

law does not say that such information is public if it is recorded in the public portion of a tax return.

There is no earthly reason why there should not be full disclosure to the public—that is, the names and addresses of donors and the amounts of their contributions should be open to public inspection. The public is entitled to know who is supporting the foundations. If there is any hanky-panky going on, the public would thus be informed as to who is carrying it on. If, for example, "hot" money is finding its way into tax-exempt foundations, certainly the public should know about it. By making it mandatory that the public be informed, potential hanky-panky may be avoided.

Public disclosure of donor-information can serve as a restraint upon unfair, self-dealing practices. Douglas Dillon, former Secretary of the Treasury, admitted before our subcommittee last July that a foundation can be a source of unfair competition arising from active use of foundation assets by donors or trustees for private business ends. The Secretary agreed that a foundation could be used as a device for engaging in various trade practices which might be in violation of certain statutes administered by the Federal Trade Commission or the Antitrust Division. Contributions received from persons or organizations that supply goods or services to a company interlocked with a foundation, or contributions received from persons or organizations that buy goods or services from a company interlocked with the foundation constitute one of the areas of possible violation of such statutes. The Secretary agreed that this is one of the problem areas that should be considered in drafting legislation which would prohibit self-dealing.

Mortimer M. Caplin, former Commissioner of the Internal Revenue Service, is well aware of the problems involved in barring the public from donor information. Mr. Caplin testified that "there should be the greatest of disclosure by foundations to the public. Exemption is an extremely preferred status under our tax system." He also suggested that there should be a careful examination of that portion of the law which permits contributions from one foundation to another, and from that foundation to another foundation.

The late President Kennedy had assured me that he favored public inspection of all information contained in foundation tax returns. But, unfortunately, certain Treasury officials now consider that the public, which pays their salaries and subsidizes foundations, is not worthy of learning the names and addresses of donors and the amounts they contribute to foundations.

Those officials have apparently even managed to sell Secretary Dillon on the desirability of concealing these vital facts from the public. During the course of our hearings of last July, Secretary Dillon agreed that the names and addresses of donors to a foundation should be open to public inspection. However, at a later date, when the Secretary reviewed the transcript, he completely changed his earlier answer by stating: "I think it quite proper that the names and addresses of the original creators of a foundation should be made public at the time the foundation receives its tax exemption." At the same hearing, Secretary Dillon agreed that all matters relating to the granting or denial of tax exemption as well as revocations and penalties should be made public. However, subsequently when the Secretary reviewed the transcript, he qualified his earlier answer by saying: "I would not object to public disclosure with respect to a foundation's application for exempt status or the statutory grounds upon which a foundation's exemption was revoked. Of course, I do not think that it would be wise, from an overall viewpoint, to open internal memorandums and reports to public inspection."

The position of those officials is somewhat ridiculous when you consider that anyone can pick up a newspaper any day of the week and find a story stating that Mr. Donald Dill Pickle III has proudly contributed \$100,000 to the Foundation for the Preservation of Dill Pickles. Hence, the name of the donor and the recipient of the gift are proudly displayed for all to see.

And, let us suppose that the Foundation for the Preservation of Dill Pickles contributed to the Foundation for the Preservation of Sweet Pickles. Under the law, the Foundation for the Preservation of Dill Pickles is required to list on its tax return the amount contributed and the name and address of the recipient, which, in this case, would be the Foundation for the Preservation of Sweet Pickles. Since such information is open to public inspection at the Internal Revenue Service offices, there is no secret about the fact that the Foundation for the Preservation of Sweet Pickles received a gift from the Foundation for the Preservation of Dill Pickles.