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Association for Honest Attorneys loses exemption

The Tax Court has confirmed the action of the Internal Revenue Service in retroactively revoking the 501(c)(3) charitable status of the Association for Honest Attorneys. The IRS had determined that the Association had been operating primarily for the private benefit of its founder as far back as January 1, 2010 and not in the public interest.

The Tax Court had recently affirmed the imposition of more than \$88,000 in excess benefit taxes on the founder for personal expenditures over three years. (See *Nonprofit Issues*®, Vol. XXVIII, No. 1)

The organization was first granted a charitable exemption in 2003 for the purpose of improving the legal system, saving people money, keeping attorneys honest, and seeking justice for all. During 2010, 2011, and 2012, its founder Joan Farr provided assistance to individuals with respect to legal matters, produced a quarterly newsletter, maintained a website in the Association's name, and paid certain of her personal expenses with corporate money, including paying for the exhumation and DNA testing of the remains of her father.

In 2010, the founder was enjoined from the unauthorized practice of law for assisting clients with legal matters and from violating the Kansas Consumer Protection Act. She nevertheless continued to advise individuals on legal matters.

The Court said it was the Association's obligation to establish that the determination of the IRS was erroneous, but that it failed to do so. On the administrative record that formed the basis of the action, the Court found that during 2010, 2011, and 2012 the net earnings of the Association inured to Ms. Farr's personal benefit and that more than an insubstantial part of the Association's activities furthered nonexempt, private purposes. (*Association for Honest Attorneys v. Commissioner*, T.C. Memo. 2018-41, 4/3/18.)