BUSINESS

Businesses sign up those who wrote tax law

WASHINGTON

With legislative future uncertain, policy creators sprint to lobbying jobs

BY ALAN RAPPEPORT

Six months after Republicans pushed a $1.5 trillion tax overhaul through Congress, many of the most influential players who worked behind the scenes on the legislation are no longer on Capitol Hill or in the Trump administration.

They are now lobbyists.

The two-way street between lobbying and lawmaking is well worn in Washington. But after President Trump's campaign pledge to "drain the swamp," there was some speculation that the so-called special interests might be sidelined. And while the frenetic two-month sprint last year to pass the tax legislation left some lobbyists marginalized, the businesses now scrambling to navigate the changes are increasingly recruiting the people who wrote it.

With the November midterm elections near, and the possibility that Republicans could lose control of the House or the Senate, staff members have additional motivation to move on.

"Companies are looking to better understand the legislation and potentially affect future changes, which is why they are snatching up top talent," said Ken Spain, a Republican consultant who works on financial and tax issues. "With the uncertainty of the election looming, Republican staffers are quietly making themselves available to K Street while they can still demand top asking price."

While they might not be household names, those who have decamped to the private sector played a major role in the passage of the most sweeping tax bill in three decades. More than a dozen people have already migrated this year, and more are expected to follow as the elections draw closer.

In June, the Clearing House Association, an advocacy group focused on financial regulation, announced that it had hired Shahira Knight to lead its new joint venture with the Financial Services Roundtable. Ms. Knight was deputy director of the White House's National Economic Council and a close aide to Gary Cohn, Mr. Trump's top economic adviser who left earlier this year. Marc Short, the White House's legislative affairs director, is expected to leave in the coming months.

The Treasury Department has also lost top talent in the last month. Drew Maloney, who was the assistant secretary for legislative affairs and the agency's chief liaison with Congress, will in August become the president and chief executive of the American Investment Council, the lobbying group for the private equity industry. And Jared Sawyer, Treasury's deputy assistant secretary for financial institutions policy, has just started at Rich Feuer Anderson, a financial services lobbying firm.

With little time left on the legislative calendar and more gridlock in store, some of these departing officials may feel that staying in government offers diminishing returns.

"If you think about administrations historically, a lot of what is accomplished is in the first year or 18 months," Mr. Maloney said in an interview. "Many staffs spend years and never accomplish what we did at Treasury in a limited amount of time, between tax legislation, financial services reform, Cfius reforms and sanctions." He was referring to the recent rollback of some rules for smaller banks and the likely passage of legislation that would expand the ability of the Committee on Foreign Investment in the United States to block international mergers on national security grounds.

Staff members on committees in Congress have also moved on. Perhaps the most high-profile departure this year was Mark Prater, the longtime tax counsel of the Senate Finance Committee who joined the tax advisory firm PricewaterhouseCoopers in June. In May, Brendan Dunn, the policy adviser and counsel to the Senate majority leader Mitch McConnell, left to become a policy partner at the lobbying firm Akin Gump to focus on tax policy matters.

The staff of the House Ways and Means Committee, which started the tax-writing process, has experienced an exodus of its own. David Stewart, the committee's staff director, left this spring to take a job in the public policy practice of the law firm Squire Patton Boggs. The committee also lost its coalition director, its general counsel, a speechwriter and several communications aides to lobbying groups like the Chamber of Commerce or to jobs in government affairs at companies like Microsoft and MGM International.

Administration and congressional staff members can often double or triple their salaries while working a fraction of their government hours by joining lobbying firms.

The migration from lawmaking to lobbying has occurred under both Democratic and Republican presidents. Congressional staff members often make the switch after the enactment of major legislation, and experts who chart the influence of money in politics noted a similar trend, perhaps to a lesser degree, after the passage of the Affordable Care Act under President Barack Obama.

"This year, the revolving door is particularly swinging out of control," said Craig Holman, government affairs lobbyist at Public Citizen, an advocacy group that promotes lobbying reform. "The midterm elections are coming up, which many expect to not go well for the Republicans, and this is the ideal opportunity for Republican congressional staff and administration officials to be able to cash in on what they have been doing the last year and a half."

Upon taking office, Mr. Trump made moves to strengthen some of the lobbying restrictions put in place by Mr. Obama. But Mr. Trump weakened other rules, including one that allows departing executive branch officials to lobby the administration informally, as long as they are not registered lobbyists.

Paul Miller, president of the National Institute for Lobbying and Ethics, said that this has led to the growth of a shadow lobbying industry, where former government staff members take consulting and advisory jobs that are essentially lobbying under a different name.

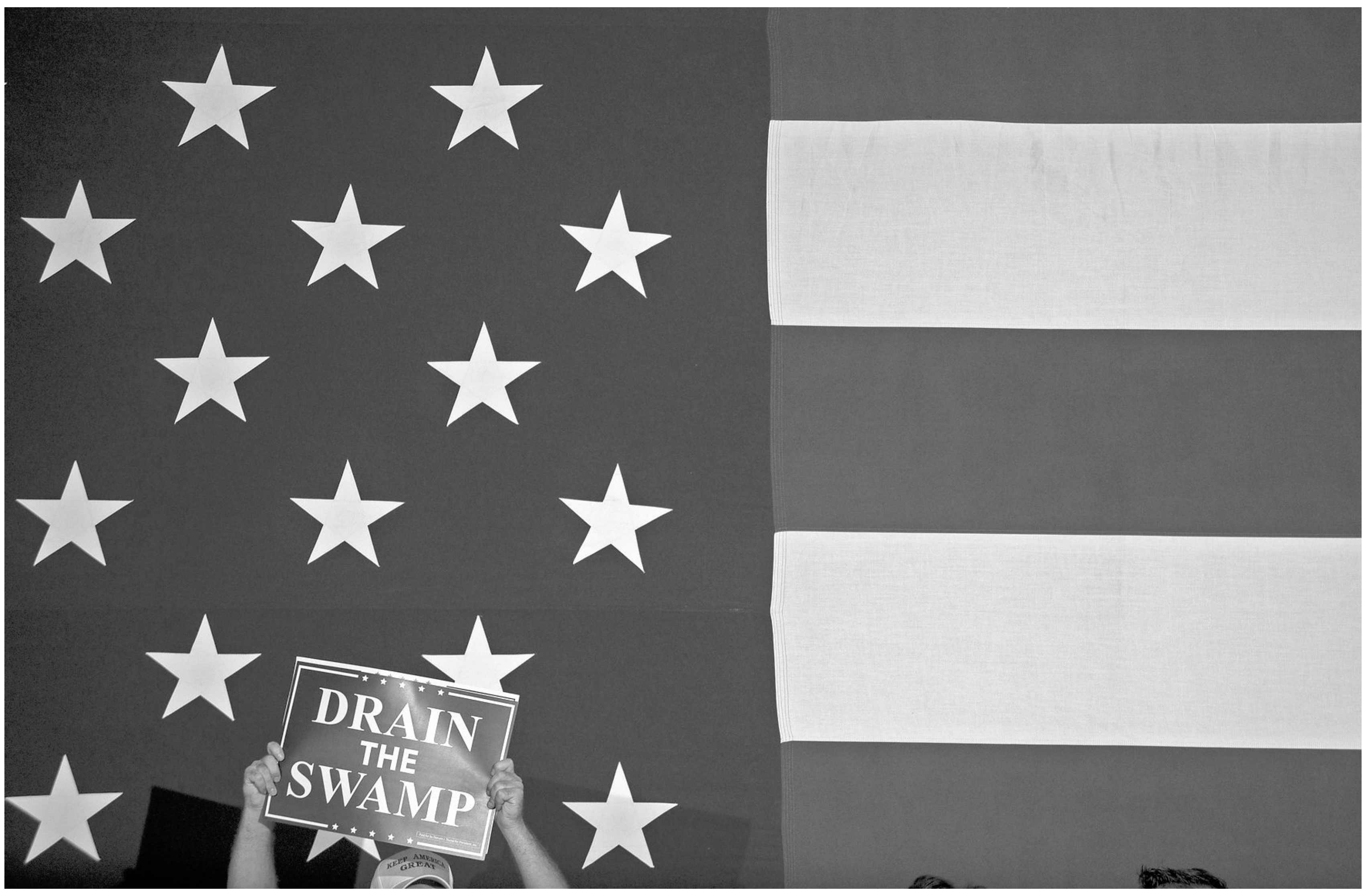
"They're calling it something else and doing what they were doing anyway," Mr. Miller said. He noted that the number of registered lobbyists has been falling in recent years. "The actual number of lobbyists has increased dramatically."

There is still plenty of lobbying to be done. Last week, Mr. Trump said that he wanted to pass another round of tax cuts this year, lowering the corporate tax rate further and making permanent the individual tax cuts that will eventually expire. The Internal Revenue Service is in the process of determining guidance on several provisions of the tax law that remain murky. Perhaps the most important one is who qualifies for the lower tax rate for "pass through" businesses — entities whose tax liability is borne by the owners on their personal tax returns.

The international side of the tax code is also due for more changes. Representative Kevin Brady of Texas, the Republican chairman of the Ways and Means Committee, acknowledged in an interview on the Fox Business Network last week that the speed of the passage of the legislation meant that fixes were needed.

But critics of the Trump administration warn that the president is turning a blind eye to the fact that lobbyists are becoming more entrenched under his watch.

"It's going to cost the American taxpayer billions of dollars," said Norman Eisen, the chairman of Citizens for Responsibility and Ethics and a former adviser to Mr. Obama. "These people are being brought into the special interest influencing industry in order to find ways to evade an already generous, excessively generous giveaway to corporations."



GABRIELLA DEMCZUK FOR THE NEW YORK TIMES

A member of the audience at President Trump's rally last week in Montana. Since taking office, Mr. Trump has strengthened some lobbying restrictions but weakened others.

Unwilling to stay out

Advertising executive challenges ex-employer in bid for marketing firm

BY SAPNA MAHESHWARI

Martin Sorrell reigned as one of the most influential leaders in the advertising industry for three decades as the chief executive of the marketing colossus WPP. After he abruptly resigned in April following an investigation into alleged personal misconduct, the normally sharp-tongued, frenetic 73-year-old slipped unexpectedly out of sight.

But not for long.

By the end of May, Mr. Sorrell had created a new advertising company called S4 Capital, which he pitched last month at the annual advertising bacchanal in Cannes, France. While there, he spoke at events where he defended his reputation and criticized WPP for how it had handled his departure.

Then last week, Mr. Sorrell clashed more directly with his former employer, with both vying to purchase the same Dutch marketing firm.

Lawyers for WPP sent a letter to Mr. Sorrell on Tuesday telling him that he was risking his future stock awards, worth millions of dollars, by aiming to buy the Dutch firm, according to a person who reviewed the letter and shared its contents on the condition of anonymity. The letter said that WPP started considering an acquisition of the firm, called MediaMonks, in November 2017. Mr. Sorrell, who was then still running the conglomerate, "was heavily engaged in this process," it said, even traveling to the Netherlands to meet with the company's management team.

That would make his separate pursuit an "unlawful diversion of a maturing business opportunity from WPP," and would most likely breach his confidentiality agreement, which would threaten the stock awards, the letter said.

A spokesman for Mr. Sorrell said the claims were inaccurate and represented "a weak and feeble attempt by WPP to destabilize" S4 Capital's bid for MediaMonks.

The scuffle has put a spotlight on Mr. Sorrell's ambitions after WPP, which he founded in the 1980s, and his efforts to push past his unceremonious exit.

"Bidding on the same thing as WPP, is that a coincidence — of all the things in the world?" said Jon Bond, co-chairman of the digital marketing firm Shipyard, who has co-founded and led several agencies and met with Mr. Sorrell over the years. "It feels like more of an emotional reaction than a thought-out calculated approach because he's on the rebound. My question is what's the strategy, and be careful, because revenge is not a strategy."

Mr. Sorrell has referred to his new firm as a "peanut" compared with WPP, which owns more than 100 marketing and communications firms, including Ogilvy and Y&R. He acknowledged his age while speaking at an event in Cannes, saying that he is looking at building the firm for the next five to seven years, at which point he will reassess his physical and mental health.

WPP, where Mr. Sorrell remained a shareholder, declined to comment.

S4 Capital plans to be publicly traded by using an existing company's listing. According to a May filing, it aims to "build a multinational communication services business, initially by acquisitions," with a focus on technology, data and content. Mr. Sorrell, who was one of the world's most highly paid executives while at WPP, contributed 40 million pounds (about $53 million) of the firm's initial equity funding and is its executive chairman.

The filing noted that institutional investors had indicated they would be willing to provide more than $200 million in additional equity funding for acquisitions. Last week, The Wall Street Journal reported that Mr. Sorrell was seeking shareholder approval to raise up to £1 billion for additional acquisitions. The report also noted that an information circular, published in advance of a general shareholder meeting on July 23, said talks were underway regarding multiple acquisitions.

"I think WPP expected him to be perhaps toxic and therefore not able to raise capital," said Brian Wieser, a media analyst at Pivotal Research. "They maybe underestimated the degree to which he now has a massive chip on his shoulder and really wants to be able to prove himself."

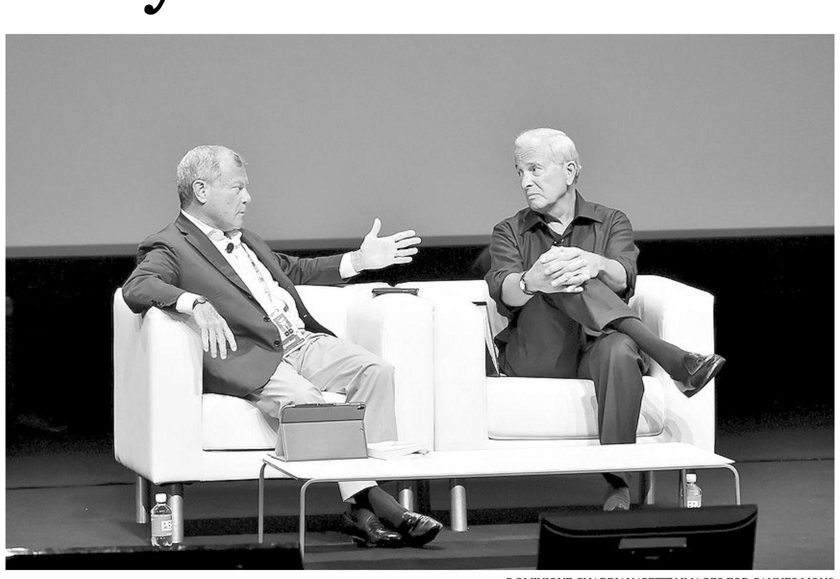
It remains to be seen how Mr. Sorrell's exit from WPP affects his new business ventures. Mr. Sorrell has denied a report in The Wall Street Journal that his departure was preceded by a company investigation into whether he had visited a brothel and used WPP money to pay a prostitute. Separately, he denied allegations of bullying behavior detailed in The Financial Times.

MediaMonks, when asked about the bids and whether it had discussed the allegations regarding Mr. Sorrell with its clients, said it did not comment on speculation. The digital production company, founded in 2001, has 11 offices globally and has worked with companies like Lego, Google, Bose and Ikea on projects from gaming apps to documentaries.

"I still think he will be very successful in attracting agencies," Greg Paull, a principal at R3, a consulting firm, said of Mr. Sorrell.

WPP had not publicly made an issue of Mr. Sorrell's plans until the MediaMonks pursuit. In last week's letter, lawyers for WPP wrote that Mr. Sorrell was privy to "extensive" confidential information about MediaMonks, which "he was only able to acquire through his role at WPP." It called his subsequent pursuit of the firm "an unlawful diversion of a maturing business opportunity."

WPP's chairman, Robert Quarta, told The Journal last week that if Mr. Sorrell had violated his confidentiality agreements with the firm, which cover acquisitions that it explored while he was chief executive, that it could threaten his long-term share award of as much as $26 million.



DOMINIQUE CHARRIAU/GETTY IMAGES FOR CANNES LIONS

Martin Sorrell, left, with the writer Ken Auletta in Cannes. Since resigning as WPP's chief executive in April, Mr. Sorrell has created an advertising firm called S4 Capital.

Headaches for public figures

ACCOUNTS, FROM PAGE 9

with friends, attached to phone numbers or with unique profile photos. Fake accounts that look more established and were typically created years ago, known as aged accounts, fetch $5 to $40 each.

And if you are ready to buy? The vendors accept Bitcoin.

"A DISHEARTENING THING"

For many celebrities, the flood of fake social media accounts can cause real-life headaches.

Trace Adkins, the country music singer, said he had encountered people at nearly every show who claimed that in online messages, he had promised them free tickets and a backstage tour.

"It's just exasperating, because there doesn't seem to be anything anybody can ... " he said in an interview on Thursday before a concert in Fayetteville, Ga., his voice trailing off. "My tour manager just walked on the bus and said it just happened."

Women regularly tell Mr. Adkins he had proposed to them online. "I mean it's off-the-charts crazy, man," he said. "But people believe this stuff and we have to deal with it."

When I messaged an Instagram account pretending to belong to Mr. Adkins, the impostor directed me to a profile impersonating the singer's daughter. The account, which had posted numerous photos of the college-age Ms. Adkins, said she had started a charity and sent me a photo of a man in a hospital bed.

Whoever was behind the fake account then asked for a donation "to pay a dying man's hospital bill." The sum? $14,700. When I demurred, the impostor wrote snippily, "Are you willing to help us with money or what?"

Mr. Adkins said of the account posing as his daughter: "I would like to hunt that guy down and give him a beating." He said his team had contacted the F.B.I. and the social media companies, to no avail. "It falls on deaf ears," he said. "They know there are hundreds of fake accounts and they don't do anything about it."

Last year, Mr. Adkins posted a video on Facebook warning fans of the online impostors. Two weeks ago, 20 other country and pop stars, including Kelly Clarkson and Blake Shelton, released a video urging fans to steer clear of imitators.

Mr. Moore said the fake accounts had weighed on him. He recently got a message from a man who said his wife was leaving him for Mr. Moore after she had started a relationship with the singer online. When he clicked on the woman's profile, he found a 60-year-old mother of five.

"How can it not bother me?" Mr. Moore said. "I have people like, 'You're the biggest scumbag ever. You were doing this, messaging my mom or whatever.' It's a disheartening thing, when you're viewed a certain way by people that has nothing to do with your character in real life."

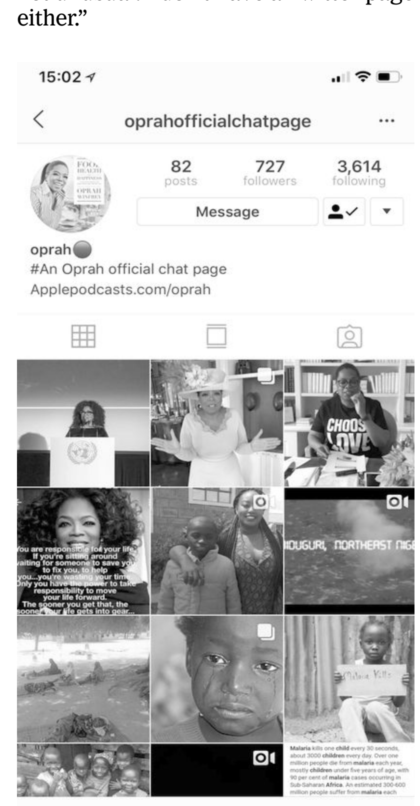
James Martin, a Jesuit priest and author with 571,000 followers on Facebook, said imitators sent messages to his followers soliciting donations or "they'll start posting horrible things in my name," like criticism of Catholic charities. "There is a special place in hell reserved for people like that," he said.

The comedian Dave Chappelle said he began following messages posted on Twitter by one of his impersonators and actually found them funny — until the account began to trade insults with the Twitter account of another comedian, Katt Williams.

"Katt Williams starts saying things to the fake Dave Chappelle that's hurting the real Dave Chappelle's feelings," Mr. Chappelle recounted on "The Tonight Show" in 2014.

Mr. Chappelle said he was worried when he later encountered Mr. Williams at an event. Mr. Chappelle said he told Mr. Williams he did not have a Twitter account.

"So?," Mr. Williams replied. "That's not unusual. I don't have a Twitter page either."



INSTAGRAM

An Instagram account purporting to be "An Oprah official chat page."

AN ARMS RACE

One of the social media companies' main defenses against fake accounts is users, whom they ask to report suspicious activity. Facebook recently added an option to report profiles as impostors.

To conclude my experiment, I reported more than 30 celebrity impostor accounts to the companies — including all the examples cited in this article — to see what would happen. I received responses to only six of those reports, all from Instagram. They included two Mr. Moore impersonators and a phony Ms. Winfrey, with 727 followers, which had posted images of sick and poor children and had asked for donations. Instagram said the accounts did not violate its policies. There was no option to appeal.

Instagram removed one account that I flagged, which impersonated Ms. Swift, although the company did not notify me.

"We take the reports really seriously," said Pete Voss, a Facebook and Instagram spokesman, adding that the company would remove the other accounts I had reported. "We're not going to get it 100 percent right every time obviously."

Ian Plunkett, a Twitter spokesman, said the company had "strict policies and enforcement procedures" regarding impersonation, and he directed me to the company's rules. In total, Facebook said it had removed roughly 583 million fake accounts, most within minutes of creation, in January, February and March. Twitter said its software was identifying nearly 10 million "spammy or automated" accounts a week.

Mr. Dickens, the Facebook product manager, said the company was trying to stamp out every pretender but that the task was complicated by the social network's size, the nuance of separating imitators from fan pages and the sophistication of some of the impostors.

"It's the arms race," he said.

Facebook is fighting much of this arms race against people in West Africa. People who report bogus accounts said they had tracked many of the internet protocol addresses connected to them to Nigeria or Ghana, where those behind the fake accounts call themselves Yahoo Boys.

One Nigerian man who advertises training for Yahoo Boys said in a phone interview that Facebook had gotten better at removing impostors but that Instagram had not. The man, who declined to be identified because his activity could be criminal, said he had run romance schemes by impersonating young female celebrities like Ariana Grande and Victoria Justice.

Those schemes were not as lucrative as pretending to be another kind of celebrity, though. "Porn star is better," he said.