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Attachments: Paul_Krugman_Today's_Austerity_Policies_Based_On_'A_Mythical_70s_That_Never_Was'_Paul_Krugman_Huff_Post_05_19_2013.pdf;
The_Future_of_Green_Building_May_Be_Closer_than_You_Think_UP.Wharton_April_2013.pdf;
Michelle_Obama_Graduation_Speech_Transcript,_Bowie_State_University_May_17,_2013.pdf;
President_Obama's_Morehouse_Commencement_Speech_TRANSCRIPT_May_19,_2013.pdf;
Obama_and_Nixon,_A_Historical_Perspective_Robert_F_Kennedy_Jr_NYT_May_20,_2013.pdf;
The_7_Craziest_Things_About_Apple_Tax_Avoidance_Strategy_Huff_Post_May_22,_2013.pdf;
The_1_Chart_That_Reveals_Just_How_Grossly_Unfair_The_Unfair_The_US_Tax_System_Has_Become_Mark_Gongloff_Huff_Post_05_21_13.pdf; 1a-subcommittee-memo-on-offshore-profit-shifting-apple_Senator_Carl_Levin_May_21,_2013.pdf;
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Dear Friends.....

First Lady Michelle Obama received a rock star's welcome a week ago Friday, when she took the podium at Bowie State's commencement ceremony. Having watched a bit of her speech on last Friday's **ABC News** program, I decided to watch the entire speech on Sunday afternoon and all that I can tell you is that everyone should do the same. In her 15-minute address, the First Lady touched on the university's founding in 1865 to train black teachers; the difficulties confronted by black students after emancipation from slavery and during the civil rights movement; and the sacrifices made by her own parents, who were not college graduates. *"I am thinking about all the mothers and the fathers just like my parents, who dug into pockets for their last dime,"* the First Lady said. *"Their sacrifice is your legacy."*

Located in suburban Washington, Bowie State has about 5,400 undergraduate and graduate students. The university invited the first lady to speak and moved its commencement to the University of Maryland's College Park campus to accommodate a crowd of thousands, which greeted the first lady with a standing ovation. Speaking to about 600 graduates at the University of Maryland's Comcast Center in College Park. The First Lady spoke of the importance of a good education and their responsibility after graduation for helping others achieve the same goal. *"Be an example of excellence for the next generation,"* she said, doffing a black cap and gown. *"Do everything you can to help them understand the power and purpose of good education."*



Weblink: <http://abcnews.go.com/Politics/video/commencement-speech-addresses-2013-michelle-obama-bowie-state-19203266#.UZISnO11x5A.email>

The First Lady: “For generations, in many parts of this country, it was illegal for black people to get an education. Slaves caught reading or writing could be beaten to within an inch of their lives. Anyone — black or white — who dared to teach them could be fined or thrown into jail. And yet, just two years after the Emancipation Proclamation was signed, this school was founded not just to educate African Americans, but to teach them how to educate others. It was in many ways an act of defiance, an eloquent rebuttal to the idea that black people couldn't or shouldn't be educated. And since then, generations of students from all backgrounds have come to this school to be challenged, inspired and empowered. And they have gone on to become leaders here in Maryland and across this country, running businesses, educating young people, leading the high-tech industries that will power our economy for decades to come.”

Later in the speech....

The First Lady: “But today, more than 150 years after the Emancipation Proclamation, more than 50 years after the end of “separate but equal,” when it comes to getting an education, too many of our young people just can't be bothered. Today, instead of walking miles every day to school, they're sitting on couches for hours playing video games, watching TV. Instead of dreaming of being a teacher or a lawyer or a business leader, they're fantasizing about being a baller or a rapper. [Applause] Right now, one in three African American students are dropping out of high school. Only one in five African Americans between the ages of 25 and 29 has gotten a college degree — one in five. But let's be very clear. Today, getting an education is as important if not more important than it was back when this university was founded. Just look at the statistics. [Applause] People who earn a bachelor's degree or higher make nearly three times more money than high school dropouts, and they're far less likely to be unemployed. A recent study even found that African American women with a college degree live an average of six and a half years longer than those without. And for men, it's nearly 10 years longer. So yes, people who are more educated actually live longer. So I think we can agree, and we need to start

feeling that hunger again, you know what I mean? [Applause] We need to once again fight to educate ourselves and our children like our lives depend on it, because they do.”

Whether you like her husband or not, Michele Obama has been a shining light and example to us all. She embodies grace, wit and intelligence. The First Lady praised the students for crossing the finish line, pointing out that only one in five African Americans between the age of 25 and 29 have received their college degree. That's why the First Lady is urging the new grads to serve as role models. *"No matter what career you pursue, every single one of you has a role to play as educators for young people,"* she said.

Mrs. Obama specifically singled out Audrey Lugmayer, who pushed through personal adversity to get her degree. "It's a great honor to have her tell my story," Lugmayer said. "There are so many other stories like mine, so it was great to have her use it as an example of hard work. Most of all the First Lady urged her audience to give back to the community — make similar sacrifices to enable future generations to follow in their footsteps. First Lady: "The folks who, as the poet Alice Walker once wrote, "Knew what we must know without knowing a page of it themselves." Their sacrifice is your legacy. Do you hear me? And now it is up to all of you to carry that legacy forward, to be that flame of fate, that torch of truth to guide our young people toward a better future for themselves and for this country. And if you do that, and I know that you will, if you uphold that obligation, then I am confident we will build an even better future for the next generation of graduates from this fine school and for all of the children in this country because our lives depend on it. I wish you Godspeed, good luck. I love you all. Do good things. God bless." Again, I urge everyone to download the above weblink to see the speech, as our First Lady..... is a serious Class Act and in a league of her own.....

As President Kennedy once famously said at a Press Conference in France on June 2, 1961, *"I do not think it altogether inappropriate to introduce myself to this audience. I am the man who accompanied Jacqueline Kennedy to Paris. And I enjoyed it."* After First Lady Michele Obama's inspiring commencement speech at Bowie State University a week ago Friday, the President could have started his commencement speech two days later at Morehouse University along the same lines with something like, *"I am the man who was inspired by Michele Obama to speak to you today."* As such, I urge everyone to see the President's speech via the web link below or read the attached transcript as its message is both inspirational and universal....



Website: http://www.youtube.com/watch?feature=player_embedded&v=e50Tt9qJRQk&noredirect=1

President Barack Obama, in a soaring commencement address on work, sacrifice and opportunity, told graduates of Morehouse College Sunday to seize the power of their example as black men graduating from college and use it to improve people's lives. Noting the Atlanta school's mission to cultivate, not just educate, good men, Obama said graduates should not be so eager to join the chase for wealth and material things, but instead should remember where they came from and not *"take your degree and get a fancy job and nice house and nice car and never look back."*

"So yes, go get that law degree. But if you do, ask yourself if the only option is to defend the rich and powerful, or if you can also find time to defend the powerless," Obama declared. *"Sure, go get your MBA, or start that business, we need black businesses out there. But ask yourself what broader purpose your business might serve, in putting people to work, or transforming a neighborhood."* *"The most successful CEOs I know didn't start out intent on making money - rather, they had a vision of how their product or service would change things, and the money followed,"* he said. For those headed to medical school, Obama said *"make sure you heal folks in underserved communities who really need it, too."* He asked those headed to law school to think about defending the poor.

At Morehouse, Obama also urged graduates to *"inspire those who look up to you to expect more of themselves."* As America's first black president addressing a predominantly black audience, Obama also talked about his personal story, growing up without a father he wished had been around and involved, and his desire to be a better father to daughters Malia and Sasha than his father was to him.

"We know that too many young men in our community continue to make bad choices," he said. *"Growing up, I made quite a few myself. Sometimes I wrote off my own failings as just another example of the world trying to keep a black man down. I had a tendency sometimes to make excuses for me not doing the right thing. But one of the things that all of you have learned over the last four years, is there's no longer any room for excuses."*

"I understand there's a common fraternity creed here at Morehouse: excuses are tools of the incompetent, used to build bridges to nowhere and monuments of nothingness," he said. *"Well, we've got no time for excuses - not because the bitter legacies of slavery and segregation have vanished"*

entirely; they haven't. "Not because racism and discrimination no longer exist; we know those are still out there," he added. "It's just that in today's hyper-connected, hyper-competitive world, with millions of young people from China and India and Brazil, many of whom started with a whole lot less than all of you did, all of them entering the global workforce alongside you, nobody is going to give you anything that you haven't earned." "And moreover," the president said, "you have to remember that whatever you've gone through pales in comparison to the hardships previous generations endured - and they overcame, and if they overcame them, you can overcome them too."

"My job, as President, is to advocate for policies that generate more opportunity for everybody -- policies that strengthen the middle class and give more people the chance to climb their way into the middle class. Policies that create more good jobs and reduce poverty, and educate more children, and give more families the security of health care, and protect more of our children from the horrors of gun violence. That's my job. Those are matters of public policy, and it is important for all of us -- black, white and brown -- to advocate for an America where everybody has got a fair shot in life. Not just some. Not just a few."

"But along with collective responsibilities, we have individual responsibilities," the President said. "As Morehouse Men, you now wield something even more powerful than the diploma you're about to collect -- and that's the power of your example. So what I ask of you today is the same thing I ask of every graduating class I address: Use that power for something larger than yourself." "And finally, as you do these things, do them not just for yourself, but don't even do them just for the African American community. I want you to set your sights higher," President Obama said. "It's not just the African American community that needs you. The country needs you. The world needs you."

And although this may not be the President's greatest speech, its message follows a consistent theme to think beyond one's self and work for the greater good for all....

In today's ADS culture where public attention can be gauged in nano-seconds, we can never mention the economic inequality to much. Since 1979 the income gap between people with college or graduate degrees and people whose education ended in high school has grown. Broadly speaking, this is a gap between working-class families in the middle 20 percent (with incomes roughly between \$39,000 and \$62,000) and affluent-to-rich families (say, the top 10 percent, with incomes exceeding \$111,000).

This skills-based gap is the inequality most Americans see in their everyday lives. And the top 1 percent income averages \$1.6 million (with a bottom threshold of about \$367,000).

Conservatives don't typically like to talk about income inequality. It stirs up uncomfortable questions about economic fairness. (That's why as a candidate Mitt Romney told a TV interviewer that inequality was best discussed in "quiet rooms.") On those rare occasions when conservatives do bring it up, it's the skills-based gap that usually draws their attention, because it offers an opportunity to criticize our government-run system of public education and especially teachers' unions. Concurrently, Liberals resist talking about the skills-based gap because they don't want to tell the working classes that they're losing ground because they don't have the right expertise. Conservatives say that Liberals prefer to focus on the 1 percent-based gap. Conceiving of inequality as something caused by the very richest people has obvious political appeal to a larger constituency.

But the real problem is that the global market economy today in America has enabled giant corporation, to hold the government and citizens up for ransom -- eliciting subsidies and tax breaks from countries concerned about their nation's "competitiveness" -- while sheltering their profits in the lowest-tax jurisdictions they can find. Adding to this is the fact that labor is now treated as a commodity. As a result, these same corporations are less interested in supporting the institutions that educate and provide the safety-net for American workers. With more than \$2 trillion of profits currently being held outside of the country, and corporations, Wall Street and the top 1 percent asking for more favorable treatment, it is reasonable for the 99 percent to be angry. If we are going to saddle

our college students with massive debts and then ask them to make sacrifices in favor of those less fortunate, the top 1 percent and large corporations should be more than willing to do their part.

The decline of labor unions is what connects the skills-based gap. Reviving labor unions is, sadly, anathema to the right; even many mainstream liberals resist the idea. But if economic growth depends on rewarding effort, we should all worry that the middle classes aren't getting pay increases commensurate with the wealth they create for their bosses. Bosses aren't going to fix this problem. That's the job of unions, and finding ways to rebuild them is liberalism's most challenging task. A bipartisan effort to revive the labor movement is hardly likely, but halting inequality's growth will depend, at the very least, on liberals and conservatives better understanding each other's definition of where the problem lies. And to get things started, I support a substantial jobs program to rebuild the country's infrastructure, as it will generate domestic employment, encourages companies to train domestic workers, slows down the economic inequality and makes the country as a whole more competitive internationally, leaving a stronger and better country for future generations.

THIS WEEK'S READINGS

In an op-ed this week in the **New York Times**, Robert F. Kennedy Jr. wrote – ***Obama and Nixon: A Historical Perspective*** – that although Republicans, Democrats and all Americans should be outraged by the with the scandals involving the IRS targeting political groups and the FBI's spying on A.P. reporters. The broader public is legitimately concerned. However, in its classic overblown breathlessness at all things Obama, the gleeful Republican leadership is already calling for impeachment and dragging out desperate comparisons to Nixon's Watergate. This, despite caveats from its own sages not to overplay Republican good fortune. "*We overreached in 1998*," Newt Gingrich admitted recently. He counseled restraint to the Tea Party jihadists he helped spawn. Gingrich recalled how the GOP's scandal mongering against Clinton had only amplified Clinton's popularity and cost Republicans the 1998 mid-terms and Gingrich his speakership. But this new generation of hysterical House members immune to that wisdom, are headed straight for the feinting couch in fits of anti-Obama hysteria. Example, Iowa Congressman Steve King offered a shrill algorithm: "*add Watergate and Iran Contra together and multiply by ten*" to calculate the tyrannical evil of the Obama scandals.

As usual, the Fox-fueled GOP narrative swayed the mainstream press. On May 16, Reuters' Jeff Mason interrupted Obama's press conference with Turkish Prime Minister Erdogan to ask the President, "How do you feel about the comparisons by some of your critics with the scandals of the Nixon Administration?" Obama responded with calm contempt; he would leave those comparisons to the journalists. But he urged Mason to "read some history." If Mason takes that advice, here are some of the historical tidbits he might consider.

The difference is that President Richard Nixon was aware that the IRS had audited him in 1961 and 1962 and presumed those audits were politically motivated by the Kennedy White House and his friends and political allies John Wayne and Rev. Billy Graham had endured recent audits by his own IRS, Nixon ordered White House Chief of Staff Bob Haldeman, "*Get the word out, down to the IRS that I want them to conduct field audits on those who are our opponents*," starting with John F. Kennedy's, former campaign manager and White House aide, then Democratic Committee Chairman, Lawrence O'Brien. In 1969 Nixon's people has the IRS set up a special internal arm "*the Activist Organization Committee*" to audit an "*enemies list*" with Senator Ted Kennedy was at the top of that list along with a small army of well-known journalists. The IRS later renamed its political audit squad "*Special Services*" or "*SS*" to keep its mission secret. The SS targeted over 1,000 liberal groups for audits and 4,000 individuals. The SS staff managed their files in a soundproof cell in the IRS basement. On September 27, 1970, Nixon ordered Haldeman to get the IRS to investigate my Uncle

Ted who was then the presumed frontrunner in the 1972 presidential contest, sharing the field with Edmond Muskie and Hubert Humphrey who Nixon also ordered audited.

Nixon personally put White House dirty trickster Tom Charles Huston, former president of the Young Americans for Freedom, in charge of setting up the new IRS "anti-radical squad" to make sure that the laggards in IRS's bureaucracy didn't drop the ball. Huston prepared a 43-page blueprint for Nixon outlining a government agency campaign targeting Nixon's enemies. Uncle Teddy was still at the top. The scheme included tapping phones without warrants, infiltrating organizations that had been critical of the President and, purging IRS agents who refused to tow the Republican line. Huston told the President, "we won't be in control of the government and in a position of effective leverage until such time or we have complete and total control of the top three slots" at the IRS. Nixon also enthusiastically authorized a series of "black bag jobs" including breaking into offices, homes and liberal think tanks like the Ford Foundation and the Brookings Institute which Nixon believed was home to many former Kennedy Administration officials.

In May 1971, Nixon used an IRS investigation of Alabama Governor George Wallace's brother, Gerald Wallace, to pressure Gov. Wallace to run for President on the Democratic ticket as a spoiler rather than on a third party ticket as he planned. The blackmail scheme succeeded and most of Wallace's white male supporters fled to the Republicans after the Democrats nominated civil rights activist George McGovern. Nixon's tactic of having Wallace run as a Democrat was an indispensable element of the White House's "southern strategy". Four months later, on September 8, 1971, Nixon raged at his counsel and Chief Domestic Policy Advisor, John Ehrlichman, about the IRS's lack of progress on finding dirt on his enemies. *"We have the power but are we using it to investigate contributors to Hubert Humphrey, to Muskie, and the Jews? You know they are stealing everybody.... you know they really tried to crucify Ho Lewis [Reader's Digest editor, Hobart Lewis, a Nixon supporter who had been audited]! Are we looking into Muskie's return? Hubert's? Hubert's been in a lot of funny deals. Teddy? Who knows about the Kennedys? Shouldn't they be investigated?"*

The following week he pleaded with Haldeman to light a fire under the IRS. *"Bob, please get me the names of the Jews, you know the Big Jewish contributors of the Democrats.... Could we please investigate those cocksuckers?"* The following day he replayed that tune for Ehrlichman. *"You see the IRS is full of Jews that's the reason they went after Graham."* Haldeman recounted in his diary, *"There was a considerable discussion of the terrible problem arising from the total Jewish domination of the media. Graham has the strong feeling that the Bible says there are Satanic Jews and that's where our problem arises."*

The "Jewish-controlled media" and the "liberal media" were never far from Nixon's limbic system. Nixon also bugged reporters and used bribery, blackmail attempts, forgery, spying, burglary, and extensive bugging by national police agencies and by his own "plumbers squad" to monitor and manipulate the press for political purposes. Many of the top twenty names on Nixon's political enemies list (which eventually included 47,000 Americans) were reporters. They included Daniel Schorr, Mary McGrory, Edwin Guthman and Walter Cronkite. Nixon's staff and agencies bugged their phones, investigated their sex lives, rifled their trash, and had them watched and followed. Nixon directly ordered the investigation of imagined homosexuality by columnist Jack Anderson, a devout, teetotaling Mormon with a happy marriage and nine children.

There is no ambiguity here. Nixon and his aides ran these illegal activities out of the Oval Office at the urging of the President, whereas the current IRS scandal appears to be an office of IRS agents trying to use technology to identify organizations that might be falsely trying to get non-profit designation. Or in the case of Benghazi, massaging an evolving story as oppose to covering up illegal activities. And as for the wire-tapping of AP journalists, these were issued to find out who leaked a high-level CIA asset in Yemen's identification and his supporting network. As Napoleon Bonaparte said, *"never ascribe to malice that which is adequately explained by incompetence."* And calling everything a scandal when it is not, is akin to calling every fire arson. As a supporter of the President, I definitely believe that

both he and members of his Administration have made many mistakes, but trying to compare them to the Nixon Administration's illegal activities is completely wrong.

One of my father's favorite sayings was that *"history is always re-written by the winners."* And since Ronald Reagan's Administration, Republicans have chosen to cherry pick history to support supply-side economics, whereby lower taxes is suppose to grow the economy based on the theory that more money in the people's hands will stimulate the economy more than if used by government. This week in the **Huffington Post** – Paul Krugman: ***Today's Austerity Policies Based On 'A Mythical 70s That Never Was'*** – the article points out that the Nobel-Prize winning economist and **New York Times** columnist wrote in a blog post Sunday that current policymakers are basing their decisions to cut spending, leading in many cases to high unemployment, on the false notion that the recession of the late 1970s and early 1980s was caused by too much government debt and too many government handouts.

During the period leading up to that recession government debt was low and stable or falling as a share of the economy. What actually caused the recession of the late 1970s, Krugman writes, was an unfortunate vicious cycle of workers demanding more money because they expected prices to rise, companies raising prices to pay for their increased costs as well as big oil price shocks. *"It would be bad enough if we were basing policy today on lessons from the 70s,"* Krugman wrote in the blog post Sunday. *"It's even worse that we're basing policy today on a mythical 70s that never was."*

Though Krugman has been criticizing some policymakers' obsession with austerity for years, the strategy has recently come under fire after a widely-cited paper by Harvard economists Carmen Reinhart and Ken Rogoff thought to prove that high levels of government debt correlated with economic downturns, turned out to be riddled with errors. For their part, Reinhart and Rogoff have tried to disown the austerity movement -- which included Rep. Paul Ryan (R-Wis.), the U.K.'s George Osborne and other prominent politicians -- which cited their research as a way to justify their policies.

Earlier this month former President Bill Clinton backed Krugman's argument that a laser-sharp focus on cutting the deficit can lead to high unemployment and other economic problems, saying *"It's obvious that if you overdo austerity, you get Europe."* The average unemployment rate in the Eurozone is at a record 12.1 percent and the region is currently mired in the longest recession in its history. Some experts blame the region's policymakers' obsessive focus on slashing government debt for the eurozone's economic woes. At least in the U.S., it turns out runaway debt may not be as much of a concern as originally thought, despite politicians' panic. The nonpartisan Congressional Budget Office found earlier this month that the deficit is likely to shrink rapidly through 2015. So when most economist believe that generating jobs should be our #1 priority, by using false prior assumptions, it is easy to see why certain politicians are still pushing austerity and supply-side economics which didn't work then and won't work now.

Last month the **University of Pennsylvania's** business school **Wharton** published – ***The Future of Green Building May Be Closer than You Think.*** It starts out that green building (buildings that consume no outside energy are being developed today using existing technology) growth is mushrooming around the world creating markets for green building products and technologies, which in turn will lead to faster growth of green building. And even smaller innovative companies are getting into the game. While considerable attention is being focused on innovative products and technologies -- the means of achieving green building -- another kind of innovation has given birth to an exciting new approach.

The net-zero energy building, or NZEB, focuses less on the means and more on the end result, which is a building or group of structures that generate as much energy as they use. A building's energy

production may be more than it needs at certain periods in time, explains David Riley, professor of architectural engineering at Pennsylvania State University and executive director of the university's Center for Sustainability. But it qualifies as net-zero only if "the meter has not moved by the end of the year." The NZEB approach has been gaining momentum for some time, but in the past few years virtually all the major players -- government agencies, academia, the military, not-for-profits and increasingly the business community -- have become actively engaged in demonstrating the near-term potential of NZEB at residential, community and commercial scales.

The residential challenge is affordability: As part of a research project, The National Institute of Standards and Technology (NIST) recently built a net-zero test home in the Washington, D.C. area. *"This home has all the features and aesthetics you would find in an upscale Washington, D.C. metro home,"* Hunter Fannery, chief of NIST's energy and environment division, told **U.S. News and World Report**. *"There's really nothing exotic about it and nothing that can't be readily done with conventional construction."* But the challenge at the residential level isn't technical; it's financial. Betsy Pettit, president of Building Science Corporation, told Reuters that a house similar to the NIST house, built in Concord, Mass., cost about \$600,000 -- and that didn't include the cost of the land. While it is possible to build a net-zero house for less, it usually means a much smaller building with fewer amenities. According to Pettit, a house that approached net-zero energy use was built for Habitat for Humanity for just \$150,000, but it measured only 1,200 square feet, less than half the size of an average single-family house in the U.S. in 2011.

In an effort to bring NZEB within reach of the average homeowner, the GridSTAR Center, a smart-grid education and research institute at Penn State, is focusing much of its work on the development of an affordable net-zero demonstration house. The goal, says Riley, who is also the principle investigator for the GridSTAR Center, is to create a home that generates all of the energy necessary *"to meet the needs of the house and is a wise investment for the homeowner."* And the first step toward achieving that aim is to make the 2,400 square-foot demonstration house, located at the Philadelphia Navy Yard, as energy efficient as possible. That way, Riley explains, *"It won't need a whole lot energy generation to serve its needs."* None of the energy-saving features in the modular home is exotic and many are installed in the controlled environment of the factory that is making the building components. In addition, since the emphasis is on reducing both construction and operating costs, load-managing appliances are being installed. Homeowners can run these appliances whenever they want, but the appliances advise the owners when electricity is least expensive in the region, and can be programmed by the homeowner to run when the rates are lowest.

The amount of energy that the house generates and consumes at any one time depends on a number of constantly shifting variables -- time of year, time of day, weather conditions and the owner's behavior, to name just a few. On a sunny summer day, when the family is out of the house, the photovoltaic roof shingles (installed at the factory) and the solar thermal collector, which helps provide both hot water and space heat, are likely to generate more energy than the house uses, in effect running the meter backwards. But on a cold winter night, when family members are home cooking and using everything from computers to televisions, the meter is likely to be running in the other direction. The net-zero goal is achieved if at the end of a year, the meter is in the same place that it was at the beginning -- in other words, the net energy use for the year is zero.

One element that is critical to achieving this goal is the 10-kilowatt battery that sits inside the house. It serves two essential purposes. One is as a backup in case the grid ever goes down (according to **Bloomberg Business Week**, 18% of American households have either permanent or portable backup generators, a number that continues to climb as mega-storms like Sandy continue to knock out the grid). The battery's other use is to "level the load," says Riley. *"That battery can charge up at night when the electricity is cheap and deploy during peak times to discharge into the grid. So instead of just sitting there waiting for the grid to go down, this battery can actually generate revenue every day."* And the battery may turn out to be less expensive than it might otherwise have

been. GridSTAR is evaluating the practicality of re-using the 16.5 kilowatt-hour lithium-ion battery pack from a Chevy Volt plug-in hybrid after its useful life in the car is over. (GridSTAR is the first test site for the reuse of a Volt battery in a residential storage application.)

"General Motors engineered the battery to outlast the car," explains Riley. *"The company doesn't want someone to buy a Volt and have to face an expensive battery replacement over the life of the car. But that battery is still going to have some use and discharges left, and it actually has the perfect capabilities to become a community-storage or a residential-scale battery."* The recycling of used hybrid car battery packs for stationary use is also being explored at the University of California, San Diego.

The next net-zero frontier is at the community level: *"At the level of a single home, it's generally not a good investment to have a house that produces a lot more energy than you need,"* Riley states. While utilities may allow a homeowner to run his or her meter backwards at times, very few will actually pay for excess power beyond what the house uses in the course of a year. But things change when a whole community of houses, or a neighborhood of mixed residential and commercial buildings, aims for net-zero. Katrina Managan, of Johnson Control's Institute for Building Efficiency, notes in a recent white paper ("Net Zero Communities: One Building at a Time") that such communities offer two key advantages: economies of scale in energy generation and a mix of buildings with varying occupancy patterns and energy use that can balance the energy load across an entire neighborhood. Communities also have the potential to generate enough excess energy to interest local utilities in negotiating revenue-generating agreements.

Such communities are just starting to appear. Motivated by the need to achieve energy security and independence, the U.S. Army is piloting a net-zero installation at Fort Bliss, located outside of El Paso, Texas. Occupying more than one million acres of land in Texas and New Mexico, and with a total population in excess of 90,000, Fort Bliss is aiming to transform the base into a net-zero energy community by 2015. Balancing budgetary and security concerns, Fort Bliss is modeling various possibilities, ranging from a waste-to-energy system, using the waste from the city of El Paso, to a geothermal plant, to be used in conjunction with energy-efficiency projects and load-balancing solutions, such as solar photovoltaics.

Outside of the military, the largest net-zero energy community in the U.S. is already nearing its goal of generating on site all of the energy used in its residential, community and commercial spaces. When completed, the West Village at the University of California, Davis, will include a village square and a network of open spaces, parks, gardens, pathways and courtyards; housing for 3,000 students, faculty and staff (in 662 apartments and 343 single-family homes); 42,500 square feet of commercial space; a recreation center; and eventually, a preschool/day care center. As with the Grid STAR demonstration house, the first concern at West Village was energy efficiency. The roof uses solar-reflective material and radiant barrier sheathing, and thick 2" x 6" exterior walls add an extra level of insulation. Other architectural features, such as roof overhangs and window sunshades, combine with high-efficiency lighting, air conditioning units and appliances to reduce energy consumption to 50% below what would normally be expected if the buildings were simply built to code. A four-megawatt photovoltaic system, including rooftop solar installations and solar canopies over parking areas, is designed to meet the needs of the first 1,980 apartment residents and commercial spaces. After that, the plan calls for a biogas generator, based on technology developed at UC Davis, which will convert dormitory table scraps, animal waste from the campus dairy and plant waste from agricultural research fields into electricity.

Residents also play a key role, and are being given access to a web-based tool that enables energy use monitoring by unit. And a smartphone app lets residents turn off lamps and plugged-in electronics remotely. A little more than a year into the project and about halfway toward its target population of 3,000, West Village appears to be on track to achieve zero net energy use in 2013. The preliminary data is promising but not definitive, according to developer Carmel Partners of San Francisco. The

solar panels are performing as expected and residents are using the anticipated amount of electricity. Efforts are underway to educate those residents whose energy use is higher than average on ways to reduce consumption. All of this comes at a cost, however. In addition to \$300 million invested by West Village Community Partnership, a joint venture of Carmel Partners of San Francisco and Urban Villages of Denver, the project received nearly \$7.5 million in federal and state energy research grants. And apartment rents are said to be at the high end of the Davis market.

As you can see green building is the future, with an increasing number of projects being developed each month here and abroad, developing concepts and tools that are making net-zero communities a reality. For more information please feel free to read the attached complete study by **Knowledge@Wharton**.

With politicians in Washington fighting over the top rate on personal incomes, companies are avoiding hundreds of billions in taxes by shifting profits through a complex web of subsidiaries to low-tax offshore tax havens and parking more than \$1.6 trillion internationally. The most recent example is Apple with headquarters in Cupertino, California set up subsidiaries which have no employees in places like Ireland, in effect, make them stateless — exempt from taxes, record-keeping laws and the need for the subsidiaries to even file tax returns anywhere in the world. All came to light on Tuesday when Apple's Chairman, Tim Cook spoke before a Congressional Committee to push for tax reform that would benefit American companies with international operations/subsidiaries.

In a 40-page memorandum released the day before by the **Senate's Permanent Subcommittee for Investigations** identified three subsidiaries which had no "tax residency" in Ireland, where they are incorporated, or in the United States, where company executives manage those companies and somehow which has a Cork, Ireland mailing address that received \$29.9 billion in dividends from lower-tiered offshore Apple affiliates from 2009 to 2012, comprising 30 percent of Apple's total worldwide net profits — paying no taxes. The findings about Apple were remarkable both for the enormous amount of money involved and the audaciousness of the company's assertion that its subsidiaries are beyond the reach of any taxing authority.

Mr. Cook argued that some of Apple's largest subsidiaries do not reduce Apple's tax liability, and to press for a sweeping overhaul of the United States corporate tax code — in particular, by lowering rates on companies moving foreign overseas earnings back to the United States top Apple's offshore network is a subsidiary named Apple Operations International, which is incorporated in Ireland — where Apple had negotiated a special corporate tax rate of 2 percent or less in recent years — but keeps its bank accounts and records in the United States and holds board meetings in California. Because the United States bases residency on where companies are incorporated, while Ireland focuses on where they are managed and controlled, Apple Operations International was able to fall neatly between the cracks of the two countries' jurisdictions.

Investigators have not accused Apple of breaking any laws and the company is hardly the only American multinational to face scrutiny for using complex corporate structures and tax havens to sidestep taxes. In recent months, revelations from European authorities about the tax avoidance strategies used by Google, Starbucks and Amazon have all stirred public anger and spurred several European governments, as well as the Organization for Economic Cooperation and Development, a Paris-based research organization for the world's richest countries, to discuss measures to close the loopholes. Apple currently assigns more than \$100 billion to offshore subsidiaries.

"Apple wasn't satisfied with shifting its profits to a low-tax offshore tax haven," said Senator Carl Levin, a Michigan Democrat who is chairman of the Senate Permanent Subcommittee on Investigations that is holding the public hearing Tuesday into Apple's use of tax havens. *"Apple successfully sought the holy grail of tax avoidance. It has created offshore entities holding tens of billions of dollars while claiming to be tax resident nowhere."* Thanks to what lawmakers called "gimmicks" and "schemes," Apple was able to largely sidestep

taxes on tens of billions of dollars it earned outside the United States in recent years. Last year, international operations accounted for 61 percent of Apple's total revenue.

While Apple's strategy is unusual in its scope and effectiveness, it underscores how riddled with loopholes the American corporate tax code has become. At the same time, it shows how difficult it will be for Washington to overhaul the tax system. Over all, Apple's tax avoidance efforts shifted at least \$74 billion from the reach of the Internal Revenue Service between 2009 and 2012, the investigators said. That cash remains offshore, but Apple, which paid more than \$6 billion in taxes in the United States last year on its American operations, could still have to pay federal taxes on it if the company were to return the money to its coffers in the United States. John McCain of Arizona, who is the panel's senior Republican, said: "*Apple claims to be the largest U.S. corporate taxpayer, but by sheer size and scale, it is also among America's largest tax avoiders.*"

The Senate investigators also found evidence that the company turned over substantially less money to the government than its public filings indicated. While the company cited an effective rate of 24 to 32 percent in its disclosures, its effective tax rate was 20.1 percent, based on the committee's findings. And for a company of Apple's size, the resulting difference was substantial — more than \$8 billion in 2009, 2010 and 2011. As a result of these strategies, Washington is forced to rely more and heavily on payroll taxes and individual income taxes to finance the government's operations. For example, in 2011, individual income taxes contributed \$1.1 trillion to federal coffers, while corporate taxes added up to \$181 billion.

But the Big Ugly is the hogwash that Tim Cook publicly said to defend his company's practices. "*We pay all the taxes we owe, every single dollar. We not only comply with the laws, but we comply with the spirit of the laws. We don't depend on tax gimmicks. We don't move intellectual property offshore and use it to sell our products back to the United States to avoid taxes. We don't stash money on some Caribbean island. We don't move our money from our foreign subsidiaries to fund our U.S. business in order to skirt the repatriation tax.*" "There is a technical term economists like to use for behavior like this," said Edward Kleinbard, a law professor at the University of Southern California in Los Angeles and a former staff director at the Congressional Joint Committee on Taxation. "*Unbelievable chutzpah.*" **The other Big Ugly** was that Mr. Cook initial came to Washington to lobby for additional tax breaks before.

Tuesday's hearing is the second to be held by Senator Carl Levin, a Michigan Democrat and chairman of the subcommittee, to shed light on the weaknesses of the U.S. corporate tax code. Levin has sought to overhaul the code in Congress. Lawmakers globally are closely scrutinizing the taxes paid by multinational companies. In Britain, Google faces regulatory inquiries over its own tax policies, while Hewlett-Packard Co and Microsoft Corp have been called to Capitol Hill to answer questions about their own practices. Corporations must pay the top U.S. 35-percent corporate tax on foreign profits, but not until those profits are brought into the United States from abroad. This exception is known as corporate offshore income deferral. Large U.S. companies boosted their offshore earnings by 15 percent last year to a record \$1.9 trillion, avoiding hefty tax bills by keeping the profits abroad, according to research firm Audit Analytics.

The final Big Ugly, is that this is part of the rigging of the system, as more than half of Apple's shares are owned by its top 50 investors. And although many of these investors are pension and mutual funds, (ostensibly resenting workers and small investors), the executives and managers of these institutions receive generous (if not egregious) compensation, as well as inside market makers and rich investors further widen the economic inequality between the Top 1% and the rest of America.

Leading up to Apple CEO Tim Cook's Congressional testimony on his company's dubious-if-legal tax strategies, the **Huffington Post** posted — **7 Craziest Things About Apple's Tax Avoidance Strategy** — to critiqued the 40-page memorandum released Senate's Permanent Subcommittee for Investigations.

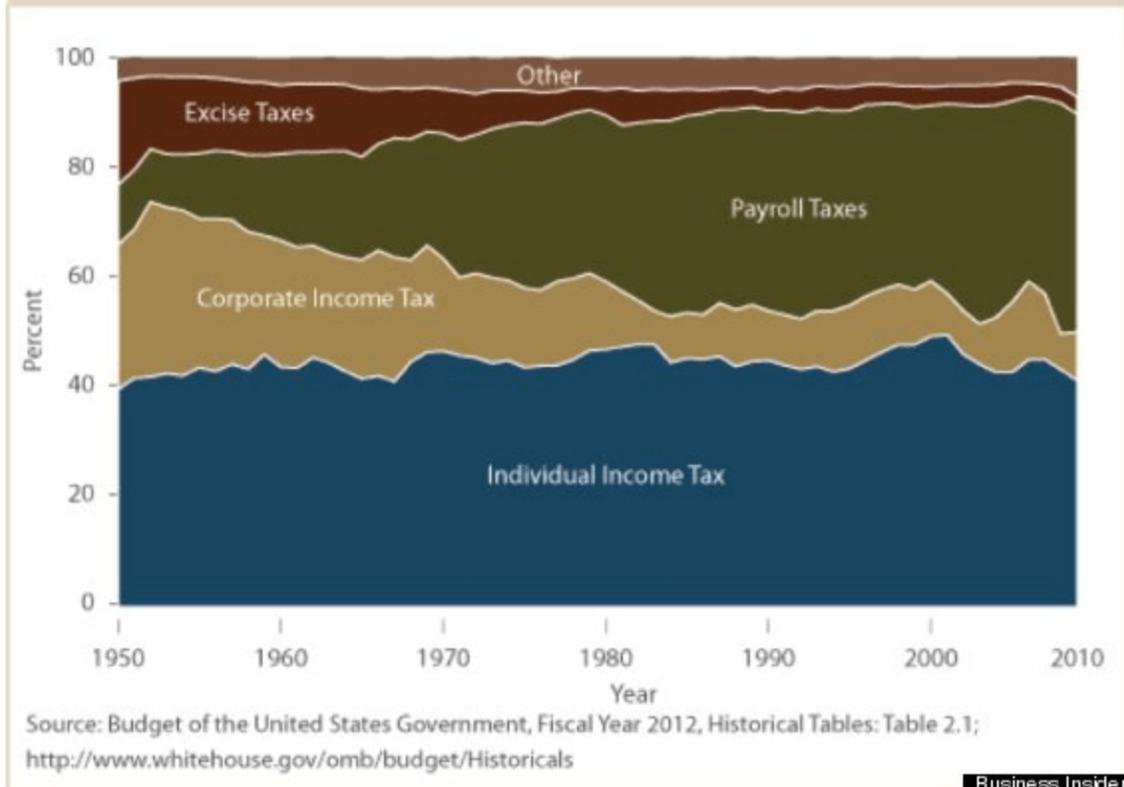
1. Almost all of Apple's foreign operations are run through an Irish company with no employees.

2. Apple pays 2%—or less—in corporate income tax in Ireland.
3. Apple Operations International, which provided 30% of Apple’s worldwide net profits from 2009 to 2011, doesn’t pay taxes anywhere.
4. Apple’s US profits keep ending up in Ireland, too.
5. Most of the \$102 billion Apple is keeping “overseas” is in US banks.
6. The magic of “check-the-box” makes whole companies disappear
7. Apple is seemingly terrible at estimating its own taxes

In annual reports between 2009 and 2011, the company told investors it was setting aside \$13.7 billion to pay federal taxes — but it has actually paid only \$5.3 billion. Those set-asides are only advance estimates, but it’s pretty strange that each year they’re off by many billions of dollars. As a result, Apple’s actual US tax rate is only 20.1%, much lower than the 24% to 32% it said it was paying. Absent this congressional investigation, we wouldn’t know the difference.

And as Mark Gongloff wrote in the **Huffington Post** — *The 1 Chart That Reveals Just How Grossly Unfair The U.S. Tax System Has Become* — shows is how dramatically corporate tax contributions have shrunk in the past several decades, and how our personal taxes have risen to fill the gap. Payroll taxes now make up 35 percent of all federal government tax receipts, up from 11 percent in 1950. Corporate income taxes, meanwhile, now make up less than 10 percent of federal revenue, down from about 26 percent in 1950. To explain those numbers a little more clearly: people who are on the payrolls of companies now bear way more of a tax burden than those companies bore decades ago. Those companies, meanwhile, bear less of a burden than we ever did. And this doesn’t include individual income tax, which accounts for about 46 percent of total federal tax receipts, roughly the same as 60 years ago.

Figure 2. Sources of Federal Revenue, Fiscal 1950-2010



And the total corporate contribution to federal revenue, including employers' share of payroll taxes, has dwindled from 32 percent in 1950 to about 17 percent today. Employer contributions to payroll taxes make the unfairness of the tax code slightly less unfair, but the trend is still clear and dramatic: Corporations are paying a lot less than they used to.

But echoing both Rand Paul and Tim Cook, we probably should not be so mad at Apple for doing what the law allows. Instead, we should be mad that the law allows Apple and other companies to keep billions of dollars of cash offshore and out of the government coffers, where it could be helping the unemployed and our crumbling infrastructure and such. Another thing we can get mad about is how the "corporate tax reform" that Cook and other corporate leaders are always banging on about will actually serve to make it so companies pay even less in taxes than they do now.

In addition to Apple, there is a growing number of companies employing complex aggressive strategies to shelter billions of dollars in overseas income. In an article this week in the **New York Times** — **The Corporate Tax Dodge** — Steven Rattner tells the story of American drug maker Actavis which announced that it would spend \$5 billion to acquire Warner Chilcott, an Irish pharmaceuticals company less than half its size. Buried in the fifth paragraph of the release was the curious tidbit that the new company would be incorporated in Ireland, even though the far larger acquirer was based in Parsippany, N.J. The reason? By escaping American shores, Actavis expects to reduce its effective tax rate from about 28 percent to 17 percent, a potential savings of tens of millions of dollars per year for the company and a still larger hit to the United States Treasury. And Actavis is hardly alone in fleeing to lower-tax countries. For example, Eaton Corporation, a diversified power management company based for nearly a century in Cleveland, also became an "Irish company" when it acquired Cooper Industries last year.

Here's the point: As muddled and broken as the individual income tax system may be, the rules under which the government collects corporate levies are far more loophole-ridden and counterproductive. That's not entirely Washington's fault. Unlike individuals, multinational corporations can shuttle profits — and sometimes even their headquarters — around the globe in search of the jurisdiction willing to cut them the best deal on taxes (and often other economic incentives). Much of this occurs under the guise of “*transfer pricing*,” the terms under which one subsidiary of a multinational sells products to another subsidiary. The goal is to generate as high a share of profit as possible in the lowest-taxed jurisdictions. A study by the Congressional Research Service found that subsidiaries of United States corporations operating in the top five tax havens (the Netherlands, Ireland, Bermuda, Switzerland and Luxembourg) generated 43 percent of their foreign profits in those countries in 2008, but had only 4 percent of their foreign employees and 7 percent of their foreign investment located there.

The ultimate consequence is that this new paradigm, it is a race to the bottom on the part of revenue-starved governments eager to attract even a relatively small number of new jobs. As a consequence, the effective corporate tax rate in the United States fell to 17.8 percent in 2012 from 42.5 percent in 1960, according to the Federal Reserve Bank of St. Louis. (The share of federal revenues arriving at the Treasury from companies has fallen even more sharply, in part because an increasing number of businesses are taxed as individuals rather than as corporations.) And this is just not fair at a time of soaring corporate profits and stagnant family incomes.

Business groups, naturally, say the best way to bring jobs and cash home is for Washington to stop taxing profits earned overseas by American companies altogether. But that idea makes little sense. While changing to this “*territorial system*” would allow some of the estimated \$1.7 trillion of cash “*trapped*” overseas to come home free of tax, it would both cost the Treasury an estimated \$130 billion in revenue over the next 10 years and provide greater incentives for American companies to continue to move jobs and production overseas. Happily, the gaming of the tax system is becoming a global concern, with an action plan coming from the Organization for Economic Cooperation and Development in July. Rattner says that the O.E.C.D. should work toward taxing business profits where they actually occur, not where they've been shifted by some tax adviser. As we strive for a global solution, we should take a number of interim steps, including better policing of transfer pricing.

In addition, President Obama has made constructive proposals to reduce the incentive to move jobs overseas by imposing a minimum tax on foreign earnings and delaying certain tax deductions related to overseas investment. Perhaps most provocatively, we should consider taxing a greater share of the profits made by companies not at the corporate level, where they are subject to oh-so-much gaming, but rather at the shareholder level. As corporate taxes have declined, corporate profits have increased. That has pushed up stock prices and been a boon to shareholders. It hardly seems unfair to ask those who already benefit from bargain tax rates on capital gains and dividends to share some of those gains with the government. But when lobbyist are working hand in glove with legislators drafting corporate tax reform it is difficult to believe that the new legislation won't be froth with loopholes and incentives benefiting the same companies that they are suppose to rein in.

It's Not Just One Bad 'Apple'

Earlier this week, a Senate panel investigated how Apple avoided billions in taxes through a web of offshore subsidiaries “so complex it spanned continents and went beyond anything most experts had ever seen.” Although the company may have achieved, in the words of Sen. Carl Levin, the “holy grail of tax avoidance,”

senators didn't accuse Apple of doing anything illegal and it is by no means alone in its use of loopholes and gimmicks to avoid paying taxes.

Here's a list, topped by Apple, of 10 companies that increased their offshore holdings in the past year.

 Inline image 2

The U.S. corporate tax rate is 35 percent — one of the highest in the world — but as *The New York Times* reported yesterday, the effective corporate tax rate (what companies *actually* pay) “fell to 17.8 percent in 2012 from 42.5 percent in 1960,” according to the Federal Reserve Bank of St. Louis. Another chart from the Citizens for Tax Justice shows 10 companies that managed to do much better than average, paying *little or no taxes* for the past five years. Dollar amounts are numbers in millions and “rate” is the effective tax rate that the companies paid.

 Inline image 4

In **The Economist** last week — *Libor in a Barrel* — the article starts out; “IT IS a lesson of the past five years that benchmarks in unregulated markets can fall victim to the incentives they create. Subprime mortgages bundled into securities often won high scores from ratings agencies that stood to profit in a busy market. The London Interbank Offered Rate, LIBOR, was sometimes underestimated by banks which were cast in a healthier light by lower interest rates. Has something similar been going on in energy? Answering this question was the sub-title — ***Oil markets fall under the suspicion of price-fixing on a global scale.*** This suspicion became public after a series of raids on May 14th by the European Commission’s competition authorities. The commission declared that it feared oil companies had “*colluded*” to distort benchmark prices for crude, oil products and biofuels. Royal Dutch Shell, BP, Norway’s Statoil and Italy’s ENI (which was not raided) all said that they were co-operating with the commission. The competition authorities also called on the London offices of Platts, a subsidiary of McGraw Hill, an American publisher and business-information firm, which sets reference prices for these commodities.

As **The Economist** points out that the volumes of oil and products linked to these benchmark prices are vast. Futures and derivatives markets are also built on the price of the underlying physical commodity. At least 200 billion barrels a year, worth in the order of \$20 trillion, are priced off the Brent benchmark, the world’s biggest, according to Liz Bossley, chief executive of Consilience, an energy-markets consultancy. The commission has said that even small price distortions could have a “huge impact” on energy prices. Statoil has said that the commission’s interest goes all the way back to 2002. If it is right, then the sums involved could be huge, too. The authorities are tight-lipped about their focus, but they seem to be examining the integrity of benchmark prices. Each day Platts’s reporters establish a reference price by following the value of public bids and offers during a half-hour “*window*” before a set time—4:30pm in London, for example. This “*Market-on-Close*” (MOC) method is based on the idea that using published, verifiable deals to set the price is more reliable than having reporters ring around their pals, who might be tempted to talk their own books. Platts keenly defends the MOC method. It points out that it ignores bids, offers and deals that are anomalous or suspicious. “*We are not aware of any evidence that our price assessments are not reflective of market value,*” it says, before declaring that it stands behind its method.

Yet such price-setting mechanisms have come in for criticism. The International Organization of Securities Commissions (IOSCO), a grouping of financial regulators, said last year that the potential for false reporting “is not mere conjecture.” Total, a French oil giant that was not raided this week, told IOSCO that benchmark prices were out of line with the underlying market “*several times a year*”. In an investigation into trading by Gunvor, a Swiss-based firm, The Economist wrote last year that the benchmark for Urals oil has sometimes seemed vulnerable to distortion. Nobody knows what, if anything, the present investigation will find. The authorities should be scouring firms’ books for trades within the half-hour window that are offset in the futures markets. Perhaps they will find deals used in Platts’s assessment that are quietly unwound by the oil companies in private. They should also check shipping registers to see that cargoes have actually changed hands, or whether deals are fictitious. If any of these tricks could distort the benchmark by even a few cents, it might create a handy profit on contracts that are priced off it.

Oil consumers have been quick to rage at news of this week’s raids. The belief that oil companies rip off consumers is as unshakable as the idea that Rockefeller was good with money. “*Our members...will be incandescent if what many have long suspected—that is price fixing — proves to be true,*” said Robert Downes, of the Forum of Private Business, a British group that backs small firms. In fact, if there have indeed been price distortions, then these could as well have nudged prices down as forced them up — because oil traders make money on price movements, not just rises. It is a complicated picture and the EU’s competition authorities are likely to take months or years before deciding whether they suspect any oil companies of having committed a crime. Meanwhile, a reform of the oil markets is unlikely to come anytime soon. Despite IOSCO’s fears of price distortion, it backed away from recommending changes — after fierce lobbying from the industry. And this is a problem for everyone....

Humorist Bill Mayer use to have a segment in his **HBO** show, ***Real Time with Bill Mayer*** that he called ***Dispatches From The Bubble***, which highlighted ridiculous positions and comments, as well as stupid behavior by politicians, celebrities, business elite and average folks. One example of this is the hypocrisy whereby Senate Minority Leader Mitch McConnell (R-Ky.), arguing against legislation to require expanded campaign finance disclosure while at the same time asking for full transparency on Benghazi, drone strike policies and other issues that might embarrass the Obama Administration and the Democrats. The senator pointing to the current furor over how the IRS mishandled applications from the Tea Party and other conservative groups for tax-exempt status under Section 501(c)(4) of the Internal Revenue Code — Mr. McConnell wrote that the IRS scandal shows that political donors must be protected from possible “*intimidation*” by the government, that Washington is out to “*target people because of their beliefs.*”

But as the Editorial Board of the **Washington Post** wrote that although such practices are common in other countries but not in the United States, this IRS failure was an exception and not the rule. Meanwhile, the political process is sliding backward toward the practices of the years before the Watergate reforms. More than \$300 million in secret contributions were spent by outside groups in the 2012 presidential and congressional races. In the last cycle, a large share of the hidden cash was channeled through 501(c)(4) tax-exempt organizations. And here’s a key fact that often gets overlooked: Under the rules, these organizations don’t have to disclose their donors to the IRS. Leaving the public in the dark. Secrecy denies vital information to voters about who is contributing to which candidates. Very often, these contributions are made in search of influence on policy. We think openness here is a more valuable public good than is providing a cloak for every fat cat who wants to remain hidden.

Prior to the current hyper-partisanship, both Republicans and Democrats use to agree that disclosure should be a pillar of campaign finance. The in 2010, the Supreme Court’s decision in *Citizens United v. Federal Election Commission* opened the door to unlimited contributions by corporations, wealthy

individuals and labor unions. It should not be forgotten that in *Citizens United* a majority of the court reaffirmed the importance of disclosure. But having won on the issue of contribution limits, many Republicans abandoned their previous support for disclosure. Since then Republicans have blocked every attempt by Congress to enact laws for more transparency.

Now Sen. Ron Wyden (D-Ore.) has joined with a Republican, Sen. Lisa Murkowski of Alaska, to offer a fresh attempt at a bipartisan bill, the Follow the Money Act, which, they declared, will cover “*the full universe of independent political spenders.*” One welcome idea in the bill is real-time electronic reporting and disclosure of contributions. It is not clear whether the mechanism of the bill would deliver the worthy goal of universal coverage, but there is time to hammer out details. TWP: It’s significant that Ms. Murkowski has become the first Republican in a while to sign up for a campaign disclosure bill, and we hope she can persuade others to join her. Rep. Chris Van Hollen (D-Md.) reintroduced the Disclose Act in January, and a version is expected to be introduced in the Senate by Sheldon Whitehouse (D-R.I.). This legislation also has valuable provisions, such as requiring corporations and unions to disclose their campaign-related spending to shareholders and members.

The road to passage for any legislation this year is going to be uphill, but the push for greater openness deserves support. In a political system saturated with cash, transparency is the best hope for accountability.

This week in **Pro Publica**, Kim Barker and Justin Elliott wrote – ***Six Facts Lost in the IRS Scandal*** – to counter the furious fallout by both conservatives and Democrats from the revelation that the IRS flagged applications from conservative nonprofits for extra review because of their political activity, some points about the big picture – and big donors – have fallen through the cracks.

Below please find the authors’ Top 6 list of need-to-know facts on social welfare nonprofits, also known as dark money groups because they don’t have to disclose their donors. The groups poured more than \$256 million into the 2012 federal elections.

1. Social welfare nonprofits are supposed to have social welfare, and not politics, as their “primary” purpose.

A century ago, Congress created a tax exemption for social welfare nonprofits. The statute defining the groups says they are supposed to be “operated exclusively for the promotion of social welfare.” But in 1959, the regulators interpreted the “exclusively” part of the statute to mean groups had to be “*primarily*” engaged in enhancing social welfare. This later opened the door to political spending.

So what does “*primarily*” mean? It’s not clear. The IRS has said it uses a “*facts and circumstances*” test to say whether a group mostly works to benefit the community or not. In short: If a group walks and talks like a social welfare nonprofit, then it’s a social welfare nonprofit. This deliberate vagueness has led some groups to say that “*primarily*” simply means they must spend 51 percent of their money on a social welfare idea – say, on something as vague as “*education,*” which could also include issue ads criticizing certain politicians. And then, the reasoning goes, a group can spend as much as 49 percent of its expenditures on ads directly advocating the election or defeat of a candidate for office. So far, the IRS has avoided clarifying any limits.

2. Donors to social welfare nonprofits are anonymous for a reason.

Unlike donors who give directly to politicians or even to super PACs, donors who give to social welfare nonprofits can stay secret. In large part, this is because of an attempt by Alabama to force the NAACP,

then a social welfare nonprofit, to disclose its donors in the 1950s. In 1958, the Supreme Court sided with the *NAACP*, saying that public identification of its members made them at risk of reprisal and threats. The ACLU, which is itself a social welfare nonprofit, has long made similar arguments. So has Karl Rove, the GOP strategist and brains behind *Crossroads GPS*, which has spent more money on elections than any other social welfare nonprofit. In early April 2012, Rove invoked the *NAACP* in defending his organization against attempts to reveal donors.

3. The Supreme Court's Citizens United decision meant that corporations could pay for political ads, anonymously, using social welfare nonprofits.

In January 2010, the Supreme Court ruled that corporations and unions could spend money directly on election ads. A later court decision made possible super PACs, the political committees that can raise and spend unlimited amounts of money from donors, as long as they don't coordinate with candidates and as long as they report their donors and spending. Initially, campaign finance watchdogs believed corporations would give directly to super PACs. And in some cases, that happened. But not as much as anyone thought, and maybe for a reason: Disclosure isn't necessarily good for business. Target famously faced a consumer and shareholder backlash after it gave money in 2010 to a group backing a Minnesota candidate who opposed gay rights..

4. Social welfare nonprofits do not actually have to apply to the IRS for recognition as tax-exempt organizations.

With all the furor over applications being flagged from conservative groups — particularly groups with “Tea Party,” “Patriot” or “9/12” in their names — it's worth remembering that a social welfare nonprofit doesn't even have to apply to the IRS in the first place. Unlike charities, which are supposed to apply for recognition, social welfare nonprofits can simply incorporate and start raising and spending money, without ever applying to the IRS. The agency's nonprofit wing is mainly concerned about ferreting out bad charities, which are the biggest chunk of nonprofits and the biggest source of potential revenue. After all, the IRS's main job is to collect revenue. Charities allow donors to deduct donations, while social welfare nonprofits don't.

5. Most of the money spent on elections by social welfare nonprofits supports Republicans.

Of the more than \$256 million spent by social welfare nonprofits on ads in the 2012 elections, at least 80 percent came from conservative groups, according to FEC figures tallied by the Center for Responsive Politics. None came from the Tea Party groups with applications flagged by the IRS.

Instead, a few big conservative groups were largely responsible. **Crossroads GPS**, which this week said it believes it is among the conservative groups “targeted” by the IRS, spent more than \$70 million in federal races in 2012. *Americans for Prosperity*, the social welfare nonprofit launched by the conservative billionaire brothers Charles and David Koch, spent more than \$36 million. American Future Fund spent more than \$25 million. Americans for Tax Reform spent almost \$16 million. *American Action Network* spent almost \$12 million.

6. Some social welfare groups promised in their applications, under penalty of perjury, that they wouldn't get involved in elections. Then they did just that.

Much of the attention when it comes to Tea Party nonprofits has focused on their applications and how the IRS determines whether a group qualifies for social welfare status. Reporting on dark money in 2012, **ProPublica** looked at more than 100 applications for IRS recognition. “One thing we noted again and again: Groups sometimes tell the IRS that they are not going to spend money on elections, receive IRS recognition, and then turn around and spend money on elections.” The application to be recognized as a social welfare nonprofit, known as a 1024 Form, explicitly asks a group whether it has spent or plans to spend “any money attempting to influence the selection, nomination, election, or appointment of any person to any Federal, state, or local public office or to an office in a political organization.”

The American Future Fund, a conservative nonprofit that would go on to spend millions of dollars on campaign ads, checked “No” in answer to that question in 2008. The very same day the group submitted its application, it uploaded this ad to its YouTube account: Even before mailing its application to the IRS saying it would not spend money on elections in 2010, the Alliance for America’s Future was running TV ads supporting Republican candidates for governor in Nevada and Florida. It also had given \$133,000 to two political committees directed by Mary [Cheney](#), the daughter of the former vice president. Another example of this is the Government Integrity Fund, a conservative nonprofit that ran ads in last year’s U.S. Senate race in Ohio. Its application was approved after it told the IRS that it would not spend money on politics. The group went on to do just that.

THIS WEEK'S QUOTE

My job, as President, is to advocate for policies that generate more opportunity for everybody -- policies that strengthen the middle class and give more people the chance to climb their way into the middle class. Policies that create more good jobs and reduce poverty, and educate more children, and give more families the security of health care, and protect more of our children from the horrors of gun violence. That's my job. Those are matters of public policy, and it is important for all of us -- black, white and brown -- to advocate for an America where everybody has got a fair shot in life. Not just some. Not just a few.

President Barrack Obama -- May 19, 2013

FAMOUS WORDS

As I hurtled through space, one thought kept crossing my mind - every part of this rocket was supplied by the lowest bidder. ~ John Glenn

When the white missionaries came to Africa they had the Bible and we had the land. They said 'Let us pray.' We closed our eyes. When we opened them we had the Bible

and they had the land. ~ **Desmond Tutu**

America is the only country where a significant proportion of the population believes that professional wrestling is real but the moon Landing was faked. ~ **David Letterman**

After the game, the King and the pawn go into the same box. ~ **Italian proverb**

Men are like linoleum floors . Lay'em right and you can walk all over them for thirty years. ~ **Betsy Salkind**

The only reason they say 'Women and children first' is to test the strength of the lifeboats. ~ **Jean Kerr**

I've been married to a communist and a fascist, and neither would take out the garbage. ~ **Zsa Zsa Gabor**

You know you're a redneck if your home has wheels and your car doesn't. ~ **Jeff Foxworthy**

When a man opens a car door for his wife, it's either a new car Or a new wife. ~ **Prince Philip**

A computer once beat me at chess, but it was no match for me at kickboxing. ~ **Emo Philips**

Wood burns faster when you have to cut and chop it yourself. ~ **Harrison Ford**

The best cure for sea sickness, is to sit under a tree. ~ **Spike Milligan**

Lawyers believe a man is innocent until proven broke. ~ **Robin Hall**

Kill one man and you're a murderer, kill a million and you're a conqueror. ~ **Jean Rostand**

Having more money doesn't make you happier. I have 50 million dollars but I'm just as happy as when I had 48 million. ~ **Arnold Schwarzenegger**

We are here on earth to do good unto others. What the others are here for, I have no idea. ~ **WH Auden**

In hotel rooms I worry. I can't be the only guy who sits on the furniture naked. ~ **Jonathan Katz**

If life were fair Elvis would still be alive today and all the impersonators would be dead. ~ **Johnny Carson**

I don't believe in astrology. I am a Sagittarius and we're very skeptical. ~ **Arthur C Clarke**

Hollywood must be the only place on earth where you can be fired by a man wearing a Hawaiian shirt and a baseball cap. ~ **Steve Martin**

Home cooking. Where many a man thinks his wife is. ~ **Jimmy Durante**

America is so advanced that even the chairs are electric. ~ **Doug Hamwell**

The first piece of luggage on the carousel never belongs to anyone. ~ **George Roberts**

If God had intended us to fly he would have made it easier to get to the airport ~ **Jonathan Winters**

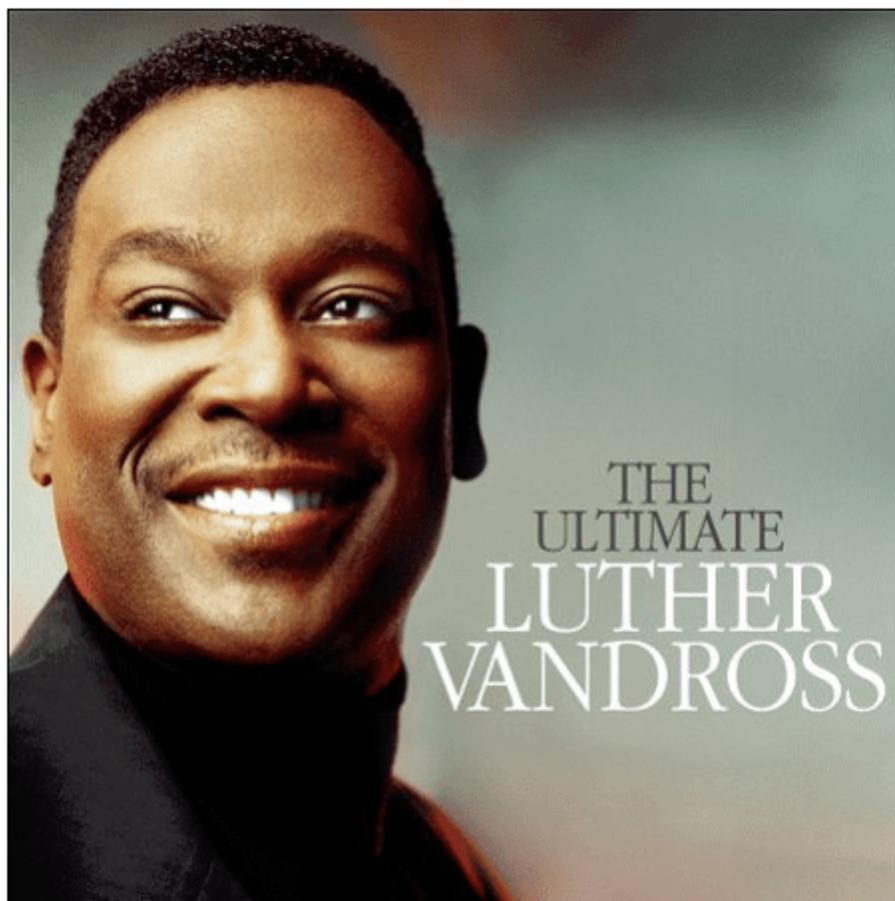
I have kleptomania, but when it gets bad, I take something for it. ~ **Robert Benchley**

THIS WEEK'S MUSIC

This week, I would like to share the music of legendary R&B artist **Luther Vandross**, whose smooth, silky voice gave soul to songs about life, love and relationships. Born April 20, 1951 in New York City and raised in the tradition of gospel and soul, he began his career his career in a high school group, Shades of Jade, that once played in the famed **Apollo Theater** in Harlem. He was also a member of a theater workshop, "*Listen My Brother*" who released the singles "*Only Love Can Make a Better World*" and "*Listen My Brother*", and appeared on the second and fifth episodes of *Sesame Street* in November 1969, as well as writing and performing jingles for television commercials. He was the founder of the first-ever Patti LaBelle fan club. During his four-decade career, Vandross sold more than 25 million copies, each one of his 14 albums achieving either platinum or multi-platinum status.

It was after a chance meeting with David Bowie at a recording studio in 1975 that Vandross was asked to sing backup on Bowie's hit album, "*Young Americans*." Later, Vandross served as Bowie's opening act. Vandross also sang backup for Dianna Ross, Roberta Flack, Carly Simon, Chaka Khan, Todd Rundgren's Utopia, Donna Summer, Bette Midler and Barbra Streisand. When record companies rejected him, Vandross used his own money to produce his 1981 debut album, "*Never Too Much*." It went on to top the R&B charts and sold 2 million copies. By the end of the 1980s Vandross had nearly

two dozen smash singles, including "Give Me the Reason," "Stop to Love" and "There's Nothing Better Than Love," made with Gregory Hines. Arguably his most memorable hit was the 1989 classic, "Here and Now," which has become a wedding staple.



The momentum carried into the 1990s, with Vandross recording "The Best Things In Life Are Free," a pop duet with Janet Jackson that hit the Top 10 and No. 1 on the R&B charts. He followed that in 1994 with "Endless Love," a duet with Mariah Carey that reached No. 2 on the pop charts. "I was Luther from day one, from the day I began, and I think that's a very important thing," he once said. "I think that's what sustained my career for so long is that when I start, you know it's me." One of his greatest hits, "Dance With My Father" he once said that the song was based on his father whom he died when he was 8 years old. Vandross struggled with health and image problems, claiming that he lost 100 pounds -- 13 times. He suffered from hypertension and diabetes, which killed two siblings and his father, but refused to slow down until his stroke in 2003. Luther Vandross died of another stroke on July 1, 2005 at the age of 54. I invite you to enjoy the music of the great Luther Vandross who is one of the greatest singers ever and in my *Pantheon of Music*.

Luther VanDross – ***A House is not a Home*** -- <https://www.youtube.com/watch?v=Gu2JBMNBbKo>

Luther Vandross – ***Love Won't Let Me Wait*** -- <https://www.youtube.com/watch?v=eZ9UHdyZcog>

luther vandross – ***Dance With My Father Again*** -- <https://www.youtube.com/watch?v=dgLHVi40Gc8>

Luther Vandross – ***If Only For One Night*** -- <https://www.youtube.com/watch?v=-Er74vU2I9c&list=RD02dgLHVi40Gc8>

Luther Vandross – ***Creepin*** -- <https://www.youtube.com/watch?v=vNPmfXudDwM>

Luther Vandross – *Always And Forever* -- <https://www.youtube.com/watch?v=xm4wAmsGyN0>

Luther Vandross – *Here And Now* -- <https://www.youtube.com/watch?v=6Rgj-FGm9H4>

Luther Vandross – *Superstar / Until You Come Back to Me* -- <https://www.youtube.com/watch?v=tIEftiiYMI8>

Luther Vandross & Mariah Carey – *Endless Love* -- <https://www.youtube.com/watch?v=Nu9RVPTpDyA>

Luther Vandross – *Don't Want To Be A Fool* -- <https://www.youtube.com/watch?v=QmEHKF99v2I>

Luther Vandross – *The Power of Love/Love Power* -- <https://www.youtube.com/watch?v=Nj7Bmbr3UF0>

Luther Vandross – *Never Too Much* -- <https://www.youtube.com/watch?v=IRQJq1byqCs>

Luther Vandross & Cheryl Lynn – *If This World Were Mine* -- <https://www.youtube.com/watch?v=N8ufCd-DYt8>

Luther Vandross – *A Change Is Gonna Come* -- <https://www.youtube.com/watch?v=IqUM7OYPQIM>

Luther Vandross – *Aint' No Stoppin Us Now* -- <https://www.youtube.com/watch?v=W-5ySit0gFI>

I hope that you enjoyed this week's offerings and wish everyone a great Memorial Day holiday weekend.....

Sincerely,
Greg Brown

--
Gregory Brown
Chairman & CEO
GlobalCast Partners, LLC

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