

Meghan Biss Comments on NRA and Membership Organizations

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Recent board turmoil and financial struggles at the National Rifle Association (NRA) appear to have come to a boil in a lawsuit claiming financial improprieties so west that the New York Attorney General's Office is seeking dissolution of the 149-year-old organization.

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"It doesn't matter if you're a membership organization or receiving contributions, grants, etc., you've been entrusted with these assets to use for your exempt purposes, which do not include enrichment of people in charge," said Meghan Biss, an attorney with the exempt organizations practice with Washington, D.C.-based Caplin & Drysdale and a former technical advisor to the director of the Exempt Organizations at the IRS. Abuse of an organization's mission, damages fundraising for the mission and misuses members' contributions, she said.

In general, the rules about how an organization's funds are supposed to be spent, there's a prohibition against private inurement, with a penalty and excise tax for excessive benefit transactions. Executives can receive reimbursement of "reasonable expenses or payments" that are not in violation of the IRS code, she said, but the issue becomes a problem when an officer or director starts to receive payments outside of a reasonable level that are not approved.

A recent tax form indicated the NRA had 76 board members. "That's a very large board," Biss said. Actions asserted in the AG's complaint reflected on a small number of individuals and board policies, matter," Biss said. "State regulators can and do look at them and see if they're being followed," she said.

"An organization that is large, has funds, with people at the top who can direct funds toward their own benefit—that's a nonpartisan thing. It can happen to any organization that does not have proper governance roles," she said.

For the full article, please visit *The NonProfit Times'* website.

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