The Honorable Janet L. Yellen  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

The Honorable Daniel Werfel  
Commissioner  
Internal Revenue Service  
1111 Constitution Avenue, NW  
Washington, D.C. 20224

Dear Secretary Yellen and Commissioner Werfel:

On October 7, 2023, the world witnessed a barbaric attack by Hamas targeting innocent civilians in Israel. In the weeks since, horrific terror attacks on Israel have continued. Today, we write with grave concern about the shocking rise of antisemitism on college campuses that has at times turned violent. We are also concerned that tax-exempt charities operating in the U.S. may be providing support, encouragement, and potential financial aid to terrorist organizations, such as Hamas, and other affiliated groups.

To take a closer look into these concerns, the U.S. House Committee on Ways and Means (“the Committee”) held a hearing on November 15, 2023, titled “From Ivory Towers to Dark Corners: Investigating the Nexus Between Antisemitism, Tax-Exempt Universities, and Terror Financing.”\(^1\) The hearing highlighted alarming financial links between U.S. based tax-exempt charities and Hamas, as well as other financiers of terrorism.\(^2\) During the hearing, we heard concerns from witnesses that there may be several tax-exempt charitable organizations operating in the U.S. that enlist individuals who were formerly associated with charities previously designated by the U.S. Department of the Treasury (“Treasury Department”) as terrorist

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organizations. Moreover, the witnesses believe these new charities are suspected of having their own financial ties to terrorist organizations like Hamas.

In the early 2000s, the Treasury Department, with the help of other government agencies, investigated and identified several U.S. tax-exempt charities suspected of funneling money to terrorist organizations. These charities include the Holy Land Foundation and KindHearts for Charitable Development (“KindHearts”). They were ultimately shut down in 2001 and 2006 respectively, and designated as terrorist organizations. Before the U.S. government was able to shut these charities down, these groups actively sought donations from Americans and redirected resources to terrorist organizations. For example, the Holy Land Foundation funneled $12.4 million from American taxpayers to Hamas. In 2001, the Treasury Department reported that these funds were, “used by Hamas to support schools that serve Hamas ends by encouraging children to become suicide bombers and to recruit suicide bombers by offering support to their families.”

Eight years after the Holy Land Foundation was shut down, the Department labeled KindHearts as the “progeny” of the Holy Land Foundation.

Today, it appears that members of these now-defunct charities are reorganizing and forming new U.S.-based charities that may be seeking to take advantage of well-intentioned Americans by redirecting their money to support terrorist organizations like Hamas. We want to be sure there are not tax-exempt groups in the U.S. now that are operating like the Holy Land Foundation.

In Part 7, Chapter 20, Section 6 of the Internal Revenue Manual—the official employee instruction manual for the Internal Revenue Service (“IRS”)—employees of the Tax Exempt and Government Entities division are directed to review every application for tax-exempt status for “involvement in terrorism and heightened risk of diversion of funds to terrorism.” If indicators are found, employees fill out Form 14503, the Potential Terrorism Connection Checksheet, and an Anti-Terrorism Coordinator reviews the form and makes a recommendation. The Internal Revenue Manual also states that the Anti-Terrorism Coordinator keeps an archive of all Forms 14503. We are concerned that there are U.S.-based organizations with ties to Hamas that were able to evade the anti-terrorism efforts of the IRS and gain tax-exempt status.

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3 Id.
4 Id.
6 Id.
7 Id.
12 Id.
13 Id.
According to Dr. Jonathan Schanzer—a former Treasury Department official and counterterrorism financing expert—these organizations have been able to organize without government oversight in the past decade.\textsuperscript{14} At the Committee’s November 15 hearing, Dr. Schanzer said:

That in the 2000s at the height of the war on terror, we were doing a very good job of making sure that the nonprofit sector was not leaking into the world of terrorism. In the last ten or twelve years we have seen a significant drop off in actions taken against 501(c)(3)s here at home…But I think we have probably lost the scent on a lot of them.\textsuperscript{15}

In addition, Dr. Schanzer asserted that the Treasury Department seems focused on terror financing abroad, leaving the U.S. Department of Justice and the Federal Bureau of Investigation to track domestic organizations with ties to terrorist organizations.\textsuperscript{16} There are concerns that law enforcement and intelligence agencies have not focused their efforts on Hamas as a direct threat.\textsuperscript{17}

Charities in the U.S. that may be funneling financial support to barbaric terrorists while they simultaneously reap the benefits of the U.S. tax code deserve to be punished – not rewarded. We encourage you to rededicate the efforts of the Treasury Department and IRS to ensure the national security of our financial system and prevent tax-deductible funds from being used to provide material support to terrorist organizations. To quote Dr. Schanzer at the Committee’s November 15 hearing: “Americans need to know who they’re giving their nonprofit dollars to. And if they don’t, they run the risk of possibly supporting something that they don’t want to support.”\textsuperscript{18}

Due to the grave nature of these concerns, we request a briefing to better understand the current practices of the Treasury Department and the IRS to identify support for terrorism in the tax-exempt sector. We also request that the briefing addresses the following questions:

1. Is the Treasury Department, in coordination with other U.S. government agencies, actively monitoring U.S.-based tax-exempt charitable organizations with suspected ties to Hamas or affiliated terrorist organizations? If so, please explain.


\textsuperscript{16} Id.


2. Is the Treasury Department, in coordination with other U.S. government agencies, investigating any U.S.-based tax-exempt charitable organization whose employees previously worked for an organization that was deemed a terrorist organization? If so, please explain.

3. What actions is the Treasury Department taking to ensure no U.S. financial or material support flows to designated terrorist organizations?

4. How many IRS Forms 14503 have been completed in the past ten years?

5. How many applications for tax-exempt status have been denied because of potential involvement in or risk of terrorism?

6. What additional tools can Congress provide to improve the Treasury Department’s and the IRS’s efforts to identify and investigate U.S.-based tax-exempt organizations that use a charitable front to mask their material support for designated terrorist organizations?

The briefing should be scheduled as soon as possible, but no later than February 13, 2024. Please contact Sean Clerget of the Ways and Means Committee Majority staff at 202-225-3625 and Andrew Grossman of the Ways and Means Committee Minority staff at 202-225-4021 to arrange the briefing. Thank you for your time and attention to this important inquiry.

Sincerely,

Jason Smith
Chairman
Committee on Ways and Means

Vern Buchanan
Chairman
Subcommittee on Health

Adrian Smith
Chairman
Subcommittee on Trade

Mike Kelly
Chairman
Subcommittee on Tax

Mike Thompson
Ranking Member
Subcommittee on Tax

Danny K. Davis
Ranking Member
Subcommittee on Work and Welfare

Brad Schneider
Member of Congress

Jimmy Panetta
Member of Congress