

FEDS FILE NEW LIEN AGAINST ACORN

State Attorney General Gears Up Probe as Payroll Tax Troubles Mount

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Tax problems continue to build for the New Orleans-based national activist group ACORN, with the IRS filing a \$548,000 lien this month for two years worth of unpaid payroll taxes, according to records in the Orleans Parish Clerk of Court's office.

The latest federal tax filing lists seven different payments that were missed for unemployment taxes from July 2007 through March of this year. That adds to an existing IRS bill of more than \$1 million, which The Pelican Institute detailed in an August report.

The latest federal filing, recorded Sept. 3, comes as Louisiana Attorney General Buddy Caldwell investigates delinquent state payroll taxes from the Association of Community Organizations for Reform Now and its myriad related groups. Caldwell is also investigating other allegations against the group.

And it adds to the maelstrom pulling at the organization after amateur undercover filmmakers released video two weeks ago showing ACORN workers giving tax-evasion advice to two people posing as a pimp and prostitute.

In the Louisiana tax case, court records show the state Department of Revenue filed two liens in January. The first, for \$306,702, was against Citizens Consulting Inc., the bookkeeping arm of ACORN. It describes delinquent employee withholding taxes from late 2002 through mid 2008. The second lien was against ACORN itself for \$26,026, again for unpaid withholding taxes.

Both state liens appear to be cancelled, according to a citation in the Clerk of Court's computer. State revenue officials will not discuss individual taxpayer cases, so they could not confirm that the issue is clear. A

spokeswoman for Caldwell said investigators are still awaiting information from subpoenas and couldn't yet address the status of the liens.

“We have a full scale investigation into ACORN and all of its subsidiaries,” Caldwell said through a statement released by spokeswoman Tammi Arender. “No stone will be left unturned. We're still looking into their recent activities.”

ACORN officials didn't immediately respond to a request for comment.

The subpoenas from Caldwell, served last month, became widely known this week. They were served on the former chief of ACORN, Wade Rathke, who now runs the offshoot Acorn International, as well as Whitney Bank, where ACORN keeps its accounts.

The subpoenas seek a broad range of information since 1998 from ACORN and what the documents say are 361 related tax-exempt and non-tax-exempt organizations:

- All W-2 tax income reports and 1099 tax filings issued
- A list of every employee
- All state and federal tax returns
- Organizational charts for every affiliate
- All audited financial statements
- Documents related to the theft of nearly \$1 million by Rathke's brother, Dale Rathke, who worked in the organization.

Only last year did most of the 51-member governing board of ACORN learn of nearly \$1 million in inappropriate charges to an ACORN credit account by Dale Rathke. Rather than report the incident to authorities, Wade Rathke worked with a small group of ACORN leaders to arrange for a repayment schedule by his brother. After more than \$200,000 was repaid, an outside donor stepped in and repaid the balance.

Even so, news of alleged crime and the quiet handling of the repayment rocked the organization. A splinter of the governing board has broken off and is demanding that the group open its books to public inspection. The Acorn 8 says it wants to return the group to its roots of giving a voice to and empowering low-income people.

Caldwell's office is seeking information on the alleged embezzlement, but the statute of limitations may prevent him from taking any action.

The subpoenas seeking tax information refer to 57 tax liens against the groups since 2008, but the AG's office only considered one of the group's two New Orleans offices. The Pelican Institute found at least 75 filings in that period at the two addresses ACORN frequently lists.

ACORN once again burst into national news recently with the release of the undercover videos. In the recordings, taken in local offices in Baltimore, Brooklyn and elsewhere, ACORN advisers tell the pair how to avoid paying taxes, how to hide money in a tin underground and how they could bring underage girls into the country to work in a brothel.

ACORN officials have said they're straightening out their own organization and have fired four employees involved in the tapes. They say the undercover work is part of an orchestrated effort by conservative groups to discredit the organizations work.

Before that, ACORN had most prominently been in the news for allegations of voter-registration fraud in as many as 12 states. Critics say ACORN and its related Project Vote, a nationwide voter registration drive, essentially ran a thinly veiled effort to push Democratic candidates and recruit new dues-paying ACORN members. ACORN workers in several states have been arrested in connection with voter-registration fraud, and the organization itself is charged with registration-related crimes in Nevada.

An internal report by an ACORN attorney raised questions about whether the tax-exempt registration drive, which is not allowed to take part in politics, was kept separate from other allowable political activities by ACORN groups.

According to an October story in The New York Times, ACORN lawyer Elizabeth Kingsley "found that the tight relationship between Project Vote and Acorn made it impossible to document that Project Vote's money had been used in a strictly nonpartisan manner. Until the embezzlement scandal broke last summer, Project Vote's board was made up entirely of Acorn staff members and Acorn members. Ms. Kingsley's report raised concerns not only about a lack of documentation to demonstrate that no charitable money was used for political activities but also about which organization controlled

strategic decisions.”