If an organization engages in political activity as its primary purpose, it risks losing its tax-exempt status. The IRS will determine an organization's primary purpose by utilizing the “facts and circumstances test”. Under this test the IRS considers several factors including “the manner in which the organization's activities are conducted; resources used in conducting such activities, such as buildings and equipment; the time devoted to

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<sup>33</sup> 1 Planning Tax-Exempt Organizations § 23.02[1] (2025)

<sup>34</sup> See Treas. Reg. § 1.501(c)(4)-1(a)(2) (“An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. . . . The promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office”); Rev. Rul. 81-95, 1981-1 C.B. 332 (ruling that lawful participation in campaign activity would not affect the § 501(c)(4) status of an organization whose primary activity was promoting social welfare); Rev. Rul. 67-368; 1967-2 C.B. 194 (ruling that an organization whose primary activity was rating candidates using non-partisan criteria did not qualify for § 501(c)(4) status); I.R.S. Gen. Couns. Mem. 34233 (Dec. 30, 1969).

activities (by volunteers as well as employees); the purposes furthered by various activities and the amount of funds received from and devoted to particular activities.”<sup>35</sup>

**B. PESP does not have an educational purpose and does not conduct its advocacy activities in a way that makes them educational.**

PESP’s activities have significantly departed from the ones described to the IRS in its application for tax-exempt status. PESP assured the IRS its “publications will rely on careful analysis, will weigh diverse viewpoints, and will diligently present facts along with citations of sources and underlying data.” PESP’s activities have failed to adhere to each of these assertions. Accordingly, the IRS should audit PESP to determine the extent of its violations and consider revocation of its tax-exempt status.

As the examples below demonstrate, PESP’s content routinely fails to consider any viewpoints different than its own predetermined conclusions, fails to cite any factual materials other than its own skewed “research,” and uses objectively inflammatory language to present its view rather than any careful analysis.

**1. Presentation Of Viewpoints And Positions Unsupported By Facts Is A Significant Portion of PESP’s Communications**

PESP’s content, which frequently advocates a point of view, often fails to provide clear factual support to its viewpoints and positions. Examples are as follows:

- In an FAQ posted to its website advancing PESP’s view on “Private Equity In Housing,” PESP broadly, and without any sourcing, claims “Private equity firms that invest in real estate often prioritize profits over the well-being of tenants, which can

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<sup>35</sup> 1 Planning Tax-Exempt Organizations § 23.02[4][b] (2025)

lead to things like rent increases, eviction, neglect of maintenance issues, increased fines and fees, and poor customer service.”<sup>36</sup>

- On the “Issue” page of PESP’s website discussing its viewpoint on “Labor And Jobs”, PESP claims “Private equity firms have often taken a low road approach and sought to reduce wages, benefits, and staffing at firms they acquire – with devastating consequences to thousands of workers, their families and their entire communities.”<sup>37</sup> PESP makes this generalized statement that private equity firms “have often taken a low road approach” without evidence to support the claim. Further, characterizing behavior as “low road” is clearly inflammatory and lacks any objective basis.
- PESP’s “Private Equity State Risk Index” claims to objectively measure states on supposed risks from private equity investment, but a review of its “data” and methodology show the index contains conspicuous omissions, significant inconsistencies in sampling that may introduce mathematical errors, and is uncorrelated to economic outcomes for citizens. The Index purports to measure states across four broad categories: labor, healthcare, housing, and pensions. Within these categories there are a range of indicators PESP purports to use to capture the private equity industry’s role in those sectors. The Index assigns scores to these measures based on the degree to which the “data” reflects greater or lesser degrees of private equity’s involvement in each sector. States are then ranked based on their scores in each of the Index’s four main categories. The combined scores are used to provide an overall ranking of the states. However, several states are missing data across a

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<sup>36</sup> See “Private Equity In Housing: FAQ,” Private Equity Stakeholder Project, (Mar. 2024) [https://pestakeholder.org/wp-content/uploads/2024/04/UPDATED-Private-Equity-FAQ-handout\\_March-2024.pdf](https://pestakeholder.org/wp-content/uploads/2024/04/UPDATED-Private-Equity-FAQ-handout_March-2024.pdf)

<sup>37</sup> See “Labor And Jobs,” Private Equity Stakeholder Group, (April 2025) <https://pestakeholder.org/issues/labor-and-employees/>

number of different categories. Additionally, although PESP publicly posts its “methodology” for compiling the Index, many of the metrics it discloses are nothing more than its subjective analysis of perceived negative datapoints. For example, a state’s housing score is calculated based on the “percentage of homes purchased by medium, large and mega investors” and whether the number of homes purchased by such investors increased or decreased. Moreover, several of the metrics note they do not include information for numerous states “due to a lack of available data.” PESP’s own description of its “methodology” undercuts any argument it relies on an objective analysis of data to create the Index.<sup>38</sup>

## **2. Facts Purporting To Support PESP’s Viewpoints And Positions Are Routinely Distorted**

PESP’s content routinely distorts any “facts” purporting to support its viewpoint. For example:

- In their 2025 “Private Equity Multi-Family Housing Tracker,” PESP claimed private equity firms now own more than 2.2 million apartment units or about 10 percent of the U.S. total. However, the report does not publish any data behind this claim. In its citation for the 2.2. million claim, PESP references “Yardi Matrix and Lexis Nexis” and notes the total includes “student housing, senior housing, and affordable housing.” These categories have distinct tenant populations, financing models, and regulatory constraints, which grossly distort PESP’s claims about the size of private equity ownership.<sup>39</sup>

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<sup>38</sup> See “Private Equity State Risk Index,” Private Equity Stakeholder Group, (Accessed May 2025) <https://privateequityrisk.org/methodology>.

<sup>39</sup> See “Private Equity Multi-Family Housing Tracker,” Private Equity Stakeholder Group, (Apr. 9, 2025) <https://pestakeholder.org/reports/private-equity-multi-family-housing-tracker>.

- In a PESP blog post accompanying its report, “Private Equity, Public Damage” published in February 2025, Eileen O’Grady states, “Private equity firms have turned tax loopholes into a weapon—siphoning profits from businesses, workers, and communities while their executives amass obscene fortunes.”<sup>40</sup> This statement is obviously inflammatory, but it also does not provide any data to support its claim private equity firms “siphon” profits. Instead, as with most of PESP’s content, it assumes readers will be outraged by its claim private equity “turned tax loopholes into a weapon” and used that weapon to “siphon[] profits” while also “amass[ing] obscene fortunes.”

### **3. PESP’s Presentations Make Substantial Use of Inflammatory And Disparaging Terms and Express Conclusions On The Basis Of Emotional Feeling Rather Than Objective Evaluations.**

PESP’s content almost exclusively uses inflammatory and disparaging references and language designed to evoke an emotional reaction from its readers rather than encourage objective analysis. Some examples of this content include:

- In a March 2025 article titled “Private Equity Firms Tighten Stranglehold on US, Angling for Boons Under Trump” published in Truthout, PESP Director Eileen O’Grady, was quoted making broad, inflammatory, and disparaging comments about the private equity industry. This article discusses how private equity firms are expanding their influence across various sectors, including housing and healthcare, and are seeking favorable policies under the Trump administration. O’Grady stated,

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<sup>40</sup> See Matt Parr, “*How Private Equity Exploits The Tax Code To Loot Workers, Consumers, And Communities*,” Private Equity Stakeholder Group, (Feb. 14, 2025) <https://pestakeholder.org/news/how-private-equity-exploits-the-tax-code-to-loot-workers-consumers-and-communities>.

“It’s not only that private equity firms are exploiting the tax code to make themselves billionaires, ... They’re also eroding health care, the climate and the quality of jobs across almost every industry.”<sup>41</sup> Describing the actions of the private equity firms as “exploitative” and “erosive” is not objective and is clearly designed to be inflammatory and disparaging. Moreover, unqualifiedly claiming “private equity” is harming “health care,” the “climate,” and the “quality of jobs” is obviously designed to end objective debate of the issues and encourage a strong emotional reaction on the part of the reader. Variations of these claims and phrasing are frequently repeated throughout PESP’s content.<sup>42</sup>

- PESP’s report titled “Private Equity, Public Damage,” which was published in February 2025, critiques the U.S. tax code for enabling the private equity industry through special tax breaks. The report repeats inflammatory statements made by Sen. Elizabeth Warren (D-MA) to describe the industry's practices as “legalized looting” and liken public equity firms to “vampires.” Although the report claims these statements as support for its argument, they are clearly nothing more than disparaging opinion statements by an elected Democratic official. The report also refers to private equity as “vulture investors.”<sup>43</sup> Again, using statements that are objectively

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<sup>41</sup> See Derek Seidman, “Private Equity Firms Tighten Stranglehold on US, Angling for Boons Under Trump” Truthout, (March 1, 2025) <https://truthout.org/articles/private-equity-firms-tighten-stranglehold-on-us-angling-for-boons-under-trump>.

<sup>42</sup> See Eileen O’Grady, *How ‘Vulture Investors’ Get Rich Wrecking Companies, Killing Jobs, Endangering the Vulnerable & Spoiling the Environment—And Our Tax Code Helps Them Do It* (Feb. 14, 2025), <https://pestakeholder.org/reports/private-equity-public-damage>; Matt Parr, “How private equity exploits the tax code to loot workers, consumers, and communities” (Feb. 14, 2025), <https://pestakeholder.org/news/how-private-equity-exploits-the-tax-code-to-loot-workers-consumers-and-communities>; 2024 Private Equity Climate Risks Scorecard (Oct. 2024), <https://www.peclimaterisks.org/2024scorecard>; 2024 Private Equity Climate Risks Scorecard Report (Oct. 2024), [https://www.peclimaterisks.org/wp-content/uploads/2024/10/PECR\\_Report\\_Climate-Risks-Scorecard\\_2024.pdf](https://www.peclimaterisks.org/wp-content/uploads/2024/10/PECR_Report_Climate-Risks-Scorecard_2024.pdf).

<sup>43</sup> See “Private Equity, Public Damage,” Private Equity Stakeholder Project, (February 2025) [https://pestakeholder.org/wp-content/uploads/2025/02/PESP-ATF-AFR\\_Report\\_PE-Tax-Code\\_2025.pdf](https://pestakeholder.org/wp-content/uploads/2025/02/PESP-ATF-AFR_Report_PE-Tax-Code_2025.pdf).

inflammatory and nothing like the objective evaluation that is required by the IRS, and which PESP claimed it would follow in its IRS application.

- In a December 2024 blog post promoting PESP’s report, “Recent policy and regulatory initiatives to address private equity’s negative impacts in healthcare,” PESP’s Healthcare Director Mary Bugbee claimed “private equity’s business model is often incompatible with delivering quality, affordable healthcare.” Bugbee went on to say, “Private equity’s impact on healthcare is a stark reminder of what happens when profits are prioritized over people ...”<sup>44</sup> And, in another blog post promoting the report, PESP used phrases such as “detrimental impact” and “abuses” to describe the impact of private equity. All of these statements convey a clear subjective opinion on the matter bolstered only by further inflammatory rhetoric, not objective statements.<sup>45</sup>
- In one op-ed titled “Private Equity: The Metastasizing Disease Threatening Health Care”, PESP Founder and Executive Director Jim Baker likened private equity to a “metastasizing disease” threatening the U.S. healthcare sector. In the op-ed, Baker argued private equity firms prioritize profits over patient care, stating, “rich private equity firms make millions while patients suffer.”<sup>46</sup> The assertion private equity firms prioritize profits over patient care is nothing more than a subjective opinion

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<sup>44</sup> See Matt Parr, “*This year’s policy efforts to curb private equity’s harmful role in healthcare*,” Private Equity Stakeholder Project, (Dec. 10, 2024) <https://pestakeholder.org/news/this-years-policy-efforts-to-curb-private-equitys-harmful-role-in-healthcare>.

<sup>45</sup> See Mary Bugbee, “*Recent policy and regulatory initiatives to address private equity’s negative impacts in healthcare*,” Private Equity Stakeholder Project, (Dec. 10, 2024) <https://pestakeholder.org/reports/2024-healthcare-policy-review>.

<sup>46</sup> See Jim Baker And Emily Stewart, “*Private Equity: The Metastasizing Disease Threatening Health Care*,” HealthAffairs (Dec. 18, 2023) <https://www.healthaffairs.org/content/forefront/private-equity-metastasizing-disease-threatening-health-care>.

statement. Moreover, the language is designed to evoke an emotional response rather than attempt to display the result of any objective evaluation.

- The Private Equity Stakeholder Project’s report, *“Pirate Equity: How Wall Street Firms Are Pillaging American Retail,”* is a plain case of incendiary advocacy masquerading as analysis.<sup>47</sup> The report hinges on the metaphor of private equity firms as “pirates,” casting them not as investors or financial actors but as plundering marauders ransacking the retail sector for profit. This framing—complete with references to “pillaging,” “looting,” and “raids”—serves to demonize an entire industry, reducing complex financial restructurings to cartoonish acts of greed and destruction. By painting executives as buccaneers enriching themselves while workers and communities are left in ruins, the report relies on theatrical moral condemnation rather than dispassionate policy critique. The result is less a serious evaluation of private equity’s role in retail and more a polemic designed to inflame and indict.

**C. PESA (and potentially PESP) Engaged In Excessive Political Activity And Appear To Be Operated For The Impermissible Private Benefit of Democratic Candidates and the Democratic Party More Broadly.**

As a 501(c)(4) organization, PESA is only permitted to engage in limited political activity— less than 50% of its total activity. PESA, however, appears to engage almost exclusively in political activity. PESP, a 501(c)(3) organization, must exclusively operate for an exempt purpose and is absolutely prohibited from engaging in political activity. However, in at least two years, PESA appears to have engaged in political activity as its primary purpose.

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<sup>47</sup> See “Pirate Equity: How Wall Street Firms are Pillaging American Retail,” Private Equity Stakeholder Group, (Jul. 25, 2019)

Additionally, the disclosures on its Form 990 suggest at least some of this political activity may have been conducted by PESP (with reimbursement from PESA). This arrangement raises significant questions about whether PESP impermissibly subsidized political activity engaged in by PESA, particularly to the extent both entities have common majority control of their Boards.

**D. PESP and PESA Appear To Have Received Unrelated Trade Or Business Income They Failed To Report And Pay Taxes On, As Required.**

As noted above, both PESP and PESA have received “program services revenue” that appears to be more likely unrelated trade or business income. If either organization is actually engaged in a trade or business that is regularly carried on and unrelated to their exempt purposes, this income must be reported as unrelated trade or business income subject to taxation. Providing “consulting” and “research” services for third parties may be considered a trade or business and given the years over which it has been conducted by PESP it appears to be regularly carried on. Additionally, PESA’s income from “efforts to support workers” is sufficiently vague to warrant additional scrutiny by the IRS.

**E. PESP and PESA Both Appear To Have Failed To Comply With Basic Reporting Requirements On Their Forms 990.**

Even though they are exempt from paying tax, Section 501(c)(3) and 501(c)(4) organizations are required to file annual Forms 990, Return of Organization Exempt from Income Tax, with the IRS. Further, these returns are required to be open for inspection by the public so as to facilitate transparency and accountability so as to ensure these organizations are not abusing their tax-exempt statuses. The Forms 990 filed by PESP and PESA both fail to accurately report certain required information which has the effect of shielding their activity from public scrutiny.

Specifically, PESP repeatedly provided incorrect information on Part VII of its Forms 990 related to its Directors and Officers. This includes misreporting or omitting information about hours worked by each Director or Officer and the identity of Directors. For example, PESP appears to have incorrectly omitted Jim Baker as a Director in 2022, and further failed to list any directors in 2023.

Additionally, PESP appears to have misreported certain items on its Forms 990 in a manner that conceals information relating to its expenses. For example, grants to other organizations must be separately reported on Form 990 and itemized on Schedule I if they are over \$5,000. However, in 2022 and 2023, PESP merely listed a lump total of expenditures as “grants” without the required itemization. Therefore, there is no indication as to what organization’s these grants were made to, in what amounts, and for what purposes. In 2022, PESP reported a lump sum of \$150,000 in grants and in 2023 the amount was \$200,000, all without the required itemization. Additionally, PESP reported expenditures for information technology, job supplies, and office expenses in 2022 and 2023 appear to be far larger than its activities would suggest are needed.

### **CONCLUSION**

PESP and PESA have engaged in activity that flagrantly violates the IRC and constitutes an abuse of their respective tax-exempt statuses under sections 501(c)(3) and 501(c)(4). Accordingly, the IRS should undertake an examination of PESP and PESA and their activities to determine the extent to which they have misused their tax-exempt status. Further, the IRS should determine PESP and PESA have engaged in egregious and systemic violations of their tax-exempt status and take appropriate action as warranted, including but not limited to: revoking their tax-exempt status; imposing any unrelated business income tax; treating the organizations

in their entirety as a taxable entities; imposing any appropriate penalties and additions to tax; and referring any violations to the Department of Justice, as appropriate.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dan Backer", with a stylized flourish at the end.

Dan Backer

Counsel

Reclaiming Americans Freedom

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