

writes that the Internal Revenue Service is starting an "intensive investigation" of Americans Building Constitutionally, and he quotes one IRS official as saying, "We will attack * * * we sure as hell aren't going to let these things go unchallenged."

But these spurts of bluster have become a pattern for the Internal Revenue Service; they mean nothing. Reform, if it comes, will have to be initiated by the Congress.

We have had reports of foundation founders who live lives of luxury, send their offspring to college, and give bountiful gifts to friends through so-called charitable foundations. We will try to find out if these reports are true. If they are true, I hope Congress will do something to block these scandalous tax loopholes.

On behalf of the subcommittee, I should like to welcome our first witness. We are glad to have you here, Mr. Robert D. Hayes. You will stand up, Mr. Hayes, and be sworn.

Do you solemnly swear that this testimony which you shall give before this subcommittee of the House Small Business Committee, the Subcommittee on Foundations, will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. HAYES. I do.

Mr. PATMAN. Take your seat.

With your approval, Mr. Hayes, I will either insert your statement at this point and then we will ask you questions, or you can read your statement or any part of it now. Which would you prefer?

TESTIMONY OF ROBERT D. HAYES, TRUSTEE OF THE AMERICANS BUILDING CONSTITUTIONALLY, A NOT-FOR-PROFIT TRUST, ACCOMPANIED BY K. P. CHARTIER, COUNSEL TO MR. HAYES; WILLIAM C. RAY, JR., COUNSEL TO MR. HAYES; AND ROBERT A. ERIE, ADMINISTRATIVE ASSISTANT TO MR. HAYES

Mr. HAYES. I would prefer to read it now.

Mr. PATMAN. You have that permission. Go ahead.

Mr. HAYES. Thank you.

Mr. PATMAN. Please identify the people here connected with you.

Mr. HAYES. Yes, sir. On my right is Mr. William E. Ray, my attorney.

On my left is my personal consultant, a public actuary from Texas.

Mr. MOORE. His name?

Mr. HAYES. Pardon me, Mr. K. P. Chartier.

At the end of the table is my administrative assistant, Mr. Robert A. Erie.

Mr. PATMAN. You may proceed in your own way, sir.

Mr. HAYES. Thank you.

Chairman Patman and members of the Small Business Subcommittee, your invitation to testify before this subcommittee on the important question of tax-exempt foundations is very much appreciated. We are wholly in accord with what we understand to be the purposes of this investigation; namely, to determine the impact of foundations on the national economy, and I compliment Chairman Patman on his decision to do so.

For the past several years, the growth of foundations has been rapidly accelerating and it is my opinion that every effort should be