

[Date]

Michael Brown, Senior Director to the United States Treasurer
U.S. Department of the Treasury

Alex Kweskin, Chief Human Capital Officer
Internal Revenue Service

Sent via [_____]

Re: Church Tax Examination of God's Storehouse Topeka Church

Dear Mr. Brown and Mr. Kweskin,

I represent God's Storehouse Topeka Church ("Church"), a Kansas non-denominational Christian church that has been under IRS examination since 2021. We write to request your assistance in bringing this examination to an immediate and orderly close.

Over the past five years, this examination has caused the Church and its leaders immense personal, financial, and reputational harm. This letter briefly describes the facts of the examination, including the ways that the IRS failed to comply with the Church Audit Procedures Act ("CAPA") from the outset. Then, it reviews the Church's consistent efforts to cooperate with the IRS and bring the examination to a close while preserving its objections to the IRS's processes.

I. Initiating the Church Tax Examination

Pastors Rick and Pennie Kloos planted the Church in 2008, following decades of pastoral ministry in other local churches. In 2019, Pastor Rick ran to unseat one of Kansas's longest-serving state senators. Pastor Kloos's campaign signs identified him as the "founder of God's Storehouse." The Church did not pay for his campaign signs or otherwise support the campaign. Pastor Kloos's opponent sought to discredit him in the local press by alleging that including a nonprofit church's name on a campaign yard sign was impermissible political campaign intervention.

After the local Topeka newspaper published its article, an atheist organization, the Freedom from Religion Foundation, emailed a letter to IRS employee Mary Epps, who works in the IRS Exempt Organizations Examinations unit (see attached). The letter alleged that the church was violating federal tax law by "illegal politicking" and that the IRS must correct these violations. The IRS sent a notice of church tax inquiry to the Church, stating the agency "has questions about your tax-exempt status as a church." Following the approval of the Commissioner of Tax Exempt and Government Entities ("TEGE Commissioner"), the IRS then initiated a church tax examination. The IRS identified four areas of inquiry: the prohibition on political campaign intervention, payroll reporting questions, whether the operation of the church's thrift store was proper, and whether the Church's small coffee shop generated unrelated business income tax.

The Church promptly responded to the inquiry notice by submitting supplemental documents to prove its status as a church. After receiving the examination notice, the Church requested a pre-examination conference and provided the IRS with supplemental information in an effort to completely address the IRS's concerns including documents addressing church services, theological

beliefs, clergy status, the application of UBIT to the Church's minimal at-cost coffee sales, and the Church's lack of involvement in Pastor Rick's campaign.

Despite the Church's cooperation and communicated concern that the IRS's inquiry was based on incorrect information provided by the FFRF, the Service decided to audit the church. Just five days after the pre-examination conference, the Church received an Information Document Request seeking eighteen categories of documents, including their bank statements.

II. Challenging the IRS's Noncompliance with the Church Audit Procedures Act

CAPA was enacted to safeguard churches' constitutional rights by balancing First Amendment protections with the IRS's responsibility to enforce the tax code. Notably, CAPA requires the IRS to adhere to procedural safeguards when commencing an inquiry or examination of a church. The linchpin of CAPA is ensuring that a "sufficiently high-level Treasury official" makes a reasonable cause determination for the IRS to commence a church tax examination. CAPA defines a sufficiently high-level Treasury official as the Regional Commissioner of the IRS or higher – a position that was eliminated within the IRS in 1998.

After receiving the Information Document Request, the Church objected to the IRS's assertion that it had a reasonable belief that the Church may not be a church and that the Church may have engaged in political campaign intervention. The Church also objected to the validity of the inquiry and examination because the TEGE Commissioner is not an appropriate high-level Treasury official under the plain text of either CAPA or its corresponding Treasury Regulations. The Church further objected to the IRS's request for its bank records and other financial documents because the IRS had not proven that these documents were necessary to its stated examination purposes.

Nonetheless, the Church timely provided approximately 100 pages of responsive documents. It declined to provide its bank and credit card records because the IRS's request was overly broad and did not satisfy the "to the extent necessary" requirement contained in CAPA.

The IRS ignored the Church's objections. Then, it issued third-party summons to the Church's bank and credit card processing companies to obtain the very documents that the Church declined to provide. The Church challenged the third-party summons in federal court and argued that the IRS had failed to obtain the approval of an appropriate high-level Treasury official and to prove that the records were necessary to its examination. After costly and time-intensive litigation, two federal courts determined that CAPA's safeguards do not apply to third-party summons, thus allowing the IRS to indirectly obtain records that it was unable to obtain directly.

III. Seeking to Close the Examination

The examination was assigned to a new IRS agent and, after the third-party summons litigation, the Church sought to work with the new agent to close the examination. The Church was informed that the agent needed all internal financial records of the Church, not just bank records, to proceed to close the examination. The agent also requested a week-long, on-site visit. Then, the Church was informed that the IRS had summonsed the wrong third party for credit card processing records and asked the Church to provide those records as well. In hopes that the IRS would recognize that the Church is clearly a church, never engaged in political activity, and was not engaged in an unrelated business activity, the Church voluntarily agreed to all of the IRS's requests. Two IRS agents came for a week-long visit to Topeka, met with members of the Board and congregation at their church facility, saw where worship services are held, visited the thrift store locations, and interviewed employees, church members, pastors, and others. The Church sincerely hoped that the site visit would lead to the closure of the examination. While we believe all the original issues raised by the IRS have been resolved, the IRS has now signaled its intention to impose every potential tax on the Church and to request additional documents that go far beyond the initial scope of the examination.

IV. Renewing Objections to the IRS's Procedural Failures

Before responding to any further document requests, the Church would like to renew its objections to the examination due to the IRS's failure to comply with CAPA. This examination was launched on the recommendation of a partisan, anti-religion interest group. The IRS has consistently failed to produce any evidence suggesting that the Church may not be entitled to classification as a church, besides the fact that its service times and locations were not listed on its website in 2019 and 2020. It has failed to produce any evidence showing that the Church engaged in political campaign intervention. And, because the IRS failed to obtain the approval of an appropriate, high-level Treasury official, the Church's rights under the First Amendment were never appropriately taken into consideration before the examination began. Fighting these specious allegations have significantly impacted the Church's reputation in the community, its time, and its limited financial resources. This is exactly the result that CAPA was designed to protect against.

V. IRS is Now Seeking to Ignore Agreement for Statute of Limitations

At the IRS's request, the Church executed two consent agreements with the IRS permitting the IRS to extend the statute of limitations to assess employment and FICA taxes through December 31, 2024 and then December 31, 2025. The IRS communicated that these were separate from the Church Audit Procedures Act and needed to be treated differently. On December 10, 2025, the IRS requested that the Church again consent to extend statute of limitations on these issues by an additional year. The Church declined to do so, and the IRS did not assess any employment taxes prior to December 31, 2025. Prior to the IRS's week-long site visit, however, the IRS verbally informed the Church that they planned to focus on employment tax issues during the site visit and that the IRS is not bound by the consent agreement it executed with the Church extending the statute of limitations to December 31, 2025.

VI. Request for Relief

The Church and its leadership have been in limbo for more than five years, uncertain whether this examination was properly initiated and approved, and uncertain whether the IRS will abide by its own statutes, regulations, and contractual obligations. The Church's reputation in the community has been significantly harmed, all because FFRF falsely claimed that the Church was engaged in "illegal politicking." We would appreciate your assistance in doing what should have been done five years ago: recognizing that this matter resulted from an improper weaponization of the IRS by FFRF, and closing the examination so the Church's leaders and congregation can return their focus to their religious mission.

Sincerely,

Ryan K. Oberly