

DOCUMENT RESUME

07118 - [B2687737] (Restricted)

[Internal Revenue Service Audits of Grass-Roots Lobbying Expenses]. B-137762. November 9, 1977. 5 pp.

Report to Jerome Kurtz, Commissioner, Internal Revenue Service; by Richard L. Fogel, Associate Director, General Government Div.

Contact: General Government Div.
Organization Concerned: Federal Power Commission.
Authority: Internal Revenue Code, sec. 162.

Testimony presented before the Congress on proper accounting for corporate expenses for political advertising indicated that energy-related industries may be improperly treating costs associated with political advertising and that questionable tax deductions may be occurring. A GAO report expressed a similar concern, but the Internal Revenue Service (IRS) has taken little action to improve guidance to taxpayers and to its auditors in this regard. IRS should: clarify existing regulations in the area of political advertising and grass-roots lobbying, systematically test the practices followed by industry groups in the area of advertising and lobbying expenses to determine possible noncompliance and corrective action, provide more specific audit criteria for IRS agents, and develop additional guidance for auditors to follow in separating grass-roots lobbying and advertising expenses from allowable deductions. (HTW)