

## TAX-EXEMPT FOUNDATIONS: THEIR IMPACT ON SMALL BUSINESS

MONDAY, OCTOBER 30, 1967

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE No. 1  
OF THE SELECT COMMITTEE ON SMALL BUSINESS,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 2359, Rayburn House Office Building, Hon. Wright Patman (chairman of the subcommittee) presiding.

Present: Representatives Patman, Corman, Moore, Conte, and Morton.

Also present: H. A. Olsher, director, Foundations Study; Myrtle Ruth Foutch, clerk; and John J. Williams, minority counsel.

Mr. PATMAN. The committee will please come to order.

This is the first session of this year's hearings of Subcommittee No. 1 on the subject of the impact of tax-exempt foundations and charitable trusts on the economy. The object of the hearings is to determine whether legislation is needed in order to provide effective controls over such organizations. These hearings will provide a base of information that can be used to formulate positive congressional action.

Once again, because the Treasury Department has refused to assume its proper responsibilities in supervising and regulating tax-exempt foundations, another major move toward the undermining of our tax structure must be noted. Tax dodging that was inevitable because of the Treasury's indifference—yet, on a scale hardly imaginable to most taxpaying Americans—is now being forcefully promoted. Indeed, because the Treasury has tacitly encouraged tax dodging via the foundation gimmick, it was also inevitable that the Government would eventually be faced with “foundation factories.” This has happened. Tax dodging, via foundations, is now an industry, for which the participants are prepared through a special kind of higher education with its own curriculum, its own faculty, its own diploma—the latter being an IRS-approved foundation certificate—and certainly its own very tangible rewards.

Through the ingenuity of an organization known as Americans Building Constitutionally—also known as ABC—the upper middle-class citizen is learning the tax-avoidance tricks that were once thought to be reserved for the rich. Americans Building Constitutionally claim to have 800 persons who have paid to learn the ABC system. The purpose of ABC, as one trustee expressed it, is to “Henry Fordize” the tax-dodging specialties that were once associated only with millionaires. If a Rockefeller, Ford, or Mellon can avoid taxes under the guise