

WHAT CAN BE ACCOMPLISHED BY CREATING A FOUNDATION?

1. Keep control of wealth.
2. Can keep for the donor many attributes of wealth by many means:
 - (a) Designating the administrative management of the foundation.
 - (b) Control over its investments.
 - (c) Appointing relatives as directors of the foundation.
 - (d) Foundation's assets can be used to borrow money to buy other property that does not jeopardize its purposes. Thus, foundation funds can be enhanced from the capitalization of its tax exemption.
3. The foundation can keep income in the family.
4. Family foundations can aid employees of the donor's business.
5. Foundations may be the method of insuring that funds will be available for use in new ventures in business.
6. We can avoid income from property while it is slowly being given to a foundation by a combination of a trust and the charitable foundation.
7. We can get the 20% charity deduction in other ways:
 - (a) By giving away appreciated property to the foundation, we escape a tax on the realization of a gain.
 - (b) We can give funds to a foundation to get charitable deduction currently in our most advantageous tax year.
 - (c) Very often local personal and real property taxes can be avoided.
 - (d) We can avoid speculative profits.
 - (e) We can give away valuable "frozen assets," white elephant estates, residences, valuable works of art, and collections of all arts."

Chairman's Report to the Select Committee on Small Business (Patman Report) House of Representatives, 87th Congress (1962) page 17. This is a quote from Cleveland Marshall Law Review.

Then, there is retention of control within the family. Then you discuss perpetual family control and closed corporations. I just want to read two or three lines on that:

Closed Corporations.—Perhaps the greatest advantage is afforded closed corporations. Through the use of a foundation the operator of a closed corporation may be able to keep voting control of the corporation in the family after the death of the principal stockholder.

And then you tell them how to pay salaries to family.

In other words, according to the way you explain this, foundations may hire people to work in political campaigns. Do you know of cases like that?

Mr. HAYES. No.

Mr. PATMAN. You don't know of any.

Mr. HAYES. No case.

Mr. PATMAN. Do you know of any cases where foundations have paid alimony to former wives?

Mr. HAYES. I do not.

Mr. PATMAN. There are cases where not only one wife has been paid alimony from foundation funds without expense to the donor but as many as five ex-wives have been paid that way.

Mr. HAYES. Mr. Chairman, we don't recommend that, and we never have.

Mr. PATMAN. You don't say it can't be done, according to your statement.

Mr. HAYES. It may be done. Do you say it is being done?

Mr. PATMAN. I am sure it is being done. We will bring that out later.

Mr. HAYES. All right. I would like to—

Mr. PATMAN. You can rest assured that foundations are being used for many purposes, including campaign workers and paying alimony to ex-wives. And, according to your statement, remote relatives may