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## BY FEDERAL EXPRESS

Internal Revenue Service  
Referrals and Claims Classification  
1100 Commerce Street  
MC: 4900DAL  
Dallas, TX 75242-1027

### **Re: Media Matters for America: Activities Necessitating Cancellation of Its Tax-Exempt Status Under Section 501(c)(3)**

To Whom It May Concern:

Media Matters for America (“Media Matters”) is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. For the reasons set forth below, and the more detailed reasons set forth in the attached memorandum, however, Media Matters has undertaken conduct that violates Section 501(c)(3), and accordingly the Service must revoke its tax-exempt status.

Media Matters was incorporated in 2003, and in that same year it applied to the service for exemption under Section 501(c)(3). Upon Media Matters’s Form 1023 (which I attach to this letter), the Service granted it tax-exempt status. Specifically, Media Form 1023 averred that its mission was nonpartisan: namely, to “identify occurrences of excessive bias in the American media, educate the public as to their existence, and work with members of the media to reduce them in order to ensure that the public receives news coverage and information that is not only accurate but free from domination by a particular world view.”<sup>1</sup> This mission was purportedly educational: Media Matters allegedly intended to “raise the general public’s awareness of the bias and shallowness in the media . . . .”<sup>2</sup>

But since the Service granted Media Matters tax-exempt status—and particularly so in recent months—Media Matters has announced and executed a partisan strategy that diverges from its originally stated nonpartisan aims, and that violates Section 501(c)(3)’s requirements for tax-exempt status. The attached memorandum details this pattern of unlawful conduct in detail. I write to highlight some particularly egregious examples:

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<sup>1</sup> See Media Matters Form 1023 (“Part II, Question 1: Narrative Statement”), *attached as Exhibit 1*.

<sup>2</sup> *Id.*

## 1. **Media Matters Declared “War On Fox,” and Seeks to “Disrupt” Rupert Murdoch’s “Commercial Interests”**

On March 26, 2011, the “Politico” news site published an article featuring Media Matters’s CEO, David Brock, admitting that his organization’s mission was no longer educate the public but, rather, to declare “war on Fox [News]”:

“The strategy that we had had toward Fox was basically a strategy of containment,” said Brock, Media Matters’ chairman and founder and a former conservative journalist, adding that the group’s main aim had been to challenge the factual claims of the channel and to attempt to prevent them from reaching the mainstream media.

The new strategy, he said, is a “**war on Fox.**”

In an interview and a 2010 planning memo shared with POLITICO, **Brock listed the fronts on which Media Matters — which he said is operating on a \$10 million-plus annual budget — is working to chip away at Fox and its parent company, News Corp.** They include its bread-and-butter distribution of embarrassing clips and attempts to rebut Fox points, as well as a series of under-the-radar tactics.<sup>[3]</sup>

Furthermore, Mr. Brock admitted to Politico that his organization’s mission is to harm not only the Fox News company, but also the personal wealth of the company’s founder, Rupert Murdoch:

The group will “focus on [News Corp. CEO Rupert] Murdoch and **trying to disrupt his commercial interests** — whether that be here or looking at what’s going on in London right now,” Brock said, referring to News Corp.’s — apparently successful — move to take a majority stake in the satellite broadcaster BSkyB.

Media Matters’s desire to “disrupt” Mr. Murdoch’s “commercial interests” has now reached the desperate length of actively intervening in the corporate affairs of Fox News’s parent company, News Corporation. Most notably, on May 3, 2011, Media Matters purchased a full-page ad in London’s *International Herald Tribune*, in the form of an open letter to Mr. Murdoch’s son, James Murdoch. In that open-letter advertisement, Media Matters urged James Murdoch to displace his father’s direction of the company, by “us[ing] your power to make a change[,] build your legacy[,] usher in a new era for News Corp.”<sup>4</sup>

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<sup>3</sup> *Media Matters’ War Against Fox* (Mar. 26, 2011), at <http://www.politico.com/news/stories/0311/51949.html> (emphasis added).

<sup>4</sup> Media Matters posted a PDF copy of the advertisement on its web site: <http://newscorwatch.org/static/pdf/final-IHT-ad.pdf>.

In addition to that ad, Media Matters has posted articles on its web site, addressed to News Corporation's shareholders, criticizing the company's financial performance under Mr. Murdoch's leadership,<sup>5</sup> criticizing News Corporation's attempt to purchase the British BSkyB satellite broadcasting company,<sup>6</sup> and even calling on Congress to investigate News Corporation and Mr. Murdoch.<sup>7</sup>

Finally, Media Matters's "war" on Fox News includes a strategy of starving the corporate entity by scaring away its advertisers. According to the aforementioned Politico article, Media Matters "has hired an activist who has led a successful campaign to press advertisers to avoid Glenn Beck's show." Its web site trumpets companies that have declared an intention not to advertise with other News Corporation publications.<sup>8</sup>

All of this is part of Media Matters's explicit intention to "run a broad campaign against Fox's parent company, News Corp., an effort which most likely will involve opening a United Kingdom arm in London to attack the company's interests there. The group hired an executive from MoveOn.org to work on developing campaigns among News Corp. shareholders and also is looking for ways to turn regulators in the U.S., U.K., and elsewhere against the network."<sup>9</sup>

In sum, Media Matters's activities are by no means merely "educational." Media Matters has "declared war" on a television news channel, its parent company, and its parent company's founder and primary shareholder, going so far as to interfere in its corporate dealings and to call on Congress to investigate it and him—all with the subsidy of tax-exempt status. This makes a mockery of Section 501(c)(3)'s restrictions on tax-exempt activity.

## **2. Media Matters Targets Fox News Because of Its Alleged Support of the Republican Party—and it Often Attacks the Republican Party Directly**

In the same Politico article, Media Matters makes clear that its target is not merely Rupert Murdoch, or Rupert Murdoch's company, but also the Republican Party. According to the Media Matters strategy memo that the organization shared with Politico, Media Matters believes that Fox News is "the de facto leader of the GOP, and it is long past time that it is treated as such by the media, elected officials and the public."

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<sup>5</sup> *UPDATED: Shareholders Beware: Financial Impact Of Murdoch Hacking Scandal Widens* (July 06, 2011 11:46 am ET), at <http://mediamatters.org/blog/201107060008>.

<sup>6</sup> *BSkyB Decision Puts Independence of Sky News in Jeopardy* (June 30, 2011 6:06 pm ET), at <http://mediamatters.org/press/releases/201106300051>.

<sup>7</sup> *Don't let Murdoch's power protect him*, at <http://mediamatters.org/action/newscorphearings/>.

<sup>8</sup> *UPDATED: Shareholders Beware: Financial Impact Of Murdoch Hacking Scandal Widens* (July 06, 2011 11:46 am ET), at <http://mediamatters.org/blog/201107060008>.

<sup>9</sup> *Media Matters' War Against Fox*, at <http://www.politico.com/news/stories/0311/51949.html>.

Setting aside Media Matters's unsupportable attempt to tie Fox News to the Republican Party, the fact that Media Matters equates Fox News with the Republican Party reveals the organization's own partisan intent: because Media Matters believes that Fox News leads the Republican Party, it necessarily follows that Media Matters's efforts to harm Fox News are intended to weaken the Republican Party.

Media Matters's true aim is evidenced in some of its own content. In December 2010, the web site asserted that "Republicans have been practicing an unprecedented brand of obstructionism since Obama's inauguration, . . . It's radical."<sup>10</sup>

In an August 2010 post on its web site, Media Matters applauded efforts to "out" a prominent leader of the Republican Party, arguing that the Republican Party "was whipping up anti-gay sentiment," and therefore that Republican leader's sexual orientation was "fair game."<sup>11</sup>

Also in August 2010, Media Matters post a web item criticizing not a media outlet but, rather, Republicans' statements regarding a proposed mosque near the World Trade Center site in New York City. Under a headline criticizing "GOP rhetoric," Media Matters reiterated allegations that "Republicans" have been "fanning the flames of a protest that has since spread into a more generalized criticism of Muslim institutions in the United States."<sup>12</sup>

More recently, in January 2011, Media Matters posted video from another cable news channel, MSNBC, in which a host asserted that Republicans "need to get a backbone," and that one prominent Republican practiced "reckless rhetoric."<sup>13</sup>

And so on. Simply put, Media Matters's stated strategy makes clear that it attacks Fox News because Media Matters believes it to be a proxy for the Republican Party; and, furthermore, Media Matters often foregoes the proxy altogether and simply attacks the Republican Party directly. For the reasons set forth in the attached memorandum, an organization practicing such partisan conduct cannot maintain tax-exempt status. *See also Am. Campaign Academy v. Comm'r*, 92 T.C. 1053 (1989) (concluding that a purportedly nonpartisan institution serving as a *de facto* supporter of a political party cannot maintain its tax exemption).

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<sup>10</sup> *Press Still Giving Republican Obstructionism a Pass* (Dec. 22, 2010 2:20 pm ET), at <http://mediamatters.org/blog/201012220024>.

<sup>11</sup> *Ambinder gets it right on "outing" closeted, anti-gay public figures* (Aug. 30, 2010 4:46 pm ET), at <http://mediamatters.org/blog/201008300072>.

<sup>12</sup> *Former Bush official criticizes GOP rhetoric surrounding Islamic center* (Aug. 25, 2010 8:39 am ET), at <http://mediamatters.org/blog/201008250004>.

<sup>13</sup> *Scarborough: Republicans "Need To Get A Backbone," Call Out Bachmann's "Reckless Rhetoric"*, (Jan. 28, 2011 8:10 am ET), at <http://mediamatters.org/mmtv/201101280005>.

### 3. To Continue to Grant Media Matters a Section 501(c)(3) Tax Exemption Raises Grave First Amendment Concerns

Continued public subsidization of Media Matters’s activities through the tax exemption does not merely violate the Internal Revenue Code—it also raises grave First Amendment concerns. As the Supreme Court held in two recent cases, neither the federal government nor the states may punish one speaker by offering to subsidize his opponent on the basis of the speaker’s speech.<sup>14</sup> To allow a speaker’s speech to trigger the government’s subsidization of his opponent “is antithetical to the First Amendment.”<sup>15</sup>

The Service’s continued subsidization of Media Matters’s attacks on Fox News’s speech, and Fox News’s employees’ speech, is no less antithetical to the First Amendment. The Internal Revenue Service has before it incontrovertible evidence demonstrating that Media Matters is a partisan political operation dedicated to attacking Fox News and the Republican Party. If the IRS continues to allow Media Matters to leverage its tax-exempt status to continue its partisan attacks, then the IRS’s failure to rescind Media Matters’s tax exemption will violate the First Amendment, on an as-applied basis with respect to Fox News.

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For the foregoing reasons, and the reasons set forth in the attached memorandum, I respectfully request that the Service revoke Media Matters’s tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. If you have any questions, please do not hesitate to contact me.

Regards,

C. Boyden Gray

Attachments

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<sup>14</sup> *Davis v. FEC*, 128 S. Ct. 2759 (2009) (federal government); *Ariz. Free Enterp. Club’s Freedom Club PAC v. Bennett*, No. 10-238 (June 27, 2011) (states).

<sup>15</sup> *Davis*, 128 S. Ct. at 2774.

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