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How an obscure nonprofit in Washington protects tax havens for the rich

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In May 2007, during a global crackdown on offshore tax havens, an obscure nonprofit lobbying group in Northern Virginia sent a fundraising pitch to a law firm in one of the biggest tax havens in the world - Panama.

The Center for Freedom and Prosperity promised to persuade Congress, members of the George W. Bush administration and key policymakers to protect the players of the offshore world, where hundreds of thousands of shell companies had been created, often to hide money and evade taxes.

To reach out to American officials and fund its U.S. operations, the center said it needed an infusion of cash for an eight-month campaign: at least $247,000.

"We hope you can support this effort with a donation," the center wrote in a document sent to Mossack Fonseca, the law firm at the heart of an international financial scandal known as the Panama Papers. The leak of more than 11.5 million documents, which came from inside the Panamanian law firm, has pulled back the curtain in recent months on secretive offshore tax havens and the people who use them to stash their money, including a rogues' gallery of international criminals, money launderers and drug dealers.

The documents, which sparked an international outcry, were obtained by the German newspaper Süddeutsche Zeitung and the International Consortium of Investigative Journalists (ICIJ) and recently shared with The Washington Post.

In the eight-page fundraising document discovered by The Post, the Center for Freedom and Prosperity in Alexandria, Va., said that it had already persuaded the Bush administration to thwart an international effort to require more transparency from tax havens. Now the center was promising to derail similar reforms in legislation before Congress.

Among those it planned to contact: lawmakers, key figures in the Bush White House, the Treasury Department, the State Department and the Office of Management and Budget.

At the time, the center was leading a coalition of Washington's most vocal anti-tax groups seeking to defeat the reforms.

The center said it counted "allies and friends in more than 50 countries" and had "a major impact on the international tax competition debate." The document contained a contribution sheet with suggested gift levels ranging from $500 to $20,000, along with a routing number to the center's Wachovia bank account in Northern Virginia.

The pitch, emails and other documents reviewed by The Post offer an inside look at how a little-known nonprofit, listing its address as a post office box in Alexandria, became a persistent opponent of U.S. and global efforts to regulate the offshore world. Led by two U.S. citizens - one an economist, the other a tax expert for a Republican congressman - the center met again and again with government officials and members of the offshore industry around the world, while issuing hundreds of funding pleas and peddling its connections to Washington's power brokers.

"It's sort of like fishing, you have to keep casting your lure," said Daniel Mitchell, one of the directors of the center, in a recent interview with The Post.

It is not illegal for groups registered to lobby Congress to solicit money from offshore entities. But regulators and policymakers who have spent years trying to curb abuses in the offshore world criticized the center's relationship with Mossack Fonseca, which created hundreds of thousands of shell companies that have been used by elected officials, heads of state, corporate executives and wealthy individuals, along with international fraudsters and criminals. An estimated $7.6 trillion in global wealth is held offshore.

Mossack Fonseca has said its business practices are legal and denied any wrongdoing. The law firm did not respond to requests to describe its relationship with the center or whether it donated to the center.

Former senator Carl Levin, D-Mich., once one of the leading voices in Congress on tax haven abuses, said in a recent interview that the center's activities run counter to America's values and undermine the nation's ability to raise revenue.

"It's like trading with the enemy," said Levin, whose staff on a powerful panel investigating tax havens regularly faced public challenges from the center. "I consider tax havens the enemy. They're the enemy of American taxpayers and the things we try to do with our revenues - infrastructure, roads, bridges, education, defense. They help to starve us of resources that we need for all the things we do. And this center is out there helping them to accomplish that."

During the past decade, Levin repeatedly introduced legislation designed to rein in the offshore world. It never passed.

It is unclear how much money the center raised from entities in offshore tax havens. Tax returns for the center and a foundation set up in its name reported receiving at least $1.4 million in revenue from 2003 to 2010. The returns did not report the source of most of the income.

The directors of the center, Mitchell and Andrew F. Quinlan, two longtime anti-tax advocates, declined to reveal the identities of their donors, which they said is a common practice in the nonprofit world. They also declined to say whether Mossack Fonseca contributed to their cause or to disclose how much of the center's money comes from offshore entities. They said that they have never accepted money from foreign governments and that their fundraising efforts were legal.

Quinlan and Mitchell said they are staunch advocates for libertarian ideals and "tax competition" between nations as a way to stimulate the global economy.

"As an advocate of limited government, I want to make it hard for governments to collect more money," Mitchell said. "We believe in smaller government, so we like having politicians disciplined by tax competition."

"We never made a lot of money at it," Quinlan said. "We just did it because we loved the issue, and we think that privacy and tax competition is the way of the future."

Congressional staffers and international experts on the offshore industry said the center was a formidable foe with access to key players in Washington.

"They've been around for years - they are very mysterious," said Elise Bean, former staff director and chief counsel of Levin's Homeland Security Permanent Subcommittee on Investigations, which started investigating tax havens in 2001. "They travel all around the world, and they have had a tremendous impact."

In emails and documents sent to Mossack Fonseca between 2001 and 2012, the center said it had parlayed its access into action with the support of former House majority leader Dick Armey, R-Texas, and Sen. Marco Rubio, R-Fla., high-ranking Treasury Department officials in the Bush administration, and members of key congressional committees that regulate U.S. tax and spending policy.

Armey, who left Congress in 2003, said he supported the center's mission but did not know how it raised money.

"Being in the nonprofit business, you're plagued to death with having to raise money," Armey said. "But it's a horrible world of bad temptation. So I just couldn't really comment on it."

A Rubio spokesman said the senator sided with the center on certain tax issues and so did numerous prominent pro-business organizations.

In its federal tax filings, the center said that it had briefed the prime ministers, presidents and finance ministers of more than a dozen Caribbean and Latin American nations, and traveled to the offshore havens of the Bahamas, Barbados, Singapore, the Cayman Islands, Hong Kong and Panama, to press its cause.

In the 2007 document emailed to Mossack Fonseca, the center said it was launching an aggressive campaign on Capitol Hill to protect the secrecy of tax havens, "specifically targeting members of the tax writing, banking, budget, appropriations and commerce committees."

In a 2012 document sent to the law firm, the center said it had a long relationship with then-vice presidential nominee Paul Ryan dating to his days as a congressional aide and "with the ear of Mitt Romney's economic advisors, the Center for Freedom and Prosperity (CF&P) is primed for influence."

A spokeswoman for Ryan, now the House speaker, said in a statement that "Speaker Ryan has known them for many years. We couldn't say how influential they are, but the Speaker's position on these international tax issues has long been clear and consistent."

A Romney aide said the center had no impact on Romney's policies.

In the 2012 document, the center said that it had successfully blocked anti-tax haven legislation proposed by Levin and others. Bean, the former senator's staffer, confirmed that the center had helped to rally opposition.

"It's very, very discouraging that Americans would do that," said Levin, who retired at the end of 2014.

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The man at the helm of the Center for Freedom and Prosperity, Andrew Quinlan, 53, is a former Republican congressional staffer who works out of his home in Alexandria and spends much of his time on the road. Dan Mitchell, 57, is a widely known economist who worked for the Bush/Quayle transition team in 1988 and a leading tax expert at the Cato Institute, a libertarian Washington think tank. The two met in 1981 while undergrads and fraternity brothers at the University of Georgia.

Quinlan and Mitchell launched the center in October 2000. It is made up of two parts, the center itself, which is set up as a 501(c)(4) nonprofit organization "created to lobby lawmakers in favor of market liberalization," according to the group's marketing materials. The second part is called the Center for Freedom and Prosperity Foundation, which is a 501(c)(3) nonprofit organization set up to educate the public, lawmakers and the media on "the benefits of limited government" and "the need for competitive markets."

Quinlan is listed in the center's tax filings as president, Mitchell as its chairman. Two other board members are named - economist Veronique de Rugy, a co-founder of the center, and a man who died in 2014, John Blundell. Only Quinlan is listed as drawing a salary. His compensation has ranged from $122,000 to $23,000 in 2014, the last year of publicly available tax filings.

The center formed after dozens of the world's richest countries, including the United States, demanded more transparency from nations considered to be tax havens for corporations and the wealthy. In 2000, the Paris-based Organization for Economic Cooperation and Development (OECD) published a "blacklist" of 35 tax havens around the world that were refusing to provide information about their account holders, including Panama.

From the start, the fledgling center received the backing of then-House Majority Leader Armey, whose endorsement was posted on the group's website. "The Center for Freedom and Prosperity is protecting taxpayers, both in America and around the world," Armey wrote.

The center had two stated goals. Overseas, the center set out to persuade countries on the blacklist not to cooperate with the OECD, which it derided as a "global tax cartel." In Washington, the center lobbied the Bush administration to withdraw its support for the OECD and also worked to block anti-tax haven legislation on Capitol Hill. To spread the word, the center testified before Congress, published reports and opinion pieces in leading financial publications, and drafted letters to lawmakers and administration officials.

Representatives of the center crisscrossed the globe and sponsored discussions in 2000 and 2001, traveling to London, Paris, the Cayman Islands, the Bahamas, Panama, Barbados and the British Virgin Islands, where Quinlan and congressional staffers met with the chief minister to discuss the placement of the Caribbean territory on the OECD's blacklist, according to center documents and tax filings.

The center would soon start to fund trips to the Cayman Islands, Panama and the British Virgin Islands for staffers who worked for key lawmakers in the U.S. House and Senate, according to congressional travel records reviewed by The Post. One trip was co-funded by the Cayman Islands Chamber of Commerce, another by the International Lawyers Association of Panama. The staffers reported receiving from $900 to $2,360 for the trips.

"One of our goals was always to try to get some members or some staffers to really buy in to the issue," Quinlan said. "We raised a couple of these delegations, used the opportunity to feed them as much information as we possibly could."

The staff members worked for at least nine members of Congress. They included Andrea Looney, who was a legislative assistant to Sen. Bill Frist, R-Tenn., before he became majority leader, and Brook Simmons, who was a staffer for former Senate Budget Committee Chairman Don Nickles, R-Okla. Another traveler was Jeffrey Janas, a legislative aide to Rep. Robert Ney, R-Ohio, who served as chairman of the House Administration Committee before pleading guilty to charges stemming from the influence-peddling investigation into lobbyist Jack Abramoff.

Mitchell and Quinlan also traveled to Barbados, where the center sponsored two briefings, one for government officials and one for the public. To provide the "perspective from Capitol Hill," Elizabeth Tobias, who was a tax adviser to Armey, the House majority leader at the time, was one of the speakers, according to a center document.

The trips were permitted under congressional rules at the time. But in 2007, following the Abramoff scandal, Congress passed rules barring lawmakers and their staffers from accepting gifts, meals and trips from lobbyists.

Looney said the 2002 trip was designed to educate congressional staffers about economic and tax issues in Panama.

Simmons, now a government affairs manager for a Texas-based energy company, also said the trip was intended to be educational.

"Staff generally work hard to maintain a healthy level of detachment, regardless of who they are meeting," he said. "My recollection is the program included a number of panels wherein we discussed the benefit of tax system competition and low-tax jurisdictions for the purpose of encouraging governments to lower rates."

Janas and Tobias did not respond to requests for comment.

Quinlan also traveled to Panama. He met with Jürgen Mossack, one of the founders of Mossack Fonseca, a global provider of offshore accounts. In an email found in the Panama Papers, Quinlan said he "worked closely" with Mossack, discussing the OECD and tax issues.

Back in the United States, the Center for Freedom and Prosperity Foundation reported in tax filings that it had educated "key Bush administration officials from the White House and several cabinet level departments" about international tax issues. The foundation also said it had worked with more than 100 members of Congress.

In May 2001, the center claimed a key victory. In a dramatic departure from the Clinton administration, Paul O'Neill, the incoming Treasury Secretary appointed by Bush, announced that the United States would back away from the reforms pushed by the OECD.

O'Neill said in a recent interview that he was unaware of the center and worked to strengthen efforts to close down "the windows of tax evasion and avoidance."

"I have never been in anybody's pocket," he said, "and I certainly wasn't in anybody's pocket when I was the secretary of Treasury, believe me."

In July 2001, the center caught the attention of the Senate Governmental Affairs Committee. Investigators asked the center whether it had received money from any of the foreign governments on the OECD's blacklist, the Wall Street Journal reported at the time.

The center declined to answer questions about its donors.

In early 2002, fewer than half of the nations on the OECD blacklist pledged to become more transparent in their tax systems, a victory for anti-tax forces such as the center.

"They were very effective at painting the OECD's work as end-times are here for tax competition, and we're going to have European tax rates imposed upon the whole world if the OECD's work continued," said Will Davis, the former head of OECD public affairs in Washington. "With that kind of inflammatory language, they were able to get their foot in the door."

With many tax havens refusing to cooperate with the OECD, the offshore world continued to thrive. In 2003 alone, Mossack Fonseca created 8,471 shell companies. In the next four years, the firm set up 49,656 more, many of them in the British Virgin Islands.

In 2005, Quinlan wrote to Mossack Fonseca, asking the firm for the use of its apartment in Panama while he met with government officials in advance of an OECD conference in Australia. The firm paid for a hotel room, with one partner writing in an email now part of the Panama Papers: "They really will fight for our cause."

In 2007, Levin introduced the Stop Tax Haven Abuse Act, which would have sweeping implications for customers of firms such as Mossack Fonseca. The 68-page bill would have shut down offshore tax schemes and required financial institutions to disclose the true owners of offshore accounts.

The coalition of anti-tax groups led by the center sent a letter to then-Treasury Secretary Henry M. Paulson Jr. decrying Levin's bill and another measure on Capitol Hill that sought to curb tax avoidance schemes by U.S. companies operating overseas. Forty-five groups signed the letter, including the U.S. Chamber of Commerce and Americans for Tax Reform, headed by Grover Norquist, who is among the most vocal anti-tax forces in Washington.

The coalition argued that the measures would penalize U.S. taxpayers working overseas and unfairly discriminate against what it called "low-tax" nations.

"Both of these pieces of legislation are deeply flawed," the letter said.

In May 2007, Quinlan sent Mossack Fonseca the eight-page fundraising pitch, promising to meet with members of Congress and Bush policymakers, "particularly those who are new to their jobs and unfamiliar with the tax competition issue."

"Here is a copy of our most recent proposal," Quinlan wrote in an email to Mario Vlieg, a lawyer at Mossack Fonseca. "What do you think? You are the only person I have sent it to in Panama. Let me know what you like and don't like."

On July 2, Mitchell, the chairman of the center, sent Vlieg an article written by economist Martin A. Sullivan in Tax Notes International, a trade publication. The article, headlined "Ah, Panama," said: "If you want to find a place to stash your cash, Panama has to be high on your list. Maybe even higher than Switzerland."

The article noted that "Panama is the complete package. It's got everything you want in a tax haven" and concluded by saying, "Unless you are a really bad criminal or you have really bad lawyers, you should have little to fear from the government of Panama."

Mitchell told The Post he sent the article to Vlieg to show him how Panama is perceived in the United States.

On July 3, Vlieg responded to Mitchell and Quinlan.

"It is very interesting to see how Panama is seen," Vlieg wrote.

Six days later, Vlieg provided Quinlan and Mitchell with some advice about the center's fundraising pitch.

"The paper you sent is interesting, easy to read," Vlieg wrote. "It seems to be addressed to individuals or corporations that may be interested in the issue. This is fine, as that could be the bigger source of potential donors. However, when it comes to Panama and Panamanian lawyers, I believe that an even higher sense of urgency should be expressed. You know we tend to act when things are imminent. Perhaps, you can mention the upcoming elections and the tendency of the democrat candidates that are leading the polls."

In an interview with The Post, Vlieg, who now works for a different law firm in Panama, declined to say whether Mossack Fonseca donated to the center.

"I don't have anything to hide. Their goals were aligned with the jurisdiction's goals," he said. "I really don't have any comment."

Also in 2007, a fundraising pitch from the center surfaced in Asia. The director of a Hong Kong offshore company sent the letter to his contacts in the Cook Islands, a notorious tax haven in the South Pacific, pointing out that the center was trying to raise $250,000 to "stop the bleeding, build allies and go on the offensive" against efforts in Washington to regulate the industry.

"I personally think the efforts of CF&P should be supported by the Cook Islands given the impact [that] passage of current bills being considered in the USA Congress would have on the jurisdiction and industry," the director wrote.

Following the 2008 election, with a Democrat in the White House, efforts to regulate the offshore world gained momentum.

In 2010, President Obama signed into law a significant tax haven reform. The Foreign Account Tax Compliance Act (FATCA) requires U.S. citizens to report overseas holdings. Foreign financial institutions must disclose the existence of American-held accounts or face stiff financial penalties. The center argued unsuccessfully against the measure.

That same year, the center's foundation received $119,000 out of funds raised by a financial services company in Virginia, according to tax filings. The firm was founded by Richard W. Rahn, a former senior fellow at the Cato Institute, the think tank where Mitchell also works. Rahn served as economic adviser to George H.W. Bush during the 1988 presidential campaign, and he was a member of the board of the Cayman Islands Monetary Authority. He also served as a vice president and chief economist for the U.S. Chamber of Commerce.

Rahn said in a recent interview that he has known Mitchell for 30 years and supported the center's goals.

"I knew people around the world who were interested in this issue and wanted to help out," Rahn said. "These are all very legitimate people. We're not talking about criminals or money launderers or drug dealers or anything like that. I had argued for the Center for Freedom and Prosperity because they had very low overhead and they were very focused."

In 2012, with a U.S. presidential election on the horizon, the center reached out again to Mossack Fonseca. On Aug. 15, Quinlan sent an email saying that he was planning to visit Panama.

"I can talk a little about what CF&P is doing in Washington, the current legislative climate on offshore tax and information exchange schemes, the OECD, FATCA, the upcoming elections or any other similar topic," he wrote.

Attached to the email was a list of meetings the center said it had held with 42 U.S. senators and 181 House members. The list was a who's who of the Washington political establishment, including then-Senate Minority Leader Mitch McConnell, R-Ky., and then-House Majority Leader Eric Cantor, R-Va.

Aides to McConnell and Cantor said the lawmakers didn't recall any meetings with Quinlan or Mitchell. Quinlan said meetings were often held with staffers, not the lawmakers themselves. Along with the email, the center sent a second document to Mossack Fonseca titled "Who We Are and What We Do."

"We'll also be educating members of Congress and laying the groundwork with receptive contacts within Mitt Romney's economic team to take advantage of a potential change in leadership following November's election," the center wrote in the document. "This includes our relationship with Vice-Presidential nominee Paul Ryan, and we are prepared to hit the ground running should he be elected."

In recent years, the center's fundraising efforts have waned with the passage of the tax compliance act that Obama signed into law requiring foreign institutions to disclose American-held accounts or face severe penalties. More than 100 countries including Panama have committed to tax transparency standards developed at the OECD.

But with another presidential election looming, Quinlan and Mitchell said they are optimistic that they can loosen Washington's hold on the offshore world and free up much-needed donations.

After several years of declining revenue in 2013 and 2014, the center reported in tax filings that it had raised "at least $100,000 from more than six different entities" last year.

"I think when Obama was passing legislation by fiat and not going to Congress, everyone just lost the way," Quinlan said. "But now, with the light at the end of the tunnel, with him leaving, we're getting back to the point that maybe there's hope out there."